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As filed with the Securities and Exchange Commission on December 21, 2010

Registration No. 333-

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

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

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**NewLink Genetics Corporation**

(Exact name of registrant as specified in its charter)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>541700</b> (Primary Standard Industrial Classification Code Number)	<b>42-1491350</b> (I.R.S. Employer Identification Number)
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**2503 South Loop Drive  
Ames, IA 50010  
(515) 296-5555**

(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

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**CHARLES J. LINK, JR.  
Chief Executive Officer  
NewLink Genetics Corporation  
2503 South Loop Drive  
Ames, IA 50010  
(515) 296-5555**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

---

*Copies to:*

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

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

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

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

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

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

## CALCULATION OF REGISTRATION FEE

<b>Title of Each Class of Securities to be Registered</b>	<b>Proposed Maximum Aggregate Offering Price(1)</b>	<b>Amount of Registration Fee(2)</b>
Common Stock, \$0.01 par value per share	\$86,250,000	\$6,150.00

- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.
- (2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

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

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

SUBJECT TO COMPLETION, DATED DECEMBER 21, 2010

PROSPECTUS



Shares

Common Stock

This is an initial public offering of NewLink Genetics Corporation. We are offering \_\_\_\_\_ shares of our common stock. We currently estimate that the initial public offering price of our common stock will be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share.

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

Investing in the common stock involves risks. See "Risk Factors" beginning on page 10.

	<u>Per Share</u>	<u>Total</u>
Initial price to public	\$ _____	\$ _____
Underwriting discounts and commissions	\$ _____	\$ _____
Proceeds, before expenses, to NewLink Genetics Corporation	\$ _____	\$ _____

We have granted the underwriters an option to purchase up to \_\_\_\_\_ additional shares of our common stock to cover over-allotments, if any, exercisable at any time until 30 days after the date of this prospectus.

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

The underwriters expect to deliver the shares on or about \_\_\_\_\_, 2010.

**Wells Fargo Securities**

**Cowen and Company**

**Baird**

**Canaccord Genuity**

**Needham & Company, LLC**

Prospectus dated \_\_\_\_\_, 2010.

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You should rely only on the information contained in this prospectus and any related free writing prospectus we may authorize to be delivered to you. We have not, and the underwriters have not, authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither this prospectus nor any related free writing prospectus is an offer to sell, nor are they seeking an offer to buy, these securities in any jurisdiction where the offer or solicitation is not permitted. The information contained in this prospectus is accurate only as of the date on the front cover of this prospectus and the information in any free writing prospectus that we may provide you in connection with this offering is accurate only as of the date of that free writing prospectus, and information may have changed since those dates.

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

## PROSPECTUS SUMMARY

*The items in the following summary are described in more detail later in this prospectus. This summary does not contain all of the information you should consider. Before investing in our common stock, you should read the entire prospectus carefully, including the "Risk Factors" beginning on page 10 and the financial statements and related notes beginning on page F-1. Unless the context indicates otherwise, as used in this prospectus, the terms "NewLink," "the Company," "we," "us" and "our" refer to NewLink Genetics Corporation.*

### Overview

We are a biopharmaceutical company focused on discovering, developing and commercializing novel immunotherapeutic products to improve cancer treatment options for patients and physicians. Our portfolio includes biologic and small-molecule immunotherapy product candidates intended to treat a wide range of oncology indications. Our product candidates are designed with an objective to harness multiple components of the innate immune system to combat cancer, either as a monotherapy or in combination with current treatment regimens, without incremental toxicity. Our lead product candidate, HyperAcute Pancreas cancer immunotherapy, or HyperAcute Pancreas, is being studied in a Phase 3 clinical trial in surgically-resected pancreatic cancer patients. The clinical trial is being performed under a Special Protocol Assessment, or SPA, with the U.S. Food and Drug Administration, or FDA, and as of December 10, 2010, we have enrolled 57 patients at 24 clinical sites in the United States. We launched this trial in May 2010 based on encouraging interim data from a 70-patient Phase 2 clinical trial in surgically-resected pancreatic cancer patients. We expect to evaluate approximately 700 patients in our ongoing Phase 3 clinical trial. We have also received Fast Track and Orphan Drug designations from the FDA for HyperAcute Pancreas for the adjuvant treatment of surgically-resected pancreatic cancer.

We completed enrollment of our 70-patient Phase 2 clinical trial for HyperAcute Pancreas in surgically-resected pancreatic cancer in February 2010. The interim data from this clinical trial indicate that HyperAcute Pancreas may improve disease-free and overall survival when given to patients in combination with standard-of-care following complete resection of detectable disease. As of December 9, 2010, interim efficacy data for all Phase 2 patients predict one-year overall survival of 86% based on Kaplan-Meier analysis. In addition, the interim efficacy data for the 26 patients receiving high dose HyperAcute Pancreas immunotherapy predict median disease-free survival of 15.3 months and a one-year overall survival rate of 96% based on Kaplan-Meier analyses. HyperAcute Pancreas has also demonstrated a favorable safety profile to date. We expect to announce 12-month follow-up data for all patients in this clinical trial in January 2011.

The American Cancer Society has estimated that approximately 43,000 new cases of pancreatic cancer will be diagnosed in the United States in 2010. Pancreatic cancer has generally been recognized as an aggressive form of cancer that often remains undiagnosed in its earlier stages. As a result, a 96% mortality rate is associated with this disease, with one-year and five-year survival rates of 24% and 5%, respectively. HyperAcute Pancreas initially targets patients with localized tumors that can be removed surgically, or resected. Approximately 20% of patients in the United States are eligible for resection at initial diagnosis. These earlier stage, resected patients have significantly better prognoses than patients with later-stage disease since they tend to have better nutritional and immune status and significantly lower amounts of micro-metastatic and residual disease. Resection followed by chemotherapy or chemoradiotherapy, known as adjuvant therapy, extends median survival to approximately 18 months. We believe the addition of HyperAcute Pancreas to adjuvant standard-of-care has the potential to improve median disease-free survival and overall survival in resected pancreatic cancer patients.

In addition to HyperAcute Pancreas, we and our collaborators have completed patient enrollment for a Phase 1/2 clinical trial evaluating our HyperAcute Lung cancer immunotherapy product candidate, or HyperAcute Lung, for non-small cell lung cancer, or NSCLC, and a Phase 2 clinical trial for our HyperAcute Melanoma cancer immunotherapy product candidate, or HyperAcute Melanoma. In the Phase 1/2 HyperAcute Lung clinical trial, we administered our product candidate as a monotherapy in

54 patients with refractory, recurrent or metastatic nonresectable NSCLC. As of September 30, 2010, the interim results for the 28 patients evaluated in the Phase 2 clinical trial group showed a median progression-free survival of 14.6 weeks, median overall survival of 11.3 months, a one-year survival rate of 46%, good tolerability and a favorable safety profile. Based on our analysis of data from comparable precedent clinical trials of similar patients, we would have expected a median overall survival of approximately eight months. We are conducting this Phase 1/2 study at the National Cancer Institute, or NCI. We anticipate announcing results from this trial in the first half of 2011 and initiating a Phase 2B/3 clinical trial in advanced NSCLC patients in the second half of 2011.

HyperAcute Melanoma is being studied in an investigator-initiated, fully-enrolled 25-patient Phase 2 clinical trial for the treatment of advanced melanoma in combination with an eight-week course of PEG-Intron, a man-made immune modulator. As of October 7, 2010, interim results from the first 12 patients to reach 12 months of follow-up in this trial have been encouraging, with all of the patients developing low levels of autoimmune antibodies and approximately one-third of patients developing vitiligo, an autoimmune condition in which the patient's immune system attacks melanocytes in the skin. In previous melanoma immunotherapy studies, vitiligo has been correlated with favorable response to therapy. HyperAcute Melanoma has demonstrated good tolerability and a favorable safety profile to date. We anticipate announcing the results from this trial in the second half of 2011.

Our HyperAcute Pancreas, Lung and Melanoma product candidates are based on our HyperAcute immunotherapy technology, which is designed to stimulate the human immune system by exploiting a natural barrier present in humans that protects against infection being transmitted from other mammals. This barrier is related to the enzyme, alpha (1,3) galactosyl transferase, or a-GT, which is expressed in the cells of lower mammals but not present in human or other Old World primate cells. The presence of this enzyme results in the expression of a non-human form of carbohydrate called alpha (1,3) galactosyl carbohydrates, or a-Gal, on the surface of affected cells. Introducing a-Gal expressing cells to the human or primate immune system activates an immune response from antibodies against a-Gal. Antibodies directed against the a-Gal epitope are potentially the most abundant natural antibody in humans and represent approximately 1% of circulating human antibodies.

Our HyperAcute immunotherapy product candidates are composed of irradiated, live, allogeneic human cancer cells modified to express the gene that makes a-Gal epitopes. This exposure to a-Gal stimulates the human immune system to attack and destroy the immunotherapy cells on which a-Gal is present by activating complement, an important component of the immune system that is capable of cell destruction. After destruction, we believe the resulting cellular fragments bound by anti-a-Gal antibodies are processed by the immune system to elicit an enhanced multi-faceted immune response to tumor-associated antigens common to both the immunotherapy and the patient's tumor cells.

In addition to our HyperAcute product candidates, we are developing d-1-methyltryptophan, or D-1MT, a small-molecule, orally bioavailable product candidate from our proprietary indoleamine-(2, 3)-dioxygenase, or IDO, pathway inhibitor technology. In preclinical models, IDO pathway inhibitors have shown anti-tumor effects in combination with radiotherapy, chemotherapy, targeted therapy or immunotherapy. Through our collaboration with the NCI, we are studying D-1MT in various chemotherapy and immunotherapy combinations in two Phase 1B/2 safety and efficacy clinical trials. The first clinical trial has primary endpoints that assess the safety and efficacy of D-1MT in combination with an Ad-p53 autologous dendritic cell vaccine for solid malignancies with p53 mutations, such as lung, breast and colon cancers. The second clinical trial has primary endpoints that assess safety and efficacy of D-1MT in combination with Taxotere® for patients with advanced stage solid tumors for which Taxotere is the standard-of-care, such as metastatic breast, prostate, ovarian and lung cancers. We anticipate announcing preliminary data from these trials by the end of 2011.

## **Investment Highlights**

We believe the following are the key attributes of our company:

- Our lead product candidate, HyperAcute Pancreas, is in a Phase 3 clinical trial based on encouraging interim Phase 2 survival data in surgically-resected pancreatic cancer patients.
- Our novel HyperAcute technology has a wide range of anti-cancer applications including two additional product candidates, HyperAcute Lung and HyperAcute Melanoma, in active clinical development.
- We have in-house manufacturing capabilities for our HyperAcute product candidates that we believe are sufficient to support clinical development and initial commercialization of HyperAcute Pancreas in the United States.
- Our lead IDO pathway inhibitor product candidate is in clinical development in combination with multiple alternative therapies, including Taxotere.
- We have an extensive intellectual property portfolio.

## **Our Strategy**

Our strategy is to discover, develop and commercialize immunotherapeutic products for the treatment of cancer where the needs of patients are unmet by current therapies. The critical components of our business strategy include:

- Complete the Phase 3 clinical trial of HyperAcute Pancreas, our lead immunotherapy product candidate, and gain regulatory approval.
- Develop sales and marketing infrastructure to commercialize our HyperAcute Pancreas product candidate in the United States and establish commercial partnerships in other regions.
- Advance our HyperAcute Lung and HyperAcute Melanoma product candidates through additional clinical trials.
- Expand our manufacturing capabilities for our HyperAcute immunotherapy product candidates.
- Investigate our HyperAcute immunotherapy technology in additional oncology indications.
- Develop and commercialize D-1MT, our small-molecule product candidate, for the treatment of various oncology indications.

## **Our Risks**

We are a development stage biopharmaceutical company, and our business and ability to execute our business strategy are subject to a number of risks of which you should be aware before you decide to buy our common stock. In particular, you should consider the following risks, which are discussed more fully in "Risk Factors" beginning on page 10:

- Our near term prospects are highly dependent on HyperAcute Pancreas. If we fail to demonstrate efficacy in clinical trials, fail to obtain regulatory approval or fail to successfully commercialize HyperAcute Pancreas, our business would be harmed and the value of our securities would likely decline.
- If our product candidates do not meet safety and efficacy endpoints in clinical trials, they will not receive regulatory approval, and we will be unable to market them. We have not tested any of our product candidates in controlled clinical trials.
- Our HyperAcute product candidates are based on a novel technology, which may raise development issues we may not be able to resolve, regulatory issues that could delay or prevent approval or personnel issues that may keep us from being able to develop our product candidates.

- While we have negotiated an SPA with the FDA relating to our HyperAcute Pancreas Phase 3 clinical trial, the SPA does not guarantee any particular outcome from regulatory review of the trial or the product candidate, including any regulatory approval.
- We currently plan to amend our HyperAcute Pancreas Phase 3 clinical trial protocol based upon maturing data from our HyperAcute Pancreas Phase 2 clinical trial. Such amendment may require FDA approval to maintain a binding SPA. If we are unable to obtain FDA approval, our SPA could become non-binding, which could delay or prevent successful completion of our HyperAcute Pancreas Phase 3 clinical trial.
- We may face delays in completing our clinical trials and we may not be able to complete them at all.
- Regulatory authorities may not approve our product candidates even if they meet safety and efficacy endpoints in clinical trials.
- Our product candidates are being and will be studied in clinical trials co-sponsored by the NCI and in investigator-initiated clinical trials, which means we have little control over the conduct of such trials.
- We will need to develop or acquire additional capabilities in order to commercialize any product candidates that obtain FDA approval, and we may encounter unexpected costs or difficulties in doing so.
- We have outstanding debt which may be accelerated as early as March 18, 2011.
- Failure to attract and retain key personnel could impede our ability to develop our products and to obtain new collaborations or other sources of funding.
- We have never manufactured our product candidates at commercial scale, and there can be no assurance that such products can be manufactured in compliance with regulations at a cost or in quantities necessary to make them commercially viable.
- We replicate all biological cells for our products internally and utilize a single manufacturing site to manufacture our clinical product candidates. Any disruption in the operations of our manufacturing facility would have a significant negative impact on our ability to manufacture products for clinical testing and would result in delays, increased costs or losses.
- The industry within which we operate and our business are subject to extensive regulation, which is costly, time consuming and may subject us to unanticipated delays.
- We compete in an industry characterized by extensive research and development efforts and rapid technological progress. New discoveries or commercial developments by our competitors could render our potential products obsolete or non-competitive.
- If we are unable to protect our proprietary rights or to defend against infringement claims, we may not be able to compete effectively or operate profitably.
- We have a history of net losses. We expect to continue to incur increasing net losses for the foreseeable future, and we may never achieve or maintain profitability.
- We will require substantial additional capital in the future. If additional capital is not available, we will have to delay, reduce or cease operations.

### **Corporate Information**

We were incorporated as NewLink Genetics Corporation in Delaware on June 4, 1999. Our principal executive offices are located at 2503 South Loop Drive, Ames, IA 50010, and our telephone number is (515) 296-5555. Our website address is [www.linkp.com](http://www.linkp.com). The information contained in or that can be accessed through our website is not part of this prospectus.

HyperAcute® and NewLink Genetics® are registered trademarks of ours. Other trademarks and tradenames set forth herein are property of their respective owners. Registered trademarks and tradenames will be accompanied by the "®" designation only on their first reference.

## The Offering

<b>Common stock offered</b>	shares (or shares if the underwriters' overallotment option is exercised in full).
<b>Common stock to be outstanding after this offering</b>	shares (or shares if the underwriters' overallotment option is exercised in full).
<b>Use of proceeds</b>	We intend to use the net proceeds from this offering to fund clinical trials and other research and development activities for HyperAcute Pancreas, our other HyperAcute immunotherapy product candidates and our IDO pathway inhibitor product candidate and for working capital and other general corporate purposes.
<b>Risk factors</b>	You should read the "Risk Factors" section of this prospectus beginning on page 10 for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.
<b>Proposed NASDAQ Global Market symbol</b>	NLNK

The number of shares of common stock to be outstanding after this offering is based on 7,639,103 shares of common stock outstanding as of September 30, 2010, after giving effect to (i) 375,000 shares of common stock issued on October 21, 2010 upon the exercise of outstanding warrants for an aggregate exercise price of \$2.0 million, (ii) 248,320 shares of our Series E preferred stock issued for an aggregate purchase price of \$7.8 million between December 1, 2010 and December 13, 2010, and (iii) 276,304 shares of our Series E preferred stock issuable in connection with our acquisition of the minority interest in our majority-owned subsidiary BioProtection Systems Corporation, or BPS, and excludes:

- 1,385,053 shares of common stock issuable upon the exercise of outstanding options under our 2000 Equity Incentive Plan, or 2000 Plan, as of September 30, 2010 having a weighted average exercise price of \$0.83 per share;
- 4,992,250 shares of common stock issuable upon the exercise of outstanding options under our 2009 Equity Incentive Plan, as amended, or 2009 Plan, as of September 30, 2010 having a weighted average exercise price of \$1.35 per share;
- 1,889,750 additional shares of common stock reserved for future issuance under our 2009 Plan, as amended and restated, of which 1,500,000 were added to the shares reserved under this plan on October 29, 2010, plus any annual increases in the number of shares of common stock reserved for future issuance under this plan pursuant to the "evergreen provision" in such plan, as more fully described in "Executive Compensation — Employee Benefit Plans — 2009 Equity Incentive Plan";
- 950,000 shares of common stock reserved for future issuance under our 2010 Non-Employee Directors' Stock Award Plan, or Directors' Plan, and 2010 Employee Stock Purchase Plan, or 2010 Purchase Plan, each of which will become effective upon the completion of this offering; and
- 106,347 shares of common stock issuable upon the exercise of options that are issuable in connection with our acquisition of the minority interest in BPS in exchange for outstanding options to purchase the Series B common stock of BPS.

Unless otherwise noted, the information in this prospectus assumes:

- the conversion of all our outstanding shares of preferred stock into 16,406,889 shares of common stock upon the completion of this offering;
- the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws upon the completion of this offering;
- no exercise of the underwriters' over-allotment option; and
- a one-for- reverse stock split of our common stock to be effected before completion of this offering.

Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends upon the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the respective number of shares set forth above.

### Summary Financial Data

The following tables summarize certain of our financial data. The summary statement of operations data for the years ended December 31, 2007, 2008 and 2009 are derived from our audited financial statements included elsewhere in this prospectus. The summary statement of operations data for the nine months ended September 30, 2009 and 2010 and the balance sheet data as of September 30, 2010 have been derived from our unaudited interim financial statements, which are included elsewhere in this prospectus. The unaudited interim financial statements have been prepared on the same basis as the audited financial statements and, in the opinion of management, reflect all adjustments, consisting primarily of normal recurring adjustments, necessary to fairly present our financial position as of September 30, 2010, and results of operations for the nine months ended September 30, 2009 and 2010. Our historical results of operations and financial condition are not necessarily indicative of the results or financial condition that may be expected in the future. The summary financial data set forth below should be read together with our financial statements and related notes, "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	Years Ended December 31,			Nine Months Ended September 30,	
	2007	2008	2009	2009 (unaudited)	2010 (unaudited)
(in thousands, except per share data)					
<b>Statement of operations data:</b>					
Grant revenue	\$ —	\$ 633	\$ 934	\$ 268	\$ 1,105
<b>Operating expenses:</b>					
Research and development	4,767	5,451	5,559	4,120	6,921
General and administrative	3,353	4,597	5,192	3,875	5,610
<b>Total operating expenses</b>	<b>8,120</b>	<b>10,048</b>	<b>10,751</b>	<b>7,995</b>	<b>12,531</b>
<b>Loss from operations</b>	<b>(8,120)</b>	<b>(9,415)</b>	<b>(9,817)</b>	<b>(7,727)</b>	<b>(11,426)</b>
<b>Other income and expense:</b>					
Miscellaneous income	87	42	19	17	71
Interest income	454	213	132	93	22
Interest expense	(1)	(2)	(9)	(6)	(34)
<b>Other income (expense), net</b>	<b>540</b>	<b>253</b>	<b>142</b>	<b>104</b>	<b>59</b>
Net loss	(7,580)	(9,162)	(9,675)	(7,623)	(11,367)
<b>Less net loss attributable to noncontrolling interest</b>	<b>—</b>	<b>—</b>	<b>233</b>	<b>256</b>	<b>186</b>
<b>Net loss attributable to NewLink</b>	<b>\$ (7,580)</b>	<b>\$ (9,162)</b>	<b>\$ (9,442)</b>	<b>\$ (7,367)</b>	<b>\$ (11,181)</b>
<b>Net loss per share-basic and diluted</b>	<b>\$ (1.17)</b>	<b>\$ (1.40)</b>	<b>\$ (1.42)</b>	<b>\$ (1.11)</b>	<b>\$ (1.64)</b>
<b>Weighted average shares outstanding — basic and diluted</b>	<b>6,460</b>	<b>6,542</b>	<b>6,636</b>	<b>6,615</b>	<b>6,835</b>
<b>Pro forma as adjusted net loss per share — basic and diluted (unaudited)</b>			<b>\$ ( )</b>		<b>\$ ( )</b>
<b>Weighted average pro forma as adjusted shares outstanding (unaudited)</b>					

	<b>As of September 30, 2010</b>		
	<b>Actual</b>	<b>Pro Forma</b>	<b>Pro Forma</b>
		<b>(unaudited)</b>	<b>As Adjusted</b>
		<b>(in thousands)</b>	
<b>Balance sheet data:</b>			
Cash, cash equivalents, and certificates of deposit	\$ 7,801	\$	17,561
Working capital	(236)		9,083
Total assets	14,450		23,769
Notes payable and obligations under capital leases	7,346		7,346
Convertible preferred stock	55,164		71,558
Deficit accumulated during the development stage	(58,143)		(58,143)
Total equity (deficit)	\$ (49,875)	\$	(56,510)

The summary pro forma and pro forma as adjusted balance sheet data above gives effect to the following transactions as if they had occurred as of September 30, 2010:

- on a pro forma basis (i) the exercise on October 21, 2010 of an outstanding warrant to purchase 375,000 shares of common stock for an aggregate exercise price of \$2.0 million, (ii) the completion on December 13, 2010 of the sale of 248,320 shares of our Series E preferred stock, and (iii) the issuance of 276,304 shares of Series E preferred stock in connection with our acquisition of the minority interest in our majority owned subsidiary, BPS; and
- on a pro forma as adjusted basis (i) the issuance and sale of \_\_\_\_\_ shares of common stock in this offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the price range listed on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us and the receipt by us of the proceeds of such sale and (ii) the conversion of all of our outstanding convertible preferred stock into an aggregate of 16,406,889 shares of common stock, which will take place automatically upon the closing of this offering in accordance with the terms of our preferred stock.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the price range listed on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted amount of each of cash, cash equivalents and marketable securities, additional paid-in capital, total stockholders' equity (deficit) and total capitalization by approximately \$ \_\_\_\_\_ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends upon the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the respective number of shares set forth above.

The table above does not include:

- 1,385,053 shares of common stock issuable upon the exercise of outstanding options under our 2000 Plan, as of September 30, 2010 having a weighted average exercise price of \$0.83 per share;
- 4,992,250 shares of common stock issuable upon the exercise of outstanding options under our 2009 Plan as of September 30, 2010 having a weighted average exercise price of \$1.35 per share; and
- 1,889,750 additional shares of common stock reserved for future issuance under our 2009 Plan, as amended and restated, of which 1,500,000 were added to the shares reserved under this plan on \_\_\_\_\_

October 29, 2010, plus any annual increases in the number of shares of common stock reserved for future issuance under this plan pursuant to the "evergreen provision" in such plan, as more fully described in "Executive Compensation — Employee Benefit Plans — 2009 Equity Incentive Plan";

- 950,000 shares of common stock reserved for future issuance under our Directors' Plan and 2010 Purchase Plan, each of which will become effective upon the completion of this offering; and
- 106,347 shares of common stock issuable upon the exercise of options that are issuable in connection with our acquisition of the minority interest in BPS in exchange for outstanding options to purchase the Series B common stock of BPS.

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. In evaluating our business, investors should carefully consider the following risk factors. These risk factors contain, in addition to historical information, forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below. The order in which the following risks are presented is not intended to reflect the magnitude of the risks described. The occurrence of any of the following risks could have a material adverse effect on our business, financial condition, results of operations and prospects. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.*

### Business Risks

#### Risks Relating to Clinical Development and Commercialization of Our Product Candidates

***Our near term prospects are highly dependent on HyperAcute Pancreas. If we fail to complete, or demonstrate safety and efficacy in, clinical trials, fail to obtain regulatory approval or fail to successfully commercialize HyperAcute Pancreas, our business would be harmed and the value of our securities would likely decline.***

We must be evaluated in light of the uncertainties and complexities affecting a development stage biopharmaceutical company. We have not completed clinical development for any of our products. Our most advanced product candidate is HyperAcute Pancreas. The United States Food and Drug Administration, or FDA, must approve HyperAcute Pancreas before it can be marketed or sold. Our ability to obtain FDA approval of HyperAcute Pancreas depends on, among other things, completion of our Phase 3 clinical trial, whether our Phase 3 clinical trial of HyperAcute Pancreas demonstrates statistically significant achievement of the clinical trial endpoints with no significant safety issues and whether the FDA agrees that the data from our Phase 3 clinical trial of HyperAcute Pancreas is sufficient to support approval. The final results of our Phase 3 clinical trials of HyperAcute Pancreas may not meet the FDA's requirements to approve the product for marketing, and the FDA may otherwise determine that our manufacturing processes, facilities or raw materials are insufficient to warrant approval. We may need to conduct more clinical trials than we currently anticipate. Furthermore, even if we do receive FDA approval, we may not be successful in commercializing HyperAcute Pancreas. If any of these events occur, our business could be materially harmed and the value of our common stock would likely decline.

***If our product candidates do not meet safety and efficacy endpoints in clinical trials, they will not receive regulatory approval, and we will be unable to market them. We have not tested any of our product candidates in controlled clinical trials.***

The clinical development and regulatory approval process is expensive and time-consuming. The timing of any future product approval cannot be accurately predicted. If we fail to obtain regulatory approval for our current or future product candidates, we will be unable to market and sell them and therefore we may never be profitable.

As part of the regulatory process, we must conduct clinical trials for each product candidate to demonstrate safety and efficacy to the satisfaction of the FDA and other regulatory authorities abroad. The number and design of clinical trials that will be required varies depending on the product candidate, the condition being evaluated, the trial results and regulations applicable to any particular product candidate.

Prior clinical trial program designs and results are not necessarily predictive of future clinical trial designs or results. Initial results may not be confirmed upon full analysis of the detailed results of a trial. Product candidates in later stage clinical trials may fail to show the desired safety and efficacy despite having progressed through initial clinical trials with acceptable endpoints.

In particular, there have been no control groups in our clinical trials conducted to date. While comparisons to results from other reported clinical trials can assist in predicting the potential efficacy of our HyperAcute Pancreas product candidate, there are many factors that affect the outcome for patients in clinical trials, some of which are not apparent in published reports, and results from two different trials cannot always be reliably compared. As a result, we are studying HyperAcute Pancreas in combination with the current standard-of-care in direct comparison to the current standard-of-care alone in the same trial and will need to show a statistically significant benefit when added to the current standard-of-care in order for HyperAcute Pancreas to be approved as a marketable drug. Patients in our Phase 3 study who do not receive HyperAcute Pancreas may not have results similar to patients studied in the other studies we have used for comparison to our Phase 2 studies. If the patients in our Phase 3 study who receive standard-of-care without HyperAcute Pancreas have results which are better than the results predicted by the other large studies, we may not demonstrate a sufficient benefit from the HyperAcute Pancreas to allow the FDA to approve it for marketing.

***Our HyperAcute product candidates are based on a novel technology, which may raise development issues we may not be able to resolve, regulatory issues that could delay or prevent approval or personnel issues that may keep us from being able to develop our product candidates.***

Our HyperAcute product candidates are based on our novel HyperAcute immunotherapy technology. In the course of developing this technology and these product candidates, we have encountered difficulties in the development process. There can be no assurance that additional development problems will not arise in the future which we may not be able to resolve or which may cause significant delays in development.

Regulatory approval of novel product candidates such as ours can be more expensive and take longer than for other, more well-known or extensively studied pharmaceutical or biopharmaceutical products, due to our and regulatory agencies' lack of experience with them. This may lengthen the regulatory review process, require us to conduct additional studies or clinical trials, increase our development costs, lead to changes in regulatory positions and interpretations, delay or prevent approval and commercialization of these product candidates or lead to significant post-approval limitations or restrictions. For example, the two cell lines that comprise HyperAcute Pancreas are novel and complex therapeutics that we have endeavored to better characterize so that their identity, strength, quality, purity and potency may be compared among batches created from different manufacturing methods. We currently lack the manufacturing capacity necessary for larger-scale production. If we make any changes to our current manufacturing methods or cannot design assays that satisfy FDA's expectations regarding the equivalency of such therapeutics in the laboratory, the FDA may require us to undertake additional clinical trials.

The novel nature of our product candidates also means that fewer people are trained in or experienced with product candidates of this type, which may make it difficult to find, hire and retain capable personnel for research, development and manufacturing positions.

***Our Special Protocol Assessment, or SPA, with the FDA relating to our HyperAcute Pancreas Phase 3 clinical trial does not guarantee any particular outcome from regulatory review of the trial or the product candidate, including any regulatory approval.***

The protocol for our HyperAcute Pancreas Phase 3 clinical trial was reviewed by the FDA under its SPA process, which allows for FDA evaluation of a clinical trial protocol intended to form the primary basis of an efficacy claim in support of a New Drug Application, or NDA, and provides an agreement that the study design, including trial size, clinical endpoints and/or data analyses are acceptable to the FDA. However, the SPA agreement is not a guarantee of approval, the FDA retains the right to require additional Phase 3 testing and we cannot be certain that the design of, or data collected from, the HyperAcute Pancreas Phase 3 clinical trial will be adequate to demonstrate the safety and efficacy of HyperAcute Pancreas for the treatment of patients with pancreatic cancer, or otherwise be sufficient to

support FDA or any foreign regulatory approval. In addition, the survival rates, duration of response and safety profile required to support FDA approval are not specified in the HyperAcute Pancreas Phase 3 clinical trial protocol and will be subject to FDA review. Although the SPA agreement calls for review of interim data at certain times prior to completion, there is no assurance that any such review, even if such interim data is positive, will result in early approval. Further, the SPA agreement is not binding on the FDA if public health concerns unrecognized at the time the SPA agreement was entered into become evident, other new scientific concerns regarding product safety or efficacy arise, or if we fail to comply with the agreed upon trial protocols. In addition, the SPA agreement may be changed by us or the FDA on written agreement of both parties, and the FDA retains significant latitude and discretion in interpreting the terms of the SPA agreement and the data and results from the HyperAcute Pancreas Phase 3 clinical trial. As a result, we do not know how the FDA will interpret the parties' respective commitments under the SPA agreement, how it will interpret the data and results from the HyperAcute Pancreas Phase 3 clinical trial, or whether HyperAcute Pancreas will receive any regulatory approvals as a result of the SPA agreement or the HyperAcute Pancreas Phase 3 clinical trial. Therefore, significant uncertainty remains regarding the clinical development and regulatory approval process for HyperAcute Pancreas for the treatment of patients with pancreatic cancer.

Interim data from our HyperAcute Pancreas Phase 2 clinical trial, or NLG-0205, has shown statistically significant differential responses to HyperAcute Pancreas immunotherapy between the 300 million cell dose cohort and the 100 million cell dose cohort. We currently plan to amend our HyperAcute Pancreas Phase 3 clinical trial protocol to extend treatment duration based upon this and other maturing data emerging from NLG-0205. If such amendment is considered a significant change to the HyperAcute Pancreas Phase 3 clinical trial protocol under the SPA, we would be required to obtain prior written FDA approval to maintain a binding SPA. If the FDA approval process is prolonged or we are unable to obtain FDA approval, our amendment could be delayed or our SPA could become non-binding, which could delay or prevent the continuation or successful completion of our HyperAcute Pancreas Phase 3 clinical trial.

***We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.***

Because we have limited financial and managerial resources, we must focus on research programs and product candidates for the specific indications that we believe are the most scientifically and commercially promising. As a result, we have in the past determined to let certain of our development projects remain idle including by allowing Investigational New Drug applications, or INDs, to lapse into inactive status, and we may in the future decide to forego or delay pursuit of opportunities with other product candidates or other indications that later prove to have greater scientific or commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable scientific or commercial products or profitable market opportunities. In addition, we may spend valuable time and managerial and financial resources on research programs and product candidates for specific indications that ultimately do not yield any scientifically or commercially viable products. If we do not accurately evaluate the scientific and commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in situations where it would have been more advantageous for us to retain sole rights to development and commercialization.

***We may face delays in completing our clinical trials, and we may not be able to complete them at all.***

We have not completed all the clinical trials necessary to support an application with the FDA for approval to market any of our product candidates. Our current and future clinical trials may be delayed or terminated as a result of many factors, including:

- delays or failure in reaching agreement on acceptable clinical trial contracts or clinical trial protocols with prospective sites;
- regulators or institutional review boards may not authorize us to commence a clinical trial;
- regulators or institutional review boards may suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements or concerns about patient safety;
- we may suspend or terminate our clinical trials if we believe that they expose the participating patients to unacceptable health risks;
- slower than expected patient enrollment or lack of a sufficient number of patients that meet the enrollment criteria for our clinical trials;
- patients may not complete clinical trials due to safety issues, side effects, dissatisfaction with the product candidate, or other reasons;
- difficulty in maintaining contact with patients after treatment, preventing us from collecting the data required by our study protocol;
- product candidates may demonstrate a lack of efficacy during clinical trials;
- governmental or regulatory delays, failure to obtain regulatory approval or changes in regulatory requirements, policy and guidelines;
- competition with ongoing clinical trials and scheduling conflicts with participating clinicians;
- delays in achieving study endpoints and completing data analysis for a trial; and
- the FDA may not approve our proposed amendment to our HyperAcute Pancreas Phase 3 clinical trial protocol.

In addition, we rely on academic institutions, physician practices and clinical research organizations to conduct, supervise or monitor some or all aspects of clinical trials involving our product candidates. We have less control over the timing and other aspects of these clinical trials than if we conducted the monitoring and supervision entirely on our own. Third parties may not perform their responsibilities for our clinical trials on our anticipated schedule or consistent with a clinical trial protocol or applicable regulations. We also may rely on clinical research organizations to perform our data management and analysis. They may not provide these services as required or in a timely or compliant manner.

Moreover, our development costs will increase if we are required to complete additional or larger clinical trials for the HyperAcute product candidates, D-1MT or other product candidates prior to FDA approval. If the delays or costs are significant, our financial results and ability to commercialize the HyperAcute product candidates, D-1MT or other future product candidates will be adversely affected.

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

Clinical trials for our product candidates require us to identify and enroll a large number of patients with the disease under investigation. We may not be able to enroll a sufficient number of patients, or those with required or desired characteristics to achieve diversity in a study, to complete our clinical trials in a timely manner. Patient enrollment is affected by factors including:

- severity of the disease under investigation;

- design of the trial protocol;
- the size of the patient population;
- eligibility criteria for the study in question;
- perceived risks and benefits of the product candidate under study;
- availability of competing therapies and clinical trials;
- efforts to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment; and
- proximity and availability of clinical trial sites for prospective patients.

In particular, the inclusion of critically ill patients in our clinical trials may result in deaths or other adverse medical events for reasons that may not be related to the product candidate we are testing or, in those trials where our product candidate is being tested in combination with one or more other therapies, for reasons that may be attributable to such other therapies, but which can nevertheless negatively affect clinical trial results. In addition, we have experienced difficulties enrolling patients in certain of our smaller clinical trials due to lack of referrals and may experience similar difficulties in the future.

If we have difficulty enrolling a sufficient number or diversity of patients to conduct our clinical trials as planned, we may need to delay or terminate ongoing or planned clinical trials, either of which would have an adverse effect on our business.

***Regulatory authorities may not approve our product candidates even if they meet safety and efficacy endpoints in clinical trials.***

We have discussions with and obtain guidance from regulatory authorities regarding certain aspects of our clinical development activities. These discussions are not binding commitments on the part of regulatory authorities. Under certain circumstances, regulatory authorities may revise or retract previous guidance during the course of our clinical activities or after the completion of our clinical trials. A regulatory authority may also disqualify a clinical trial in whole or in part from consideration in support of approval of a potential product for commercial sale or otherwise deny approval of that product. Prior to regulatory approval, a regulatory authority may elect to obtain advice from outside experts regarding scientific issues and/or marketing applications under a regulatory authority review. In the United States, these outside experts are convened through the FDA's Advisory Committee process, which would report to the FDA and make recommendations that may differ from the views of the FDA; should an Advisory Committee be convened, it would be expected to lengthen the time for obtaining regulatory approval, if such approval is obtained at all.

The FDA and other foreign regulatory agencies can delay, limit or deny marketing approval for many reasons, including:

- a product candidate may not be considered safe or effective;
- our manufacturing processes or facilities may not meet the applicable requirements; and
- changes in their approval policies or adoption of new regulations may require additional work on our part.

Any delay in, or failure to receive or maintain, approval for any of our product candidates could prevent us from ever generating meaningful revenues or achieving profitability.

Our product candidates may not be approved even if they achieve their endpoints in clinical trials. Regulatory agencies, including the FDA, or their advisors may disagree with our trial design and our interpretations of data from preclinical studies and clinical trials. Regulatory agencies may change

requirements for approval even after a clinical trial design has been approved. Regulatory agencies also may approve a product candidate for fewer or more limited indications than requested or may grant approval subject to the performance of post-marketing studies. In addition, regulatory agencies may not approve the labeling claims that are necessary or desirable for the successful commercialization of our product candidates.

***We may be required to suspend, repeat or terminate our clinical trials if they are not conducted in accordance with regulatory requirements, the results are negative or inconclusive or the trials are not well designed.***

Clinical trials must be conducted in accordance with the FDA's current Good Clinical Practices, or cGCP, or other applicable foreign government guidelines and are subject to oversight by the FDA, other foreign governmental agencies and Institutional Review Boards at the medical institutions where the clinical trials are conducted. In addition, clinical trials must be conducted with product candidates produced under current Good Manufacturing Practices, or cGMP, and may require large numbers of test subjects. Clinical trials may be suspended by the FDA, other foreign governmental agencies, or us for various reasons, including:

- deficiencies in the conduct of the clinical trials, including failure to conduct the clinical trial in accordance with regulatory requirements or clinical protocols;
- deficiencies in the clinical trial operations or trial sites;
- the product candidate may have unforeseen adverse side effects;
- the time required to determine whether the product candidate is effective may be longer than expected;
- fatalities or other adverse events arising during a clinical trial due to medical problems that may not be related to clinical trial treatments;
- the product candidate may not appear to be more effective than current therapies;
- the quality or stability of the product candidate may fall below acceptable standards; or
- insufficient quantities of the product candidate to complete the trials.

In addition, changes in regulatory requirements and guidance may occur and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to Institutional Review Boards for reexamination, which may impact the costs, timing or successful completion of a clinical trial. Due to these and other factors, our HyperAcute product candidates, D-1MT and other product candidates could take a significantly longer time to gain regulatory approval for any additional indications than we expect or we may never gain approval for additional indications, which could reduce our revenue by delaying or terminating the commercialization of our HyperAcute product candidates, D-1MT and other product candidates for additional indications.

***Our product candidates are being and will be studied in clinical trials co-sponsored by the National Cancer Institute, or NCI, and in investigator-initiated clinical trials, which means we have little control over the conduct of such trials.***

Our D-1MT product candidate is being studied in a two Phase 1B/2 clinical trials co-sponsored by the National Cancer Institute. We are also currently providing clinical supply of our HyperAcute Melanoma product candidate in support of a Phase 2 investigator-initiated clinical trial. We expect to continue to supply and otherwise support similar trials in the future. However, because we are not the sponsors of these trials, we do not control the protocols, administration or conduct of these trials and, as a result, are subject to risks associated with the way these types of trials are conducted, in particular should any problems arise. These risks include difficulties or delays in communicating with investigators or administrators, procedural delays and other timing issues and difficulties or differences in interpreting data.

***If we cannot demonstrate the safety of our product candidates in preclinical and/or other non-clinical studies, we will not be able to initiate or continue clinical trials or obtain approval for our product candidates.***

In order to move a product candidate not yet being tested in humans into a clinical trial, we must first demonstrate in preclinical testing that the product candidate is safe. Furthermore, in order to obtain approval, we must also demonstrate safety in various preclinical and non-clinical tests. We may not have conducted or may not conduct in the future the types of preclinical and other non-clinical testing ultimately required by regulatory authorities, or future preclinical tests may indicate that our product candidates are not safe for use in humans. Preclinical testing is expensive, can take many years and have an uncertain outcome. In addition, success in initial preclinical testing does not ensure that later preclinical testing will be successful. We may experience numerous unforeseen events during, or as a result of, the preclinical testing process, which could delay or prevent our ability to develop or commercialize our product candidates, including:

- our preclinical testing may produce inconclusive or negative safety results, which may require us to conduct additional preclinical testing or to abandon product candidates that we believed to be promising;
- our product candidates may have unfavorable pharmacology, toxicology or carcinogenicity;
- our product candidates may cause undesirable side effects; and
- the FDA or other regulatory authorities may determine that additional safety testing is required.

Any such events would increase our costs and could delay or prevent our ability to commercialize our product candidates, which could adversely impact our business, financial condition and results of operations.

***Even if approved, the HyperAcute product candidates, D-1MT or any other product we may commercialize and market may be later withdrawn from the market or subject to promotional limitations.***

We may not be able to obtain the labeling claims necessary or desirable for the promotion of our products. We may also be required to undertake post-marketing clinical trials. If the results of such post-marketing studies are not satisfactory, the FDA or a comparable agency in a foreign country may withdraw marketing authorization or may condition continued marketing on commitments from us that may be expensive and/or time consuming to fulfill. In addition, if we or others identify adverse side effects after any of our products are on the market, or if manufacturing problems occur, regulatory approval may be withdrawn and reformulation of our products, additional clinical trials, changes in labeling of our products and additional marketing applications may be required. Any reformulation or labeling changes may limit the marketability of our products.

***We will need to develop or acquire additional capabilities in order to commercialize any product candidates that obtain FDA approval, and we may encounter unexpected costs or difficulties in doing so.***

We will need to acquire additional capabilities and effectively manage our operations and facilities to successfully pursue and complete future research, development and commercialization efforts. Currently, we have no experience in preparing applications for marketing approval, commercial-scale manufacturing, managing of large-scale information technology systems or managing a large-scale distribution system. We will need to add personnel and expand our capabilities, which may strain our existing managerial, operational, regulatory compliance, financial and other resources. To do this effectively, we must:

- train, manage and motivate a growing employee base;
- accurately forecast demand for our products; and

- expand existing operational, financial and management information systems.

We plan to increase our manufacturing capacity and seek FDA approval for our production process simultaneously with seeking approval for sale of our HyperAcute Pancreas product candidate. Should we not receive timely approval of our production process, our ability to produce the immunotherapy products following regulatory approval for sale could be delayed, which would further delay the period of time when we would be able to generate revenues from the sale of such products, if we are even able to generate revenues at all.

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

We do not have a sales organization and have no experience in the sales and distribution of pharmaceutical products. There are risks involved with establishing our own sales capabilities and increasing our marketing capabilities, as well as entering into arrangements with third parties to perform these services. Developing an internal sales force is expensive and time consuming and could delay any product launch. On the other hand, if we enter into arrangements with third parties to perform sales, marketing and distribution services, our product revenues or the profitability of these product revenues to us are likely to be lower than if we market and sell any products that we develop ourselves.

We may establish our own specialty sales force and/or engage other biopharmaceutical or other healthcare companies with established sales, marketing and distribution capabilities to sell, market and distribute any future products. We may not be able to establish a specialty sales force or establish sales, marketing or distribution relationships on acceptable terms. Factors that may inhibit our efforts to commercialize any future products without strategic partners or licensees include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to or persuade adequate numbers of physicians to prescribe any future products;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

Because the establishment of sales, marketing and distribution capabilities depends on the progress towards commercialization of our product candidates, and because of the numerous risks and uncertainties involved with establishing those capabilities, we are unable to predict when, if ever, we will establish our own sales, marketing and distribution capabilities. If we are not able to partner with third parties and are unsuccessful in recruiting sales, marketing and distribution personnel or in building the necessary infrastructure, we will have difficulty commercializing our product candidates, which would adversely affect our business and financial condition.

***Failure to attract and retain key personnel could impede our ability to develop our products and to obtain new collaborations or other sources of funding.***

Because of the specialized scientific nature of our business, our success is highly dependent upon our ability to attract and retain qualified scientific and technical personnel, consultants and advisors. We are highly dependent on the principal members of our scientific and management staff, particularly Dr. Charles J. Link, Jr. The loss of his services might significantly delay or prevent the achievement of our research, development, and business objectives. We do not maintain key-man life insurance with respect to any of our employees, nor do we intend to secure such insurance.

We will need to recruit a significant number of additional personnel in order to achieve our operating goals. In order to pursue our product development and marketing and sales plans, we will need to hire additional qualified scientific personnel to perform research and development, as well as personnel with expertise in clinical testing, government regulation, manufacturing, marketing and sales. We also rely on consultants and advisors to assist in formulating our research and development strategy and adhering to complex regulatory requirements. We face competition for qualified individuals from numerous pharmaceutical and biotechnology companies, universities and other research institutions. There can be no assurance that we will be able to attract and retain such individuals on acceptable terms, if at all. If the personnel that have contingently agreed to join us do not join us it will be difficult or impossible for us to execute our business plan in a timely manner. Additionally, our facilities are located in Iowa, which may make attracting and retaining qualified scientific and technical personnel from outside of Iowa difficult. We have two forgivable loans totaling \$6.4 million that are contingent on us creating jobs in Iowa. If we leave Iowa or fail to create the required number of jobs in Iowa, we may be required to pay back some or all of those loans. The failure to attract and retain qualified personnel, consultants and advisors could have a material adverse effect on our business, financial condition and results of operations.

#### **Risks Relating to Manufacturing Activities**

***We have never manufactured our product candidates at commercial scale, and there can be no assurance that such products can be manufactured in compliance with regulations at a cost or in quantities necessary to make them commercially viable.***

We have no experience in commercial-scale manufacturing, the management of large-scale information technology systems or the management of a large-scale distribution system. We may develop our manufacturing capacity in part by expanding our current facilities. This activity would require substantial additional funds and we would need to hire and train significant numbers of qualified employees to staff these facilities. We may not be able to develop commercial-scale manufacturing facilities that are sufficient to produce materials for additional later-stage clinical trials or commercial use.

If we are unable to manufacture or contract for a sufficient supply of our product candidates on acceptable terms, or if we encounter delays or difficulties in the scale-up of our manufacturing processes or our relationships with other manufacturers, our preclinical and human clinical testing schedule would be delayed. This in turn would delay the submission of product candidates for regulatory approval and thereby delay the market introduction and subsequent sales of any products that receive regulatory approval, which would have a material adverse effect on our business, financial condition and results of operations. Furthermore, we or our contract manufacturers must supply all necessary documentation in support of our Biologics License Application, or BLA, or New Drug Application, or NDA, on a timely basis and must adhere to Good Laboratory Practice, or GLP and cGMP regulations enforced by the FDA through its facilities inspection program. If these facilities cannot pass a pre-approval plant inspection, the FDA approval of the products will not be granted.

***We and our contract manufacturers are subject to significant regulation with respect to manufacturing of our products.***

All entities involved in the preparation of a therapeutic drug for clinical trials or commercial sale, including our existing contract manufacturer for D-1MT and the components used in the HyperAcute product candidates, are subject to extensive regulation. Components of a finished therapeutic product approved for commercial sale or used in late-stage clinical trials must be manufactured in accordance with cGMP. These regulations govern manufacturing processes and procedures (including record keeping) and the implementation and operation of quality systems to control and assure the quality of investigational products and products approved for sale. Our facilities and quality systems and the facilities and quality systems of some or all of our third party contractors must pass a pre-approval

inspection for compliance with the applicable regulations as a condition of regulatory approval of the HyperAcute product candidates, D-1MT or any of our other potential products. In addition, the regulatory authorities may, at any time, audit or inspect a manufacturing facility involved with the preparation of the HyperAcute product candidates, D-1MT or our other potential products or the associated quality systems for compliance with the regulations applicable to the activities being conducted. The regulatory authorities also may, at any time following approval of a product for sale, audit our manufacturing facilities or those of our third party contractors. If any such inspection or audit identifies a failure to comply with applicable regulations or if a violation of our product specifications or applicable regulations occurs independent of such an inspection or audit, we or the relevant regulatory authority may require remedial measures that may be costly and/or time consuming for us or a third party to implement and that may include the temporary or permanent suspension of a clinical trial or commercial sales or the temporary or permanent closure of a facility. Any such remedial measures imposed upon us or third parties with whom we contract could materially harm our business.

***We currently rely on relationships with third-party contract manufacturers, which limits our ability to control the availability of, and manufacturing costs for, our product candidates in the near-term.***

We will rely upon contract manufacturers for D-1MT, and for components of the HyperAcute product candidates, for commercial sale if any are approved for sale. Problems with any of our facilities or processes, or our contract manufacturers' facilities or processes, could prevent or delay the production of adequate supplies of antigen, components or finished HyperAcute product candidates or D-1MT. This could delay or reduce commercial sales and materially harm our business. We do not currently have experience with the manufacture of products at commercial scale, and may incur substantial costs to develop the capability to manufacture products at commercial scale. Any prolonged delay or interruption in the operations of our facilities or our contract manufacturers' facilities could result in cancellation of shipments, loss of components in the process of being manufactured or a shortfall in availability of a product. A number of factors could cause interruptions, including the inability of a supplier to provide raw materials, equipment malfunctions or failures, damage to a facility due to natural disasters, changes in regulatory requirements or standards that require modifications to our manufacturing processes, action by the regulatory authorities or by us that results in the halting or slowdown of production of components or finished product due to regulatory issues, a contract manufacturer going out of business or failing to produce product as contractually required or other similar factors. Because manufacturing processes are highly complex and are subject to a lengthy regulatory approval process, alternative qualified production capacity and sufficiently trained or qualified personnel may not be available on a timely or cost-effective basis or at all. Difficulties or delays in our contract manufacturers' production of drug substances could delay our clinical trials, increase our costs, damage our reputation and cause us to lose revenue and market share if we are unable to timely meet market demand for any products that are approved for sale.

Further, if our contract manufacturers are not in compliance with regulatory requirements at any stage, including post-marketing approval, we may be fined, forced to remove a product from the market and/or experience other adverse consequences, including delays, which could materially harm our business.

***We use hazardous materials in our business and must comply with environmental laws and regulations, which can be expensive.***

Our research and development involves the controlled use of hazardous materials, chemicals, various active microorganisms and volatile organic compounds, and we may incur significant costs as a result of the need to comply with numerous laws and regulations. We are subject to laws and regulations enforced by the FDA, the Drug Enforcement Agency, foreign health authorities and other regulatory requirements, including the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Food, Drug and Cosmetic Act, the Resource Conservation and

Recovery Act, and other current and potential federal, state, local and foreign laws and regulations governing the use, manufacture, storage, handling and disposal of our products, materials used to develop and manufacture our product candidates, and resulting waste products. Although we believe that our safety procedures for handling and disposing of such materials, and for killing any unused microorganisms before disposing of them, comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result and any such liability could exceed our resources.

***We replicate all biological cells for our products internally and utilize a single manufacturing site to manufacture our clinical product candidates. Any disruption in the operations of our manufacturing facility would have a significant negative impact on our ability to manufacture products for clinical testing and would result in increased costs and losses.***

We have thus far elected to replicate all biological cells for our products internally using a complex process. The disruption of our operations could result in manufacturing delays due to the inability to purchase the cell lines from outside sources. We have only one manufacturing facility in which we can manufacture clinical products. In the event of a physical catastrophe at our manufacturing or laboratory facilities, we could experience costly delays in reestablishing manufacturing capacity, due to a lack of redundancy in manufacturing capability.

Our current manufacturing facility contains highly specialized equipment and utilizes complicated production processes developed over a number of years, which would be difficult, time-consuming and costly to duplicate. Any prolonged disruption in the operations of our manufacturing facility would have a significant negative impact on our ability to manufacture products for clinical testing on our own and would cause us to seek additional third-party manufacturing contracts, thereby increasing our development costs. We may suffer losses as a result of business interruptions that exceed the coverage available under our insurance policies or any losses may be excluded under our insurance policies. Certain events, such as natural disasters, fire, political disturbances, sabotage or business accidents, which could impact our current or future facilities, could have a significant negative impact on our operations by disrupting our product development efforts until such time as we are able to repair our facility or put in place third-party contract manufacturers to assume this manufacturing role.

We recently transferred our manufacturing operation to a new facility. We have experienced bacterial and mycoplasma contaminations in lots produced at the previous facility and we destroyed the contaminated lots and certain overlapping lots. We may have contaminated lots at our new facility and we will destroy any contaminated lots that we detect.

***Our facilities are located in areas where floods and tornados are known to occur, and the occurrence of a flood, tornado or other catastrophic disaster could damage our facilities and equipment, which could cause us to curtail or cease operations.***

Our facilities are located in Ames, Iowa, which is susceptible to floods and tornados, and our facilities are therefore vulnerable to damage or disruption from floods and tornados. We are also vulnerable to damage from other types of disasters, such as power loss, fire and similar events. If any disaster were to occur, our ability to operate our business could be seriously impaired. We may not have adequate insurance to cover our losses resulting from disasters or other similar significant business interruptions, and we do not plan to purchase additional insurance to cover such losses due to the cost of obtaining such coverage. Any significant losses that are not recoverable under our insurance policies could seriously impair our business and financial condition.

## Risks Relating to Regulation of Our Industry

***The industry within which we operate and our business are subject to extensive regulation, which is costly, time consuming and may subject us to unanticipated delays.***

The research, design, testing, manufacturing, labeling, marketing, distribution and advertising of biologic and pharmaceutical products such as our product candidates are subject to extensive regulation by governmental regulatory authorities in the United States and other countries. The drug development and approval process is generally lengthy, expensive and subject to unanticipated delays. Data obtained from preclinical and clinical testing are subject to varying interpretations that could delay, limit or prevent regulatory approval. In addition, delays or rejections may be encountered based upon changes in regulatory policy for product approval during the period of development and regulatory review of each submitted application for approval. To obtain approval for a product candidate, we must demonstrate to the satisfaction of the regulatory authorities that the product candidate is safe, pure, potent and effective, which typically takes several years or more depending upon the type, complexity and novelty of the product and requires the expenditure of substantial resources. There can be no assurance that we will not encounter problems in clinical trials that would cause us or the regulatory authorities to delay or suspend clinical trials. Any such delay or suspension could have a material adverse effect on our business, financial condition and results of operations.

There can be no assurance that clinical studies for any of our product candidates currently under development will be completed successfully or within any specified time period, if at all. Further, there can also be no assurance that such testing will show any product to be safe, pure, potent or effective. There can be no assurance that we will not encounter problems in clinical trials that will cause us to delay or suspend clinical trials.

Regardless of how much time and resources we devote to development of a product candidate, there can be no assurance that regulatory approval will be obtained for that product candidate. To date, the FDA has approved only one active cellular cancer immunotherapy product, even though several have been, and currently are in, clinical development. Further, even if such regulatory approval is obtained, we, our products and any contract manufacturers or commercial collaborators of ours will be subject to continual regulatory review in both the United States and other countries. Later discovery of previously unknown problems with regard to a product, distributor or manufacturer may result in restrictions, including withdrawal of the product from the market and/or disqualification or decertification of the distributor or manufacturer.

We cannot predict when, if ever, we might submit for regulatory review our product candidates currently under development. Once we submit our potential products for review, there can be no assurance that regulatory approvals for any pharmaceutical products developed by us will be granted on a timely basis, if at all.

The FDA and comparable agencies in foreign countries impose substantial requirements on the introduction of new biologic and pharmaceutical products through lengthy and detailed preclinical and clinical testing procedures, sampling activities and other costly and time-consuming compliance procedures. Clinical trials are vigorously regulated and must meet requirements for FDA review and oversight and requirements under GCP guidelines. A new drug may not be marketed in the United States until the FDA has approved it. There can be no assurance that we will not encounter delays or rejections or that the FDA will not make policy changes during the period of product development and FDA regulatory review of each submitted BLA and NDA. A delay in obtaining or failure to obtain such approvals would have a material adverse effect on our business, financial condition and results of operations. Even if regulatory approval were obtained, it would be limited as to the indicated uses for which the product may be promoted or marketed. A marketed product, its manufacturer and the facilities in which it is manufactured are subject to continual review and periodic inspections. If marketing approval is granted, we would be required to comply with FDA requirements for manufacturing, labeling, advertising, record keeping and reporting of adverse experiences and other

information. In addition, we would be required to comply with federal and state anti-kickback and other health care fraud and abuse laws that pertain to the marketing of pharmaceuticals. Failure to comply with regulatory requirements and other factors could subject us to regulatory or judicial enforcement actions, including product recalls or seizures, injunctions, withdrawal of the product from the market, civil penalties, criminal prosecution, refusals to approve new products and withdrawals of existing approvals, as well as enhanced product liability exposure, any of which could have a material adverse effect on our business, financial condition and results of operations. Sales of our products outside the United States will be subject to foreign regulatory requirements governing clinical trials, marketing approval, manufacturing and pricing. Non-compliance with these requirements could result in enforcement actions or penalties or could delay introduction of our products in certain countries.

The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement outside the United States vary greatly from country to country. The time required to obtain approvals outside the United States may differ from that required to obtain FDA approval. We may not obtain foreign regulatory approvals on a timely basis, or at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other countries or by the FDA and foreign regulatory authorities could require additional testing. Failure to comply with these regulatory requirements or obtain required approvals could impair our ability to develop foreign markets for our products and may have a material adverse effect on our results of operations and financial condition.

We are also subject to laws generally applicable to businesses, including but not limited to, federal, state and local regulations relating to wage and hour matters, employee classification, mandatory healthcare benefits, unlawful workplace discrimination and whistle-blowing. Any actual or alleged failure to comply with any regulation applicable to our business or any whistle-blowing claim, even if without merit, could result in costly litigation, regulatory action or otherwise harm our business, results of operations, financial condition, cash flow and future prospects.

***The availability and amount of reimbursement for our product candidates, if approved, and the manner in which government and private payors may reimburse for our potential product, are uncertain.***

In both United States and foreign markets, sales of our proposed products will depend in part on the availability of reimbursement from third-party payors such as government health administration authorities, private health insurers and other organizations. Our future levels of revenues and profitability may be affected by the continuing efforts of governmental and third party payors to contain or reduce the costs of health care. We cannot predict the effect that private sector or governmental health care reforms may have on our business, and there can be no assurance that any such reforms will not have a material adverse effect on our business, financial condition and results of operations.

In addition, in both the United States and elsewhere, sales of prescription drugs are dependent in part on the availability of reimbursement to the consumer from third-party payors, such as government and private insurance plans. Third-party payors are increasingly challenging the price and cost-effectiveness of medical products and services. Significant uncertainty exists as to the reimbursement status of newly approved health care products. There can be no assurance that our proposed products will be considered cost-effective or that adequate third-party reimbursement will be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development. Legislation and regulations affecting the pricing of pharmaceuticals may change before any of our proposed products are approved for marketing. Adoption of such legislation could further limit reimbursement for medical products and services. As a result, we may elect not to market future products in certain markets.

Moreover, while we are in clinical trials, we will not be reimbursed for any of our materials used during the clinical trials.

***The biopharmaceutical industry is subject to significant regulation and oversight in the United States, in addition to approval of products for sale and marketing.***

In addition to FDA restrictions on marketing of biopharmaceutical products, several other types of state and federal laws have been applied to restrict certain marketing practices in the biopharmaceutical industry in recent years. These laws include anti-kickback statutes and false claims statutes.

The federal health care program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting, or receiving remuneration to induce or in return for purchasing, leasing, ordering, or arranging for the purchase, lease, or order of any health care item or service reimbursable under Medicare, Medicaid, or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers and formulary managers on the other. Although there are a number of statutory exemptions and regulatory safe harbors protecting certain common activities from prosecution, the exemptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchases or recommendations may be subject to scrutiny if they do not qualify for an exemption or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability.

Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to get a false claim paid. Recently, several pharmaceutical and other health care companies have been prosecuted under these laws for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of marketing of the product for unapproved, and thus non-reimbursable, uses. The majority of states also have statutes or regulations similar to the federal anti-kickback law and false claims laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Sanctions under these federal and state laws may include civil monetary penalties, exclusion of a manufacturer's products from reimbursement under government programs, criminal fines and imprisonment.

Because of the breadth of these laws and the narrowness of the safe harbors, it is possible that some of our business activities could be subject to challenge under one or more of these laws, which could have a material adverse effect on our business, financial condition and results of operations.

***Multi-jurisdictional regulations, including those establishing our ability to price products, may negatively affect our sales and profit margins.***

We expect to face pricing pressure globally from managed care organizations, institutions and government agencies and programs, which could negatively affect the sales and profit margins for our HyperAcute product candidates, D1-MT or any other of our product candidates that are approved for marketing. For example, in the United States, the Medicare Modernization Act contains a prescription drug benefit for individuals who are eligible for Medicare. The prescription drug benefit became effective on January 1, 2006 and has resulted in increased use of generics and increased purchasing power of those negotiating on behalf of Medicare recipients, which in turn may result in increased pricing pressure on our products.

***Health care reform measures could adversely affect our business.***

In the United States and foreign jurisdictions, there have been a number of legislative and regulatory 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 United States federal and state levels that seek to reduce healthcare costs. Most recently, in March 2010 the Patient Protection and Affordable Health Care Act, as amended by the Health Care and Education Affordability Reconciliation

Act, or collectively the PPACA, was enacted, which includes measures to significantly change the way health care is financed by both governmental and private insurers. Among the provisions of the PPACA of greatest importance to the pharmaceutical and biotechnology industry are the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs, beginning in 2011;
- new requirements to report certain financial arrangements with physicians and others, including reporting any "transfer of value" made or distributed to prescribers and other healthcare providers and reporting any investment interests held by physicians and their immediate family members during each calendar year beginning in 2012, with reporting starting in 2013;
- a licensure framework for follow-on biologic products;
- 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, beginning in 2014, will have 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 even if Congress does not act on the recommendations; and
- establishment of a Center for Medicare Innovation at the Centers for Medicare & Medicaid Services to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending beginning by January 1, 2011.

Many of the details regarding the implementation of the PPACA are yet to be determined, and at this time, it remains unclear the full effect that the PPACA would have on our business. In particular, there is uncertainty surrounding the applicability of the biosimilars provisions under the PPACA to our HyperAcute product candidates. The FDA is only now soliciting public comment and conducting hearings to assist them in drafting regulations under the PPACA. It is not certain that we will receive 12 years of marketing exclusivity for any of our products. The regulations that are ultimately promulgated and their implementation are likely to have considerable impact on the way we conduct our business and may require us to change current strategies.

Individual states have 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 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 ultimate demand for our products or put pressure on our product pricing, which could negatively affect our business, results of operations, financial condition and prospects.

In addition, given recent federal and state government initiatives directed at lowering the total cost of healthcare, Congress and state legislatures will likely continue to focus on healthcare reform, the cost of prescription drugs and biologics and the reform of the Medicare and Medicaid programs. While we cannot predict the full outcome of any such legislation, it may result in decreased reimbursement for drugs and biologics, which may further exacerbate industry-wide pressure to reduce prescription drug prices. This could harm our ability to generate revenues. In addition, legislation has been introduced in Congress that, if enacted, would permit more widespread importation or re-importation of pharmaceutical products from foreign countries into the United States, including from countries where

the products are sold at lower prices than in the United States. Such legislation, or similar regulatory changes, could put competitive pressure on our ability to profitably price our products, which, in turn, could adversely affect our business, results of operations, financial condition and prospects. Alternatively, in response to legislation such as this, we might elect not to seek approval for or market our products in foreign jurisdictions in order to minimize the risk of re-importation, which could also reduce the revenue we generate from our product sales. It is also possible that other legislative proposals having similar effects will be adopted.

Furthermore, regulatory authorities' assessment of the data and results required to demonstrate safety and efficacy can change over time and can be affected by many factors, such as the emergence of new information, including on other products, changing policies and agency funding, staffing and leadership. We cannot be sure whether future changes to the regulatory environment will be favorable or unfavorable to our business prospects. For example, average review times at the FDA for marketing approval applications have fluctuated over the last ten years, and we cannot predict the review time for any of our submissions with any regulatory authorities. In addition, review times can be affected by a variety of factors, including budget and funding levels and statutory, regulatory and policy changes.

## **Financial Risks**

***We have a history of net losses. We expect to continue to incur increasing net losses for the foreseeable future, and we may never achieve or maintain profitability.***

We are not profitable and have incurred significant net losses in each year since our inception, including net losses of \$11.2 million, \$9.4 million, \$9.2 million and \$7.6 million for the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008 and 2007, respectively. As of September 30, 2010, we had an accumulated deficit of \$58.1 million. Our losses have resulted principally from costs incurred in our discovery and development activities. We anticipate that our operating losses will substantially increase over the next several years as we expand our discovery, research and development activities, including the Phase 2 and Phase 3 clinical development of the HyperAcute product candidates and Phase 2 clinical development of D-1MT.

Because of the numerous risks and uncertainties associated with biopharmaceutical product development and commercialization, we are unable to accurately predict the timing or amount of future expenses or when, or if, we will be able to achieve or maintain profitability. Currently, we have no products approved for commercial sale, and to date we have not generated any product revenue. We have financed our operations primarily through the sale of equity securities, government grants, economic development loans and capital lease and equipment financing. The size of our future net losses will depend, in part, on the rate of growth or contraction of our expenses and the level and rate of growth, if any, of our revenues. Our ability to achieve profitability is dependent on our ability, alone or with others, to complete the development of our products successfully, obtain the required regulatory approvals, manufacture and market our proposed products successfully or have such products manufactured and marketed by others and gain market acceptance for such products. There can be no assurance as to whether or when we will achieve profitability.

***We will require substantial additional capital in the future. If additional capital is not available, we will have to delay, reduce or cease operations.***

Development of our HyperAcute product candidates, D-1MT and any other product candidates will require substantial additional funds to conduct research, development and clinical trials necessary to bring such product candidates to market and to establish manufacturing, marketing and distribution capabilities. Our future capital requirements will depend on many factors, including, among others:

- the scope, rate of progress, results and costs of our preclinical studies, clinical trials and other research and development activities;

- the scope, rate of progress and costs of our manufacturing development and commercial manufacturing activities;
- the cost, timing and outcomes of regulatory proceedings (including FDA review of any BLA or NDA we file);
- the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims;
- the costs associated with commercializing our product candidates, if they receive regulatory approval;
- the cost and timing of developing our ability to establish sales and marketing capabilities;
- competing technological efforts and market developments;
- changes in our existing research relationships;
- our ability to establish collaborative arrangements to the extent necessary;
- revenues received from any existing or future products; and
- payments received under any future strategic partnerships.

We anticipate that we will continue to generate significant losses for the next several years as we incur expenses to complete our clinical trial programs for our product candidates, build commercial capabilities, develop our pipeline and expand our corporate infrastructure. We believe that the net proceeds from this offering, together with our existing cash and cash equivalents and marketable securities, will allow us to fund our operating plan through at least the end of 2012. However, this projection is based on the following assumptions, any of which may prove to be inaccurate:

- expenditures related to continued preclinical and clinical development of our product candidates during this period within budgeted levels;
- no unexpected costs related to the development of our manufacturing capability; and
- modest growth in the number of our employees during this period.

There can be no assurance that our revenue and expense forecasts will prove to be accurate, and any change in the foregoing assumptions could require us to obtain additional financing earlier than anticipated. There is a risk of delay or failure at any stage of developing a product candidate, and the time required and costs involved in successfully accomplishing our objectives cannot be accurately predicted. Actual drug research and development costs could substantially exceed budgeted amounts, which could force us to delay, reduce the scope of or eliminate one or more of our research or development programs.

We may never be able to generate a sufficient amount of product revenue to cover our expenses. Until we do, we expect to seek additional funding through public or private equity or debt financings, collaborative relationships, capital lease transactions or other available financing transactions. However, there can be no assurance that additional financing will be available on acceptable terms, if at all, and such financings could be dilutive to existing stockholders. Moreover, in the event that additional funds are obtained through arrangements with collaborative partners, such arrangements may require us to relinquish rights to certain of our technologies, product candidates or products that we would otherwise seek to develop or commercialize ourselves.

If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate one or more of our research or development programs. Our failure to obtain adequate financing when needed and on acceptable terms would have a material adverse effect on our business, financial condition and results of operations.

***We have outstanding debt which may be accelerated as early as March 18, 2011.***

In March 2005, we entered into a \$6.0 million forgivable loan agreement with the Iowa Department of Economic Development, or the IDED. Under the agreement, in the absence of default, there will be no principal or interest payments due until the completion date for the project, which is March 18, 2011, under the current one-year extension granted by the IDED. The project is to provide us with financial assistance for research and product development activities at our Iowa State University Research Park facility. The project calls for the creation of 315 jobs at the time of commercialization and retention of 35 jobs with total project expenditures of \$189.9 million for clinical trials, research and development activities, building construction, equipment purchases, and other working capital needs. As of September 30, 2010, we believe we had created 36 jobs, retained 35 jobs and incurred \$ 54.5 million of project expenditures. If, as of March 18, 2011, the IDED determines we have fulfilled all the job creation and maintenance terms and project expenditure requirements of the loan agreement, the loan will be forgiven. However, on the project completion date we will be required to repay the greater of either approximately \$17,000 for each of the 350 jobs we fail to create and maintain as of that date or a percentage of the \$6.0 million advanced under the agreement equal to the percentage of any shortfall in our obligation to expend \$189.9 million of project expenditures. Five years following the project completion date, we will be required to repay approximately \$17,000 for each of the 350 jobs the IDED determines we failed to maintain as of that date. In the event of default, including failure to repay any amounts under the loan when due, we will be required to repay the note including 6% interest per annum beginning at the date of default. We are also obligated to maintain our business in the State of Iowa while amounts remain outstanding under this loan.

We have not currently fulfilled the requirements for loan forgiveness under this agreement. Absent an amendment granted by the IDED, we would have to repay up to \$4.8 million on or after March 18, 2011. There is no guarantee that the IDED will agree to further extend the completion date under the agreement. If the amounts under the loan become due in March 2011, it would likely have a material adverse affect on our cash position. Additionally, under the agreement, we are obligated to pay a minimum of 0.25% royalties on all gross revenues of any products we bring to market with a cumulative maximum royalty amount due of \$3.2 million. Substantially all of our assets are pledged to secure this loan.

In March 2010, we entered into a \$400,000 forgivable loan agreement with the City of Ames, Iowa and the Ames Chamber of Commerce, in order to help finance the construction of new facilities within the Ames city limits. In the absence of a default, there are no principal or interest payments due until the expected completion date for the project, which is March 10, 2015. The project calls for us to create or retain at least 70 full-time jobs located in Ames, Iowa as of March 10, 2012 and the creation or retention at least 150 full-time positions located in Ames, Iowa as of March 10, 2015. The agreement also calls for our entering into a five-year building lease with option for extension for an additional five years of not less than 20,000 square feet within the corporate limits of the City of Ames by March 10, 2015. If, as of March 10, 2015, we have fulfilled the terms of the loan agreement, the loan will be forgiven. If on March 10, 2012 and March 10, 2015, we have failed to create or retain at least 70 full-time jobs and 150 full-time jobs in Ames, Iowa, respectively, we will be required to repay approximately \$3,100 per job not created or retained following the respective date. As of September 30, 2010, we had created or retained an aggregate of 71 full-time jobs in Ames, Iowa. As of September 30, 2010, \$300,000 of the total \$400,000 forgivable loan was advanced to us with the final \$100,000 pending certification to the City of Ames regarding the creation of a threshold level of jobs. In the event of default, including failure to repay any amounts under the loan when due, we will be required to repay the note including 6.5% interest per annum beginning at the date of default.

We have not met the full job creation requirements of these loans as of the present date. If we cannot or do not comply with these and all other requirements under these loans, we may be obligated to pay principal and interest on these loans immediately. If we are unable to meet our obligations to service our debt and fund our business, we may be forced to reduce or delay capital expenditures, seek

additional debt financing or equity capital, restructure or refinance our debt or sell assets. We cannot assure you that we would be able to obtain additional financing, refinance existing debt or sell assets on satisfactory terms or at all.

***Even though we have received governmental support in the past, we may not continue to receive support at the same level or at all.***

We have received significant financial assistance from state and local governments, primarily in the form of forgivable loans. There can be no assurance that we will continue to receive the same level of assistance from these or other government agencies, if at all.

Through our subsidiary, BioProtection Systems Corporation, or BPS, we also have ongoing contracts with the United States government. The termination of a United States government contract or relationship as a result of our failure to satisfy any of our obligations under the contracts would have a negative impact on our operations and harm our reputation and ability to procure government contracts. Additionally, there can be no assurance that we will secure comparable contracts with the United States government in the future.

### **Risks Relating to Competitive Factors**

***We compete in an industry characterized by extensive research and development efforts and rapid technological progress. New discoveries or commercial developments by our competitors could render our potential products obsolete or non-competitive.***

New developments occur and are expected to continue to occur at a rapid pace, and there can be no assurance that discoveries or commercial developments by our competitors will not render some or all of our potential products obsolete or non-competitive, which would have a material adverse effect on our business, financial condition and results of operations.

We expect to compete with fully integrated and well-established pharmaceutical and biotechnology companies in the near and long term. Most of these companies have substantially greater financial, research and development, manufacturing and marketing experience and resources than we do and represent substantial long-term competition for us. Such companies may succeed in discovering and developing pharmaceutical products more rapidly than we do or pharmaceutical products that are safer, more effective or less costly than any that we may develop. Such companies also may be more successful than we are in production and marketing. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large pharmaceutical and established biotechnology companies. Academic institutions, governmental agencies and other public and private research organizations also conduct clinical trials, seek patent protection and establish collaborative arrangements for the development of oncology products.

We will face competition based on product efficacy and safety, the timing and scope of regulatory approvals, availability of supply, marketing and sales capabilities, reimbursement coverage, price and patent position. There can be no assurance that our competitors will not develop safer and more effective products, commercialize products earlier than we do, or obtain patent protection or intellectual property rights that limit our ability to commercialize our products.

There can be no assurance that our issued patents or pending patent applications, if issued, will not be challenged, invalidated or circumvented or that the rights granted thereunder will provide us with proprietary protection or a competitive advantage.

***Our competitors may develop and market products that are less expensive, more effective, safer or reach the market sooner than our product candidates, which may diminish or eliminate the commercial success of any products we may commercialize.***

The biopharmaceutical industry is highly competitive. There are many public and private biopharmaceutical companies, public and private universities and research organizations actively engaged in the discovery and research and development of products for cancer. Given the significant unmet patient need for new therapies, oncology is an area of focus for large and small companies as well as research institutions. As a result, there are and will likely continue to be extensive research and substantial financial resources invested in the discovery and development of new oncology products. In addition, there are a number of multinational pharmaceutical companies and large biotechnology companies currently marketing or pursuing the development of products or product candidates targeting the same cancer indications as our product candidates, and several large public biopharmaceutical companies have approved or are developing cancer immunotherapy products, including Dendreon Corporation, Bristol-Myers Squibb Company, GlaxoSmithKline plc, Merck & Co., Merck KGaA and Sanofi-Aventis.

There are several marketed products indicated for pancreatic cancer, including Eli Lilly and Company's Gemzar®, Astellas Pharma's Tarceva®, Teva's streptozocin, and fluorouracil, or 5-FU, and mitomycin which are marketed by several generic pharmaceutical firms. There are numerous marketed therapeutics indicated for NSCLC, including Roche AG's Avastin®, Eli Lilly's Alimta® and Gemzar, Astellas Pharma's Tarceva, AstraZeneca's Iressa®, and Sanofi-Aventis' Taxotere, as well as generically available platinum-based chemotherapeutics (cisplatin and carboplatin) and mitotic inhibitors (paclitaxel and venorelbine). There are also several marketed therapeutics indicated for advanced melanoma, including Merck's Intron A and Novartis/Prometheus Laboratories' Proleukin®, as well as cisplatin and dacarbazine, which are available generically. Bristol-Myers Squibb's immunotherapy ipilimumab is pending FDA approval for use as a monotherapy against advanced melanoma.

In addition, there are a number of companies with active clinical trials ongoing in pancreatic cancer including AB Science SA, Amgen Inc., Astellas Pharma, Baxter, BioSante, Celgene Corporation, Immunomedics, Inc., Lorus Therapeutics Inc., Sanofi-Aventis and Threshold Pharmaceuticals, Inc., a number of companies with active clinical trials ongoing in NSCLC, including Abbott Laboratories, Amgen, Bristol-Myers Squibb, Boehringer Ingelheim, BioNumerik Pharmaceuticals, Inc., Celgene, GlaxoSmithKline, Onyx Pharmaceuticals, Inc., Pfizer Inc. and Regeneron Pharmaceuticals, Inc., and a number of companies with active clinical trials ongoing in advanced melanoma, including Astellas Pharma, Eli Lilly, Onyx, Plexxikon Inc., Roche, Synta Pharmaceuticals Corp. and Vical Inc.

Many of our competitors, either alone or with their strategic partners, have substantially greater financial, technical and human resources than we do and significantly greater experience in the discovery and development of drugs, obtaining FDA and other regulatory approvals, and the commercialization of those products. Accordingly, our competitors may be more successful in obtaining approval for drugs and achieving widespread market acceptance. Our competitors' drugs may be more effective, or more effectively marketed and sold, than any drug we may commercialize and may render our product candidates obsolete or non-competitive before we can recover the significant expenses of developing and commercializing any of our product candidates. We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available.

There are many different approaches to using immunotherapies to treat cancer, including anti-idiotypic, whole cell, DNA, peptide/antigen, viral, tumor lysate, shed antigens, and dendritic cell. Cancer immunotherapies are also distinguished by whether or not they are derived from autologous or allogeneic sources. Each of the various approaches to cancer immunotherapy have potential advantages and disadvantages based on factors such as their immunostimulatory mechanisms, formulation characteristics, manufacturing requirements, and treatment regimens.

We also compete with other clinical-stage companies and institutions for clinical trial participants, which could reduce our ability to recruit participants for our clinical trials. Delay in recruiting clinical trial participants could adversely affect our ability to bring a product to market prior to our competitors. Further, research and discoveries by others may result in breakthroughs that render our HyperAcute product candidates, D-1MT or our other potential products obsolete even before they begin to generate any revenue.

In addition, our competitors may obtain patent protection or FDA approval and commercialize products more rapidly than we do, which may impact future sales of any of our products that receive marketing approval. If the FDA approves the commercial sale of any of our products, we will also be competing with respect to marketing capabilities and manufacturing efficiency, areas in which we have limited or no experience. We expect that competition among products approved for sale will be based, among other things, on product efficacy, price, safety, reliability, availability, patent protection, and sales, marketing and distribution capabilities. Our profitability and financial position will suffer if our products receive regulatory approval, but cannot compete effectively in the marketplace.

If any of our product candidates are approved and commercialized, we may face competition from generic products if the product candidate is a small molecule drug, or biosimilars if the product candidate is a biologic. The route to market for generic versions of small molecule drugs was established with the passage of the Hatch-Waxman Amendments in 1984 and for biosimilars with the passage of the PPACA in March 2010. The PPACA establishes a pathway for the FDA approval of follow-on biologics and provides 12 years of marketing exclusivity for reference products and an additional six months of exclusivity if pediatric studies are conducted. In Europe, the European Medicines Agency has issued guidelines for approving products through an abbreviated pathway, and biosimilars have been approved in Europe. If a biosimilar version of one of our potential products were approved in the United States or Europe, it could have a negative effect on sales and gross profits of the potential product and our financial condition.

Our biodefense product candidates face significant competition for United States government funding for both development and procurement of medical countermeasures for biological, chemical and nuclear threats, diagnostic testing systems and other emergency preparedness countermeasures. Competitors include Emergent BioSolutions, SIGA Technologies, AVI Biopharma, Pharmathene, Acambis, Bavarian Nordic AS, and Novartis. Academic institutions, government agencies, private research organizations and public research organizations are also conducting research and filing patents toward commercialization of products. In addition, we may not be able to compete effectively if our product candidates do not satisfy government procurement requirements with respect to biodefense products.

***Our products may not be accepted in the marketplace; therefore, we may not be able to generate significant revenue, if any.***

Even if the HyperAcute product candidates, D-1MT or any of our other potential products are approved for sale, physicians and the medical community may not ultimately use them or may use them only in applications more restricted than we expect. Our products, if successfully developed, will compete with a number of traditional products and immunotherapies manufactured and marketed by major pharmaceutical and other biotechnology companies. Our products will also compete with new products currently under development by such companies and others. Physicians will prescribe a product only if they determine, based on experience, clinical data, side effect profiles and other factors, that it is beneficial as compared to other products currently in use. Many other factors influence the adoption of new products, including marketing and distribution restrictions, course of treatment, adverse publicity, product pricing, the views of thought leaders in the medical community and reimbursement by government and private third party payors.

## Risks Relating to Our Arrangements with Third Parties

***We rely on third parties to conduct our preclinical studies and our clinical trials. If these third parties do not perform as contractually required or expected, we may not be able to obtain regulatory approval for our product candidates, or we may be delayed in doing so.***

We do not have the ability to conduct preclinical studies or clinical trials independently for our product candidates. We must rely on third parties, such as contract research organizations, medical institutions, academic institutions, clinical investigators and contract laboratories, to conduct our preclinical studies and clinical trials. We are responsible for confirming that our preclinical studies are conducted in accordance with applicable regulations and that each of our clinical trials is conducted in accordance with its general investigational plan and protocol. The FDA requires us to comply with GLP for conducting and recording the results of our preclinical studies and cGCP for conducting, monitoring, recording and reporting the results of clinical trials, to assure that data and reported results are accurate and that the clinical trial participants are adequately protected. Our reliance on third parties does not relieve us of these responsibilities. If the third parties conducting our clinical trials do not perform their contractual duties or obligations, do not meet expected deadlines, fail to comply with cGCP, do not adhere to our clinical trial protocols or otherwise fail to generate reliable clinical data, we may need to enter into new arrangements with alternative third parties and our clinical trials may be more costly than expected or budgeted, extended, delayed or terminated or may need to be repeated, and we may not be able to obtain regulatory approval for or commercialize the product candidate being tested in such trials.

Further, if our contract manufacturers are not in compliance with regulatory requirements at any stage, including post-marketing approval, we may be fined, forced to remove a product from the market and/or experience other adverse consequences, including delays, which could materially harm our business.

***If we fail to enter into any needed collaboration agreements for our product candidates, we may be unable to commercialize them effectively or at all.***

To successfully commercialize the HyperAcute product candidates or D-1MT, we will need substantial financial resources as well as expertise and physical resources and systems. We may elect to develop some or all of these physical resources and systems and expertise ourselves or we may seek to collaborate with another company that can provide some or all of such physical resources and systems as well as financial resources and expertise. Such collaborations are complex and any potential discussions may not result in a definitive agreement for many reasons. For example, whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration, and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of our clinical trials, the potential market for the HyperAcute product candidates and D-1MT, the costs and complexities of manufacturing and delivering the HyperAcute product candidates and D-1MT to patients, the potential of competing products, the existence of uncertainty with respect to ownership or the coverage of our technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge and industry and market conditions generally. If we were to determine that a collaboration for the HyperAcute product candidates or D-1MT is necessary and were unable to enter into such a collaboration on acceptable terms, we might elect to delay or scale back the commercialization of the HyperAcute product candidates or D-1MT in order to preserve our financial resources or to allow us adequate time to develop the required physical resources and systems and expertise ourselves.

If we enter into a collaboration agreement we consider acceptable, the collaboration may not proceed as quickly, smoothly or successfully as we plan. The risks in a collaboration agreement include the following:

- the collaborator may not apply the expected financial resources, efforts or required expertise in developing the physical resources and systems necessary to successfully commercialize the HyperAcute product candidates or D-1MT;
- the collaborator may not invest in the development of a sales and marketing force and the related infrastructure at levels that ensure that sales of the HyperAcute product candidates or D-1MT reach their full potential;
- disputes may arise between us and a collaborator that delay the commercialization or adversely affect its sales or profitability of the HyperAcute product candidates or D-1MT; or
- the collaborator may independently develop, or develop with third parties, products that could compete with the HyperAcute product candidates or D-1MT.

If we enter into one or more collaborations for our HyperAcute product candidates, D-1MT or any of our other product candidates, we will be dependent on our collaborators' performance of their responsibilities and their cooperation with us. Our collaborators may not perform their obligations under our agreements with them or otherwise cooperate with us. We cannot control whether our collaborators will devote the necessary resources to the activities contemplated by our collaborative agreements, nor can we control the timing of their performance. Our collaborators may choose to pursue existing or alternative technologies in preference to those being developed in collaboration with us. Disputes may arise between us and our collaborators that delay the development and commercialization of our product candidates that are difficult and costly to resolve, or may not be resolved. In addition, a collaborator for the HyperAcute product candidates or D-1MT may have the right to terminate the collaboration at its discretion. Any termination may require us to seek a new collaborator, which we may not be able to do on a timely basis, if at all, or require us to delay or scale back the commercialization efforts. The occurrence of any of these events could adversely affect the commercialization of the HyperAcute product candidates or D-1MT and materially harm our business and stock price by delaying the sale of any product that may be approved by the FDA, by slowing the growth of such sales, by reducing the profitability of the product and/or by adversely affecting the reputation of the product.

***We rely on single source vendors for some key components for our product candidates, which could impair our ability to manufacture and supply our products.***

The manufacturing process for our HyperAcute immunotherapy product candidates has several components that we obtain from a single source. If we utilize alternative source materials, we may be required to demonstrate comparability of drug product before releasing product for clinical use. In addition, there is no guarantee that alternative source materials could be integrated into our existing process without significant cost and delay. Therefore, the loss of any of our current suppliers could result in manufacturing delays for any component substitution, and we may need to accept changes in terms or price from our existing suppliers in order to avoid such delays.

***We may explore strategic partnerships that may never materialize or may fail.***

We may, in the future, periodically explore a variety of possible strategic partnerships in an effort to gain access to additional product candidates or resources. At the current time, we cannot predict what form such a strategic partnership might take. We are likely to face significant competition in seeking appropriate strategic partners, and these strategic partnerships can be complicated and time consuming to negotiate and document. We may not be able to negotiate strategic partnerships on acceptable terms, or at all. We are unable to predict when, if ever, we will enter into any additional strategic partnerships because of the numerous risks and uncertainties associated with establishing strategic partnerships.

***If we enter into one or more strategic partnerships, we may be required to relinquish important rights to and control over the development of our product candidates or otherwise be subject to unfavorable terms.***

Any future strategic partnerships we enter into could subject us to a number of risks, including:

- we may be required to undertake the expenditure of substantial operational, financial and management resources;
- we may be required to issue equity securities that would dilute our existing stockholders' percentage ownership;
- we may be required to assume substantial actual or contingent liabilities;
- we may not be able to control the amount and timing of resources that our strategic partners devote to the development or commercialization of our product candidates;
- strategic partners may delay clinical trials, provide insufficient funding, terminate a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new version of a product candidate for clinical testing;
- strategic partners may not pursue further development and commercialization of products resulting from the strategic partnering arrangement or may elect to discontinue research and development programs;
- strategic partners may not commit adequate resources to the marketing and distribution of our product candidates, limiting our potential revenues from these products;
- disputes may arise between us and our strategic partners that result in the delay or termination of the research, development or commercialization of our product candidates or that result in costly litigation or arbitration that diverts management's attention and consumes resources;
- strategic partners may experience financial difficulties;
- strategic partners may not properly maintain or defend our intellectual property rights or may use our proprietary information in a manner that could jeopardize or invalidate our proprietary information or expose us to potential litigation;
- business combinations or significant changes in a strategic partner's business strategy may also adversely affect a strategic partner's willingness or ability to complete its obligations under any arrangement;
- strategic partners could decide to move forward with a competing product candidate developed either independently or in collaboration with others, including our competitors; and
- strategic partners could terminate the arrangement or allow it to expire, which would delay the development and may increase the cost of developing our product candidates.

#### **Risks Relating to Protecting Our Intellectual Property**

***If we are unable to protect our proprietary rights or to defend against infringement claims, we may not be able to compete effectively or operate profitably.***

Our success will depend, in part, on our ability to obtain patents, operate without infringing the proprietary rights of others and maintain trade secrets, both in the United States and other countries. Patent matters in the biotechnology and pharmaceutical industries can be highly uncertain and involve complex legal and factual questions. Accordingly, the validity, breadth, and enforceability of our patents and the existence of potentially blocking patent rights of others cannot be predicted, either in the United States or in other countries.

There can be no assurance that we will discover or develop patentable products or processes or that patents will issue from any of the currently pending patent applications or that claims granted on issued patents will be sufficient to protect our technology or adequately cover the actual products we may actually sell. Potential competitors or other researchers in the field may have filed patent applications, been issued patents, published articles or otherwise created prior art that could restrict or block our efforts to obtain additional patents. There also can be no assurance that our issued patents or pending patent applications, if issued, will not be challenged, invalidated, rendered unenforceable or circumvented or that the rights granted hereunder will provide us with proprietary protection or competitive advantages. Our patent rights also depend on our compliance with technology and patent licenses upon which our patent rights are based and upon the validity of assignments of patent rights from consultants and other inventors that were, or are, not employed by us.

In addition, competitors may manufacture and sell our potential products in those foreign countries where we have not filed for patent protection or where patent protection may be unavailable, not obtainable or ultimately not enforceable. In addition, even where patent protection is obtained, third party competitors may challenge our patent claims in the various patent offices, for example via opposition in the European Patent Office or reexamination or interference proceedings in the United States Patent and Trademark Office, or USPTO. The ability of such competitors to sell such products in the United States or in foreign countries where we have obtained patents is usually governed by the patent laws of the countries in which the product is sold.

We will incur significant ongoing expenses in maintaining our patent portfolio. Should we lack the funds to maintain our patent portfolio or to enforce our rights against infringers, we could be adversely impacted. Even if claims of infringement are without merit, any such action could divert the time and attention of management and impair our ability to access additional capital and/or cost us significant funds to defend.

***We may be subject to litigation with respect to the ownership and use of intellectual property that will be costly to defend or pursue and uncertain in its outcome.***

Our success also will depend, in part, on our refraining from infringing patents or otherwise violating intellectual property owned or controlled by others. Pharmaceutical companies, biotechnology companies, universities, research institutions, and others may have filed patent applications or have received, or may obtain, issued patents in the United States or elsewhere relating to aspects of our technology. It is uncertain whether the issuance of any third-party patents will require us to alter our products or processes, obtain licenses, or cease certain activities. Some third-party applications or patents may conflict with our issued patents or pending applications. Any such conflict could result in a significant reduction of the scope or value of our issued or licensed patents.

In addition, if patents issued to other companies contain blocking, dominating or conflicting claims and such claims are ultimately determined to be valid, we may be required to obtain licenses to these patents or to develop or obtain alternative non-infringing technology and cease practicing those activities, including potentially manufacturing or selling any products deemed to infringe those patents. If any licenses are required, there can be no assurance that we will be able to obtain any such licenses on commercially favorable terms, if at all, and if these licenses are not obtained, we might be prevented from pursuing the development and commercialization of certain of our potential products. Our failure to obtain a license to any technology that we may require to commercialize our products on favorable terms may have a material adverse impact on our business, financial condition and results of operations.

Litigation, which could result in substantial costs to us (even if determined in our favor), may also be necessary to enforce any patents issued or licensed to us or to determine the scope and validity of the proprietary rights of others. Under the Abbreviated New Drug Application provisions of U.S. law, after four years from the date marketing approval is granted to us by the FDA for a patented drug, a generic drug company may submit an Abbreviated New Drug Application to the FDA to obtain

approval to market in the United States a generic version of the drug patented by us. If approval were given to the generic drug company, we would be required to promptly initiate patent litigation to prevent the marketing of such generic version prior to the normal expiration of the patent. There can be no assurance that our issued or licensed patents would be held valid by a court of competent jurisdiction or that any generic drug would be found to infringe our patents.

In addition, if our competitors file patent applications in the United States that claim technology also claimed by us, we may have to participate in interference proceedings to determine priority of invention. These proceedings, if initiated by the USPTO, could result in substantial cost to us, even if the eventual outcome is favorable to us. Such proceedings can be lengthy, are costly to defend and involve complex questions of law and fact the outcomes of which are difficult to predict. An adverse outcome with respect to a third party claim or in an interference proceeding could subject us to significant liabilities, require us to license disputed rights from third parties, or require us to cease using such technology, any of which could have a material adverse effect on our business, financial condition and results of operations.

We also rely on trade secrets to protect technology, especially where patent protection is not believed to be appropriate or obtainable or where patents have not issued. We attempt to protect our proprietary technology and processes, in part, with confidentiality agreements and assignment of invention agreements with our employees and confidentiality agreements with our consultants and certain contractors. There can be no assurance that these agreements will not be breached, that we would have adequate remedies for any breach, or that our trade secrets will not otherwise become known or be independently discovered by competitors. We may fail in certain circumstances to obtain the necessary confidentiality agreements, or their scope or term may not be sufficiently broad to protect our interests.

If our trade secrets or other intellectual property become known to our competitors, it could result in a material adverse effect on our business, financial condition and results of operations. To the extent that we or our consultants or research collaborators use intellectual property owned by others in work for us, disputes may also arise as to the rights to related or resulting know-how and inventions.

### **Risks Relating to Our Exposure to Litigation**

***We are exposed to potential product liability or similar claims, and insurance against these claims may not be available to us at a reasonable rate in the future.***

Our business exposes us to potential liability risks that are inherent in the testing, manufacturing and marketing of human therapeutic products. Clinical trials involve the testing of product candidates on human subjects or volunteers under a research plan, and carry a risk of liability for personal injury or death to patients due to unforeseen adverse side effects, improper administration of the product candidate, or other factors. Many of these patients are already seriously ill and are therefore particularly vulnerable to further illness or death.

We currently have clinical trial liability insurance, but there can be no assurance that we will be able to maintain such insurance or that the amount of such insurance will be adequate to cover claims. We could be materially and adversely affected if we were required to pay damages or incur defense costs in connection with a claim outside the scope of indemnity or insurance coverage, if the indemnity is not performed or enforced in accordance with its terms, or if our liability exceeds the amount of applicable insurance. In addition, there can be no assurance that insurance will continue to be available on terms acceptable to us, if at all, or that if obtained, the insurance coverage will be sufficient to cover any potential claims or liabilities. Similar risks would exist upon the commercialization or marketing of any products by us or our partners.

Regardless of their merit or eventual outcome, product liability claims may result in:

- decreased demand for our product;

- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial volunteers;
- costs of litigation;
- distraction of management; and
- substantial monetary awards to plaintiffs.

***We may become involved in securities class action litigation that could divert management's attention and adversely affect our business and could subject us to significant liabilities.***

The stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for the common stock of biopharmaceutical companies. These broad market fluctuations as well as a broad range of other factors, including the realization of any of the risks described in these "Risk Factors," may cause the market price of our common stock to decline. In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because biotechnology and pharmaceutical companies generally experience significant stock price volatility. We may become involved in this type of litigation in the future. Litigation often is expensive and diverts management's attention and resources, which could adversely affect our business. Any adverse determination in any such litigation or any amounts paid to settle any such actual or threatened litigation could require that we make significant payments.

### **Offering Risks**

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

Before this offering, there was no public trading market for our common stock and there can be no assurance that a regular trading market will develop and continue after this offering or that the market price of our common stock will not decline, perhaps substantially, below the initial public offering price. The initial public offering price has been determined through negotiations between us and the representatives of the underwriters and may not be indicative of the market price of our common stock following this offering. Among the factors considered in such negotiations were prevailing market conditions; our results of operations and financial condition; financial and operating information and market valuations with respect to other companies that we and the representatives of the underwriters believe to be comparable or similar to us; the present state of our development; and our future prospects. See "Underwriting" for additional information. If you purchase shares of our common stock, you may not be able to resell those shares at or above the initial public offering price. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on the NASDAQ Global Market or otherwise or how liquid that market might become. If a market for our common stock does not develop or is not sustained, it may be difficult for you to sell your shares of common stock at an attractive price or at all. Further, an inactive market may also impair our ability to raise capital by selling shares of our common stock and may impair our ability to enter into strategic partnerships or acquire companies or products by using our shares of common stock as consideration. We cannot predict the prices at which our common stock will trade. It is possible that in one or more future periods our results of operations may be below the expectations of public market analysts and investors and, as a result of these and other factors, the price of our common stock may fall.

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

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in price in response to various factors, many of which are beyond our control, including those described elsewhere in this "Risk Factors" section in this prospectus and the following:

- new products, product candidates or new uses for existing products introduced or announced by our strategic partners, or our competitors, and the timing of these introductions or announcements;
- actual or anticipated results from and any delays in our clinical trials, including our Phase 3 clinical trial of our HyperAcute Pancreas product candidate, as well as results of regulatory reviews relating to the approval of our product candidates;
- variations in the level of expenses related to any of our product candidates or clinical development programs, including relating to the timing of invoices from, and other billing practices of, our clinical research organizations and clinical trial sites;
- the results of our efforts to discover, develop, acquire or in-license additional product candidates or products;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures and capital commitments;
- additions or departures of key scientific or management personnel;
- conditions or trends in the biotechnology and biopharmaceutical industries;
- actual or anticipated changes in earnings estimates, development timelines or recommendations by securities analysts; actual and anticipated fluctuations in our quarterly operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- deviations from securities analysts' estimates or the impact of other analyst ratings downgrades by any securities analysts who follow our common stock;
- other events or factors, including those resulting from war, incidents of terrorism, natural disasters or responses to these events;
- changes in accounting principles;
- discussion of us or our stock price by the financial and scientific press and in online investor communities;
- general economic and market conditions and other factors that may be unrelated to our operating performance or the operating performance of our competitors, including changes in market valuations of similar companies; and
- sales of common stock by us or our stockholders in the future, as well as the overall trading volume of our common stock.

In addition, the stock market in general and the market for biotechnology and biopharmaceutical companies in particular have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market, securities class-action litigation

has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect our business and financial condition.

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

As of September 30, 2010, our executive officers, directors and principal stockholders, together with their respective affiliates, owned approximately 45% of our common stock, including shares subject to outstanding options and warrants that are exercisable within 60 days after September 30, 2010, and we expect that upon completion of this offering, that same group will continue to hold at least % of our outstanding common stock. Accordingly, even after this offering, these stockholders will be able to exert a significant degree of influence over our management and affairs and over matters requiring stockholder approval, including the election of our Board of Directors, future issuances of our common stock or other securities, declarations of dividends on our common stock and approval of other significant corporate transactions. This concentration of ownership could have the effect of delaying or preventing a change in our control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could have a material and adverse effect on the fair market value of our common stock. In addition, sales of shares beneficially owned by executive officers and directors and their affiliates could be viewed negatively by third parties and have a negative impact on our stock price. Moreover, we cannot assure you as to how these shares will may be distributed and subsequently voted.

***A significant portion of our total outstanding shares may be sold into the public market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is doing well.***

Sales of a substantial number of shares of our common stock in the public market could occur at any time after the expiration of the lock-up agreements described in the "Underwriting" section of this prospectus. These sales, or the market perception that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. After this offering, we will have shares of common stock outstanding based on the number of shares outstanding as of September 30, 2010. This includes the shares that we are selling in this offering, which may be resold in the public market immediately. The remaining shares, or % of our outstanding shares after this offering, are currently restricted as a result of securities laws or lock-up agreements but will be able to be sold, subject to any applicable volume limitations under federal securities laws with respect to affiliate sales, in the near future as set forth below.

**Number of Shares and % of Total Outstanding**

**Date Available for Sale into Public Market**

shares, or %

On the date of this prospectus

shares, or %

180 days after the date of this prospectus, subject to extension in specified instances, due to lock-up agreements between the holders of these shares and the underwriters. However, the representatives of the underwriters can waive the provisions of these lock-up agreements and allow these stockholders to sell their shares at any time.

In addition, as of September 30, 2010, there were 6,392,303 shares subject to outstanding options and an additional 345,750 shares reserved for future issuance under our employee benefit plans that will become eligible for sale in the public market to the extent permitted by any applicable vesting requirements, the lock-up agreements and Rules 144 and 701 under the Securities Act of 1933, as amended, or the Securities Act. Moreover, after this offering, holders of an aggregate of shares

of our common stock will have rights, subject to some 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. If such holders, by exercising their registration rights, cause a large number of securities to be registered and sold into the public market, these sales could have an adverse effect on the market price for our common stock. We also intend to register all shares of common stock that we may issue under our employee benefit plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to the lock-up agreements and the restrictions imposed on our affiliates under Rule 144.

***You will incur immediate and substantial dilution as a result of this offering.***

If you purchase common stock in this offering, you will incur immediate and substantial dilution of \$ \_\_\_\_\_ per share, representing the difference between the assumed initial public offering price of \$ \_\_\_\_\_ per share and our pro forma net tangible book value per share after giving effect to this offering and the conversion of all outstanding shares of our convertible preferred stock upon the closing of this offering. Moreover, we issued warrants and options in the past to acquire common stock at prices significantly below the assumed initial public offering price. As of September 30, 2010, there were 375,000 shares issuable upon exercise of outstanding warrants, which were exercised on October 21, 2010 for an aggregate exercise price of \$2.0 million, and 6,392,303 shares subject to outstanding options with a weighted average exercise price of \$1.24 per share. To the extent that these outstanding options are ultimately exercised, you will incur further dilution.

***We will incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to meet compliance obligations.***

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. We will be subject to the reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, as well as rules subsequently implemented by the Securities and Exchange Commission, or SEC, and the NASDAQ Stock Market, or NASDAQ, that impose significant requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. The Exchange Act will require, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition. In addition, on July 21, 2010, the Dodd-Frank Wall Street Reform and Protection Act, or the Dodd-Frank Act, was enacted. There are significant corporate governance and executive compensation-related provisions in the Dodd-Frank Act that require the SEC to adopt additional rules and regulations in these areas such as "say on pay" and proxy access. The requirements of these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on our personnel, systems and resources. Our management and other personnel will need to devote a substantial amount of time to these new compliance initiatives. In addition, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our Board of Directors, our board committees or as executive officers.

***Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our ability to produce accurate financial statements and on our stock price.***

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we will be required to publish a report by our management on our internal control over financial reporting. We have not been subject to these requirements in the past. The internal control report must contain (a) a statement of management's

responsibility for establishing and maintaining adequate internal control over financial reporting, (b) a statement identifying the framework used by management to conduct the required evaluation of the effectiveness of our internal control over financial reporting, (c) management's assessment of the effectiveness of our internal control over financial reporting as of the end of our most recent fiscal year, including a statement as to whether or not internal control over financial reporting is effective, and (d) a statement that our independent registered public accounting firm has issued an attestation report on internal control over financial reporting.

To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to dedicate internal resources, engage outside consultants and adopt a detailed work plan to (a) assess and document the adequacy of internal control over financial reporting, (b) take steps to improve control processes where appropriate, (c) validate through testing that controls are functioning as documented, and (d) implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, we can provide no assurance as to our, or our independent registered public accounting firm's, conclusions with respect to the effectiveness of our internal control over financial reporting under Section 404. There is a risk that neither we nor our independent registered public accounting firm will be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

***We do not expect to pay any cash dividends for the foreseeable future. Investors in this offering may never obtain a return on their investment.***

You should not rely on an investment in our common stock to provide dividend income. We do not anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our existing operations. In addition, our ability to pay cash dividends is currently prohibited by the terms of one of our debt financing arrangements, and any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any return on their investment. As a result, investors seeking cash dividends should not purchase our common stock.

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

We expect to use the net proceeds from this offering primarily to fund the development activities for our HyperAcute immunotherapy product candidates. We also expect to use a portion of the proceeds to support the research and development of our other product candidates and the balance, if any, for working capital and other general corporate purposes, and any of the purposes described in "Use of Proceeds." However, our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our common stock. The failure by management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, cause the price of our common stock to decline and delay the development of our product candidates. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

***Provisions in our certificate of incorporation, our by-laws or Delaware law might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the trading price of our common stock.***

Provisions of our certificate of incorporation, our by-laws or Delaware law may have the effect of deterring unsolicited takeovers or delaying or preventing a change in control of our company or changes in our management, including transactions in which our stockholders might otherwise receive a premium for their shares over then current market prices. In addition, these provisions may limit the ability of stockholders to approve transactions that they may deem to be in their best interest. These provisions include:

- the division of our Board of Directors into three classes with staggered, three-year terms;
- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings;
- limitation on the ability of stockholders to remove directors or amend our by-laws; and
- the ability of our Board of Directors to designate the terms of and issue new series of preferred stock without stockholder approval, which could include the right to approve an acquisition or other change in our control or could be used to institute a rights plan, also known as a poison pill, that would work to dilute the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our Board of Directors.

In addition, Section 203 of the Delaware General Corporation Law prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years has owned, 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

***Our stockholders may be diluted, and the prices of our securities may decrease, by the exercise of outstanding stock options and warrants or by future issuances of securities by us.***

We may issue additional common stock, preferred stock, restricted stock units, or securities convertible into or exchangeable for our common stock. Furthermore, substantially all shares of common stock for which our outstanding stock options or warrants are exercisable are, once they have been purchased, eligible for immediate sale in the public market. The issuance of additional common stock, preferred stock, restricted stock units, or securities convertible into or exchangeable for our common stock or the exercise of stock options or warrants would dilute existing investors and could adversely affect the price of our securities. In addition, such securities may have rights senior to the rights of the securities purchased in this offering.

***Our ability to use our net operating loss carryforwards and certain other tax attributes is limited by Section 382 of the Internal Revenue Code.***

Section 382 of the Internal Revenue Code limits a corporation's ability to utilize its net operating loss carryforwards and certain other tax attributes to offset any future taxable income if the corporation experiences a cumulative ownership change of more than 50%, as interpreted by the Internal Revenue Service, or IRS, over any rolling three year period. State net operating loss carryforwards may be similarly limited. An ownership change can therefore result in significantly greater tax liabilities than a

corporation would incur in the absence of such a change and any increased liabilities could adversely affect the corporation's business, results of operations, financial condition and cash flow.

Based on a preliminary analysis, we believe that one or more ownership changes may have already occurred. Moreover, it is possible that this offering may cause an additional ownership change to occur. We are in the process of analyzing the extent to which Section 382 will limit the future utilization of our tax attributes as a result of any such ownership changes.

Additional ownership changes may occur in the future as a result of events over which we will have little or no control, including purchases and sale of our equity by our 5% stockholders, additional equity offerings or redemptions of our stock or certain changes in the ownership of any of our 5% stockholders.

***Accounting pronouncements may impact our reported results of operations and financial position.***

United States generally accepted accounting principles, or GAAP, and related implementation guidelines and interpretations can be highly complex and involve subjective judgments. Changes in these rules or their interpretation, the adoption of new pronouncements or the application of existing pronouncements to changes in our business could significantly alter our reported financial statements and results of operations.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.***

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our company, the trading price for our stock would be negatively impacted. If we obtain securities or industry analyst coverage and if one or more of the analysts who covers us downgrades our stock, publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this prospectus, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," "contemplate," or the negative of these terms or other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

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

- our plans to develop and commercialize our product candidates;
- our ongoing and planned preclinical studies and clinical trials, including the timing for completion of enrollment and outcome of our Phase 3 clinical trial for HyperAcute Pancreas;
- the timing of release of data from ongoing clinical studies;
- the timing of and our ability to obtain and maintain regulatory approvals for our product candidates;
- the clinical utility of our products;
- our plans to leverage our existing technologies to discover and develop additional product candidates;
- our ability to quickly and efficiently identify and develop product candidates;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our intellectual property position;
- the potential benefits of strategic collaboration agreements and our ability to enter into strategic arrangements;
- our estimates regarding expenses, future revenues, capital requirements and needs for additional financing; and
- other risks and uncertainties, including those listed under the caption "Risk Factors."

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this prospectus, particularly in the "Risk Factors" section, that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

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

The forward-looking statements in this prospectus represent our views as of the date of this prospectus. We anticipate that subsequent events and developments will cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should,

therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this prospectus.

We obtained the industry, market and competitive position data in this prospectus from our own internal estimates and research as well as from industry and general publications and research surveys and studies conducted by third parties. Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that each of these studies and publications is reliable, we have not independently verified market and industry data from third-party sources. While we believe our internal company research is reliable and the market definitions we use are appropriate, neither such research nor these definitions have been verified by any independent source.

## USE OF PROCEEDS

We estimate that the net proceeds from our issuance and sale of \_\_\_\_\_ shares of common stock in this offering will be approximately \$ \_\_\_\_\_ million (or approximately \$ \_\_\_\_\_ million if the underwriters' over-allotment option is exercised in full), assuming an initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the price range listed on the cover page of this preliminary prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share would increase (decrease) our net proceeds from this offering by approximately \$ \_\_\_\_\_ million, assuming that the number of shares offered by us, as set forth on the cover page of this preliminary prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to obtain additional capital to support our operations, to create a public market for our common stock and to facilitate our future access to the public equity markets. We intend to use approximately \$ \_\_\_\_\_ million of the net proceeds from this offering to fund our Phase 3 clinical trial and related development activities for HyperAcute Pancreas, approximately \$ \_\_\_\_\_ million to fund clinical and related development activities for our other HyperAcute immunotherapy product candidates, approximately \$ \_\_\_\_\_ million to fund clinical and related development activities for our IDO pathway inhibitor product candidates and the remainder for working capital and other general corporate purposes. Although it is difficult to predict future liquidity requirements, we believe that the net proceeds from this offering, together with our existing cash and cash equivalents and marketable securities, will allow us to fund our operations through at least the end of 2012.

This expected use of net proceeds from this offering represents our intentions based upon our current plans and business conditions. The amounts and timing of our actual expenditures depend on numerous factors, including the ongoing status of and results from clinical trials and other studies, as well as any strategic collaborations that we may enter into with third parties for our product candidates and any unforeseen cash needs. As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering.

Pending use of the proceeds from this offering, we intend to invest the proceeds in a variety of capital preservation investments, including short-term, investment-grade and interest-bearing instruments.

## DIVIDEND POLICY

We have never declared or paid any dividends on our common stock. We anticipate that we will retain all of our future earnings, if any, for use in the operation of our business and do not anticipate paying cash dividends in the foreseeable future.

## CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2010:

- on an actual basis;
- on a pro forma basis to give effect to (i) the exercise on October 21, 2010 of an outstanding warrant to purchase 375,000 shares of common stock for an aggregate exercise price of \$2.0 million, (ii) the completion on December 13, 2010 of the sale of 248,320 shares of our Series E preferred stock for an aggregate purchase price of \$7.8 million, and (iii) the issuance of 276,304 shares of Series E preferred stock in connection with our acquisition of the minority interest in our majority owned subsidiary, BPS; and
- on a pro forma as adjusted basis to give further effect to (i) the issuance and sale of \_\_\_\_\_ shares of common stock in this offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the price range listed on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us and the receipt by us of the proceeds of such sale and (ii) the conversion of all of our outstanding convertible preferred stock into an aggregate of 16,406,889 shares of common stock, which will take place automatically upon the closing of this offering in accordance with the terms of our preferred stock. Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends upon the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the respective number of shares set forth above.

Our capitalization following the closing of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with our consolidated financial statements and the related notes appearing at the end of this prospectus, the sections entitled "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information contained in this prospectus.

	As of September 30, 2010 (unaudited)		
	Actual	Pro Forma	Pro Forma As Adjusted (1)(2)
	(in thousands, except per share data)		
Cash, cash equivalents, and certificates of deposit	\$ 7,801	\$ 17,561	\$
Redeemable preferred stock, \$0.01 par value:			
Series AA preferred stock: 1,224,967 shares issued and outstanding actual and pro forma; no shares issued or outstanding, pro forma as adjusted	\$ 2,205	\$ 2,205	\$
Series AAA preferred stock: 377,410 shares issued and outstanding, actual and pro forma; no shares issued or outstanding, pro forma as adjusted	847	847	
Series B preferred stock: 2,191,193 shares issued and outstanding, actual; no shares issued or outstanding, pro forma as adjusted	5,478	5,478	
Series BB preferred stock: 1,906,866 shares issued and outstanding, actual and pro forma; no shares issued or outstanding, pro forma as adjusted	8,104	8,104	
Series C preferred stock: 6,000,000 shares issued and outstanding, actual and pro forma; no shares issued or outstanding, pro forma as adjusted	30,000	30,000	
Series D preferred stock: 1,500,000 shares issued and outstanding, actual and pro forma; no shares issued or outstanding, pro forma as adjusted	7,500	7,500	
Series E preferred stock: no shares issued and outstanding actual; 524,624 shares issued and outstanding, pro forma; no shares issued or outstanding pro forma as adjusted	—	16,394	
Equity:			
Series A preferred stock, \$0.01 par value: 420,000 shares issued and outstanding, actual and pro forma; no shares issued or outstanding, pro forma as adjusted	1,030	1,030	
Common stock, \$0.01 par value: 7,264,103 shares issued and outstanding, actual; 7,639,103 shares issued and outstanding, pro forma; and shares issued and outstanding, pro forma as adjusted	73	76	
Additional paid-in capital	4,034	540	
Notes receivable for common stock	(13)	(13)	
Deficit accumulated during the development stage	(58,143)	(58,143)	
Total NewLink Genetics shareholders' (deficit) equity	(53,019)	(56,510)	
Equity attributable to noncontrolling interests	3,144	—	
Total (deficit) equity	(49,875)	(56,510)	
Total capitalization	\$ 4,259	\$ 14,018	\$

- (1) A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, which is the midpoint of the price range listed on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted amount of each of cash, cash equivalents and marketable securities, additional paid-in capital, total stockholders' equity (deficit) and total capitalization by

approximately \$            million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

- (2) Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends upon the initial public offering price per share in this offering, the actual number of common shares issuable upon such exercise and conversion will likely differ from the respective number of shares set forth above.

The table above does not include:

- 1,385,053 shares of common stock issuable upon the exercise of outstanding options under our 2000 Equity Incentive Plan, or 2000 Plan, as of September 30, 2010 having a weighted average exercise price of \$0.83 per share;
- 4,992,250 shares of common stock issuable upon the exercise of outstanding options under our 2009 Equity Incentive Plan, as amended, or 2009 Plan, as of September 30, 2010 having a weighted average exercise price of \$1.35 per share;
- 1,889,750 additional shares of common stock reserved for future issuance under our 2009 Plan, as amended and restated, of which 1,500,000 were added to the shares reserved under this plan on October 29, 2010, plus any annual increases in the number of shares of common stock reserved for future issuance under this plan pursuant to the "evergreen provision" in such plan, as more fully described in "Executive Compensation — Employee Benefit Plans — 2009 Equity Incentive Plan";
- 950,000 shares of common stock reserved for future issuance under our 2010 Non-Employee Directors' Stock Award Plan, or Directors' Plan, and 2010 Employee Stock Purchase Plan, or 2010 Purchase Plan, each of which will become effective upon the completion of this offering; and
- 106,347 shares of common stock issuable upon the exercise of options that are issuable in connection with our acquisition of the minority interest in BPS in exchange for outstanding options to purchase the Series B common stock of BPS.

## DILUTION

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

Our historical net tangible book value (deficit) as of September 30, 2010 was \$(50.9) million or \$(7.00) per share of our common stock. Our historical net tangible book value (deficit) per share represents the amount of our total tangible assets less total liabilities and convertible preferred stock, divided by the number of shares of common stock outstanding.

Our pro forma net tangible book value (deficit) as of September 30, 2010 was \$(57.5) million or \$(7.53) per share of our common stock. Pro forma net tangible book value (deficit) per share represents the amount of our total tangible assets less total liabilities and convertible preferred stock, divided by the total number of shares of common stock outstanding after giving effect to (i) the exercise on October 21, 2010 of an outstanding warrant to purchase 375,000 shares of common stock, (ii) the completion on December 13, 2010 of the sale of 248,320 shares of our Series E preferred stock and (iii) the issuance of 276,304 shares of Series E preferred stock in connection with our acquisition of the minority interest in BPS.

After giving effect to the issuance and sale by us of \_\_\_\_\_ shares of common stock in this offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the price range listed on the cover page of this prospectus, less underwriting discounts and commissions and estimated offering expenses payable by us, and the conversion of all outstanding shares of our convertible preferred stock into an aggregate of 16,406,889 shares of common stock upon the closing of this offering. Our pro forma as adjusted net tangible book value as of September 30, 2010 would have been \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share. This represents an immediate increase in pro forma net tangible book value per share of \$ \_\_\_\_\_ to existing stockholders and immediate dilution of \$ \_\_\_\_\_ in pro forma net tangible book value per share to new investors purchasing common stock in this offering. Dilution per share to new investors is determined by subtracting pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by new investors. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share of common stock	\$
Pro forma net tangible book value per share as of September 30, 2010	
Increase per share attributable to new investors	
Pro forma as adjusted net tangible book value per share after this offering	
Dilution per share to new investors	\$

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

Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends upon the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the respective number of shares set forth above.

If the underwriters exercise their over-allotment option, the pro forma as adjusted net tangible book value will increase to \$ \_\_\_\_\_ per share, representing an immediate increase to existing stockholders of \$ \_\_\_\_\_ per share and an immediate dilution of \$ \_\_\_\_\_ per share to new investors. If

any shares are issued upon exercise of outstanding options or warrants, you will experience further dilution.

The following table summarizes, on the pro forma as adjusted basis described above as of September 30, 2010, the difference between the number of shares of common stock purchased from us, the total effective cash consideration paid to us and the average price per share paid to us by our existing stockholders and by investors purchasing shares of our common stock in this offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the price range listed on the cover page of this prospectus, before deducting underwriting discounts and commissions and estimated offering expenses payable by us. As the table below shows, investors purchasing shares of our common stock in this offering will pay an average price per share substantially higher than our existing stockholders paid.

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percentage	Amount	Percentage	Share
Existing stockholders		%	\$	%	\$
New investors					
<b>Total</b>		<b>100%</b>	<b>\$</b>	<b>100%</b>	<b>\$</b>

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share would increase (decrease) the total consideration paid by new investors by \$ \_\_\_\_\_ million and increase (decrease) the percentage of total consideration paid by new investors by approximately \_\_\_\_\_ %, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends upon the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the respective number of shares set forth above.

The number of shares purchased from us by existing stockholders is based on 7,639,103 shares of common stock outstanding as of September 30, 2010, after giving effect to (i) 375,000 shares of common stock issued on October 21, 2010 upon the exercise of outstanding warrants for an aggregate exercise price of \$2.0 million, (ii) 248,320 shares of our Series E preferred stock issued for an aggregate purchase price of \$7.8 million between December 1, 2010 and December 13, 2010, and (iii) 276,304 shares of our Series E preferred stock issuable in connection with our acquisition of the minority interest in our majority-owned subsidiary BPS, and excludes:

- 1,385,053 shares of common stock issuable upon the exercise of outstanding options under our 2000 Plan as of September 30, 2010 having a weighted average exercise price of \$0.83 per share;
- 4,992,250 shares of common stock issuable upon the exercise of outstanding options under our 2009 Plan as of September 30, 2010 having a weighted average exercise price of \$1.35 per share;
- 1,889,750 additional shares of common stock reserved for future issuance under our 2009 Plan as amended and restated, of which 1,500,000 were added to the shares reserved under this plan on October 29, 2010, plus any annual increases in the number of shares of common stock reserved for future issuance under this plan pursuant to the "evergreen provision" in such plan, as more fully described in "Executive Compensation — Employee Benefit Plans — 2009 Equity Incentive Plan"
- 950,000 shares of common stock reserved for future issuance under our 2010 Non-Employee Directors' Stock Award Plan, or Directors' Plan, and 2010 Employee Stock Purchase Plan, or 2010 Purchase Plan, each of which will become effective upon the completion of this offering; and

- 106,347 shares of common stock issuable upon the exercise of options that are issuable in connection with our acquisition of the minority interest in BPS in exchange for outstanding options to purchase the Series B common stock of BPS.

To the extent that outstanding options or warrants are exercised, you will experience further dilution. If all our outstanding stock options and outstanding warrants had been exercised as of September 30, 2010, assuming the treasury stock method, our pro forma net tangible book value as of September 30, 2010 would have been approximately \$            million or \$            per share of our common stock, and the pro forma net tangible book value after giving effect to this offering would have been \$            per share, representing dilution in our pro forma net tangible book value per share to new investors of \$            .

In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that we raise additional capital by issuing equity securities or convertible debt, your ownership will be further diluted.

**SELECTED FINANCIAL DATA**

You should read the following selected consolidated financial data together with our financial statements, the related notes appearing at the end of this prospectus and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus.

We derived the annual consolidated financial data from our audited financial statements, the last three years of which are included elsewhere in this prospectus. We derived the interim consolidated financial data from our unaudited interim consolidated financial statements included elsewhere in this prospectus. We derived the summary statement of operations data for the years ended December 31, 2005 and 2006 and the balance sheet data as of December 31, 2005, 2006 and 2007 from our audited financial statements not included in this prospectus. Our unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the information set forth therein.

Our historical results for any prior period are not necessarily indicative of results to be expected in any future period, and our results for any interim period are not necessarily indicative of results for a full fiscal year.

	<b>Years Ended December 31,</b>					<b>Nine Months Ended</b>	
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>September 30,</b>	<b>2010</b>
						<b>(unaudited)</b>	<b>(unaudited)</b>
<b>(in thousands, except per share data)</b>							
<b>Statement of operations data:</b>							
Grant revenue	\$ —	\$ 198	\$ —	\$ 633	\$ 934	\$ 268	\$ 1,105
<b>Operating expenses:</b>							
Research and development	2,905	3,631	4,767	5,451	5,559	4,120	6,921
General and administrative	2,361	2,592	3,353	4,597	5,192	3,875	5,610
<b>Total operating expenses</b>	<b>5,266</b>	<b>6,223</b>	<b>8,120</b>	<b>10,048</b>	<b>10,751</b>	<b>7,995</b>	<b>12,531</b>
<b>Loss from operations</b>	<b>(5,266)</b>	<b>(6,025)</b>	<b>(8,120)</b>	<b>(9,415)</b>	<b>(9,817)</b>	<b>(7,727)</b>	<b>(11,426)</b>
<b>Other income and expense:</b>							
Miscellaneous income	10	72	87	42	19	17	71
Forgiveness of debt	225	224	—	—	—	—	—
Interest income	265	414	454	213	132	93	22
Interest expense	(4)	(3)	(1)	(2)	(9)	(6)	(34)
<b>Other income (expense), net</b>	<b>496</b>	<b>707</b>	<b>540</b>	<b>253</b>	<b>142</b>	<b>104</b>	<b>59</b>
Net loss	(4,770)	(5,318)	(7,580)	(9,162)	(9,675)	(7,623)	(11,367)
<b>Less net loss attributable to noncontrolling interest(1)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>233</b>	<b>256</b>	<b>186</b>
<b>Net loss attributable to NewLink</b>	<b>\$ (4,770)</b>	<b>\$ (5,318)</b>	<b>\$ (7,580)</b>	<b>\$ (9,162)</b>	<b>\$ (9,442)</b>	<b>\$ (7,367)</b>	<b>\$ (11,181)</b>
<b>Net loss per share-basic and diluted</b>	<b>\$ (0.78)</b>	<b>\$ (0.83)</b>	<b>\$ (1.17)</b>	<b>\$ (1.40)</b>	<b>\$ (1.42)</b>	<b>\$ (1.11)</b>	<b>\$ (1.64)</b>
<b>Weighted average shares outstanding — basic and diluted</b>	<b>6,124</b>	<b>6,369</b>	<b>6,460</b>	<b>6,542</b>	<b>6,636</b>	<b>6,615</b>	<b>6,835</b>

	<u>As of December 31,</u>					<u>As of</u>
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>September 30,</u>
						<u>2010</u>
						<u>(unaudited)</u>
	(in thousands)					
<b>Balance sheet data:</b>						
Cash, cash equivalents, and certificates of deposit	\$ 9,824	\$ 8,825	\$ 16,238	\$ 8,126	\$ 17,209	\$ 7,801
Working capital	7,340	5,421	(1,007)	6,923	15,657	(236)
Total assets	11,058	10,054	17,358	10,576	22,667	14,450
Notes payable and obligations under capital leases	4,239	5,001	6,000	6,008	6,113	7,346
Convertible preferred stock	17,660	17,664	17,664	35,583	55,164	55,164
Deficit accumulated during the development stage	(15,460)	(20,778)	(28,358)	(37,520)	(46,962)	(58,143)
Total deficit	\$ (10,418)	\$ (15,331)	\$ (22,833)	\$ (31,830)	\$ (40,786)	\$ (49,875)

- (1) Further explanation is described under the caption "Noncontrolling Interest" in note 2(n) to our financial statements included in this prospectus.

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

*You should read the following discussion and analysis of our financial condition and results of our operations together with our financial statements and the related notes to those statements included later in this prospectus. In addition to historical financial information, this discussion contains forward-looking statements reflecting our current plans, estimates, beliefs and expectations that involve risks and uncertainties. As a result of many important factors, particularly those set forth under "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors," our actual results and the timing of events may differ materially from those anticipated in these forward-looking statements.*

### Overview

We are a biopharmaceutical company focused on discovering, developing and commercializing novel immunotherapeutic products to improve cancer treatment options for patients. Our portfolio includes biologic and small-molecule immunotherapy product candidates to treat a wide range of oncology indications. Our lead product candidate, HyperAcute Pancreas, is being studied in a Phase 3 clinical trial in surgically-resected pancreatic cancer patients that is being performed under a Special Protocol Assessment, or SPA, with the United States Food and Drug Administration, or FDA. We launched this trial based on encouraging Phase 2 data that suggests improvement in both disease-free and overall survival. We have three additional product candidates in clinical development, including HyperAcute Lung, which is being studied in a Phase 1/2 clinical trial conducted at the National Cancer Institute, or NCI, and HyperAcute Melanoma, which is being studied in an investigator-initiated Phase 2 clinical trial. To date, our HyperAcute product candidates have been dosed in more than 200 cancer patients, either as a monotherapy or in combination with other therapies, and have demonstrated a favorable safety profile.

Our HyperAcute product candidates are based on our proprietary HyperAcute immunotherapy technology, which is designed to stimulate the human immune system. Our product candidates are designed with an objective to harness multiple components of the innate immune system to combat cancer, either as a monotherapy or in combination with current treatment regimens without incremental toxicity. We are also conducting small-molecule based research and development with an aim to produce new drugs capable of breaking the immune system's tolerance to cancer through inhibition of the indoleamine-(2,3)-dioxygenase, or IDO, pathway. We are currently studying our lead IDO pathway inhibitor product candidate, d-1-methyltryptophan, or D-1MT, in collaboration with the National Cancer Institute, or NCI, in multiple Phase 1B/2 clinical trials. We believe that our immunotherapeutic technologies will enable us to discover, develop and commercialize multiple product candidates that can be used either alone or in combination to enhance or potentially replace current therapies to treat cancer with underserved patient populations and significant market potential.

We are a development stage company and have incurred significant losses since our inception. As of September 30, 2010, we had an accumulated deficit of \$58.1 million. We incurred a net loss of \$11.2 million and \$7.4 million for the nine months ended September 30, 2010 and September 30, 2009, respectively, and \$9.4 million, \$9.2 million and \$7.6 million for the years ended December 31, 2009, December 31, 2008, and December 31, 2007, respectively. We expect our losses to increase over the next several years as we advance into late-stage clinical trials and pursue regulatory approval of our product candidates. In addition, if one or more of our product candidates are approved for marketing, we will incur significant expenses for the initiation of commercialization activities.

### Financial Overview

#### Revenues

From our inception through September 30, 2010, we have not generated any revenue from product sales. We have generated \$2.9 million in grant revenue from our inception through September 30, 2010,

which is primarily attributable to research and development being performed by our subsidiary, BioProtection Systems Corporation, or BPS, under grants and contracts with the Department of Defense, or DOD, and the National Institutes of Health, or NIH.

In the future, we may generate revenue from a variety of sources, including product sales if we develop products which are approved for sale, license fees, and milestone, research and development and royalty payments in connection with strategic collaborations or licenses of our intellectual property. We expect that any revenue we generate will fluctuate from quarter to quarter as a result of the timing and amount of license fees, research and development reimbursements, milestone and other payments we may receive under potential strategic collaborations, and the amount and timing of payments we may receive upon the sale of any products, if approved, to the extent any are successfully commercialized. We do not expect to generate revenue from product sales for several years, if ever. If we fail to complete the development of our product candidates in a timely manner or to obtain regulatory approval for them, our ability to generate future revenue, and our results of operations and financial position, would be materially adversely affected.

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

Research and development expenses consist of expenses incurred in connection with the discovery and development of our product candidates. These expenses consist primarily of:

- employee-related expenses, which include salaries, bonuses and benefits;
- the cost of acquiring and manufacturing clinical trial materials;
- expenses incurred under agreements with contract research organizations, investigative sites and consultants that conduct our clinical trials and a substantial portion of our preclinical studies;
- facilities, depreciation of fixed assets and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilities and equipment;
- license fees for and milestone payments related to in-licensed products and technology; and
- costs associated with non-clinical activities and regulatory approvals.

We expense research and development expenses as incurred.

Product candidates in late stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size, duration and complexity of later stage clinical trials. We plan to increase our research and development expenses for the foreseeable future as we seek to complete development of our most advanced product candidates, and to further advance our earlier-stage research and development projects. From our inception through December 31, 2009, and September 30, 2010, we have incurred \$29.4 million and \$36.3 million,

respectively, in research and development expenses. The following tables summarize our research and development expenses for the periods indicated:

**Research and Development Expenses**  
(in thousands)

	Years Ended December 31,			Nine Months Ended September 30,	
	2007	2008	2009	2009	2010
HyperAcute immunotherapy technology	\$ 1,447	\$ 2,910	\$ 3,649	\$ 2,287	\$ 3,976
IDO pathway inhibitor technology	2,619	1,838	1,130	1,244	2,071
Other research and development	701	703	780	589	874
Total research and development expenses	<u>\$ 4,767</u>	<u>\$ 5,451</u>	<u>\$ 5,559</u>	<u>\$ 4,120</u>	<u>\$ 6,921</u>

**Research and Development Expenses**  
(in thousands)

	Years Ended December 31,			Nine Months Ended September 30,	
	2007	2008	2009	2009	2010
Wages and salaries	\$ 2,468	\$ 2,741	\$ 2,644	\$ 2,124	\$ 2,892
Equipment, supplies and other	2,064	2,416	2,612	1,771	3,608
Depreciation and amortization	235	294	303	225	421
Total research and development expenses	<u>\$ 4,767</u>	<u>\$ 5,451</u>	<u>\$ 5,559</u>	<u>\$ 4,120</u>	<u>\$ 6,921</u>

At this time, we cannot accurately estimate or know the nature, specific timing or costs necessary to complete clinical development activities for our product candidates. We are subject to the numerous risks and uncertainties associated with developing biopharmaceutical products including the uncertain cost and outcome of ongoing and planned clinical trials, the possibility that the FDA or another regulatory authority may require us to conduct clinical or non-clinical testing in addition to trials that we have planned, rapid and significant technological changes, frequent new product and service introductions and enhancements, evolving industry standards in the life sciences industry and our future need for additional capital. In addition, we currently have limited clinical data concerning the safety and efficacy of our product candidates. A change in the outcome of any of these variables with respect to the development of any of our product candidates could result in a significant change in the costs and timing of our research and development expenses.

**General and Administrative Expenses**

General and administrative expenses consist principally of salaries and related costs for personnel in executive, finance, business development, information technology, legal and human resources functions. Other general and administrative expenses include facility costs not otherwise included in research and development expenses, intellectual property prosecution and defense costs and professional fees for legal, consulting, auditing and tax services.

We anticipate that our general and administrative expenses will continue to increase over the next several years for, among others, the following reasons:

- we expect our general and administrative expenses to increase as a result of increased payroll, expanded infrastructure and higher consulting, legal, accounting and investor relations costs, and director and officer insurance premiums associated with being a public company;
- we expect to incur increased general and administrative expenses to support our research and development activities, which we expect to expand as we continue to advance the clinical development of our product candidates; and
- we may also begin to incur expenses related to the planned sales and marketing of our product candidates in anticipation of commercial launch before we receive regulatory approval, if any, of a product candidate.

#### ***Interest Income and Interest Expense***

Interest income consists of interest earned on our cash and cash equivalents and marketable securities. The primary objective of our investment policy is capital preservation. We expect our interest income to increase as we invest the net proceeds from the offering pending their use in our operations.

Interest expense consists primarily of interest, amortization of debt discount and amortization of deferred financing costs associated with our loans payable.

#### **Tax Loss Carryforwards**

The valuation allowance for deferred tax assets as of December 31, 2009, 2008 and 2007 was \$11.6 million, \$10.0 million and \$7.4 million, respectively. The net change in the total valuation allowance for the years ended December 31, 2009, 2008 and 2007 was an increase of \$1.6 million, \$2.5 million and \$1.9 million, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected taxable income, and tax planning strategies in making this assessment. Valuation allowances have been established for the entire amount of the net deferred tax assets as of December 31, 2009, 2008 and 2007, due to the uncertainty of future recoverability.

As of December 31, 2009, we had net operating loss carryforwards of \$46.6 million and federal research credit carryforwards of \$1.9 million that expire at various dates from 2020 through 2029. Tax loss carryforwards are subject to limitations by Section 382 of the Internal Revenue Code with respect to amounts utilizable each year when there are certain levels of change in ownership. This limitation reduces a corporation's ability to utilize net operating loss carryforwards.

Based on a preliminary analysis, we believe that one or more ownership changes may have already occurred. Moreover, it is possible that this offering may cause an additional ownership change to occur. We are in the process of analyzing the extent to which Section 382 will limit the future utilization of our tax attributes as a result of any such ownership changes.

We incurred no income tax expense for the nine months ended September 30, 2010 or any of the years ended December 31, 2009, 2008 and 2007. Income tax expense differs from the amount that would be expected after applying the statutory United States federal income tax rate primarily due to changes in the valuation allowance for deferred taxes.

## **Critical Accounting Policies and Significant Judgments and Estimates**

We have prepared our financial statements in accordance with United States generally accepted accounting principles. Our preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, expenses and related disclosures at the date of the financial statements, as well as revenues and expenses during the reporting periods. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could therefore differ materially from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in note 2 to our financial statements included later in this prospectus, we believe the following accounting policies to be critical to the judgments and estimates used in the preparation of our financial statements.

### ***Expenses Accrued Under Contractual Arrangements with Third Parties; Accrued Clinical Expenses***

As part of the process of preparing our financial statements, we are required to estimate our accrued expenses. This process involves reviewing open contracts and purchase orders, communicating with our applicable personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual cost. The majority of our service providers invoice us monthly in arrears for services performed. We make estimates of our accrued expenses as of each balance sheet date in our financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. Examples of estimated accrued clinical expenses include:

- fees paid to contract research organizations in connection with clinical trials;
- fees paid to investigator sites in connection with clinical trials;
- fees paid to contract manufacturers in connection with the production of clinical trial materials; and
- fees paid to vendors in connection with preclinical development activities.

We base our expenses related to clinical trials on our estimates of the services received and efforts expended pursuant to contracts with multiple research institutions and contract research organizations that conduct and manage clinical trials on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual accordingly. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in us reporting amounts that are too high or too low in any particular period.

### ***Stock-Based Compensation***

Effective January 1, 2006, we adopted revised guidance for accounting for stock-based compensation using the prospective transition method. Under this transition method, compensation cost is recognized for new stock option award grants occurring after adoption, or as a result of award modification, on a straight-line basis over the period for which the required service has not yet been rendered, based on the grant date fair value of those awards. All nonemployee grants use the fair value method as well.

*Stock Option Valuation.* We are required to estimate the grant-date fair value of stock options issued to employees and recognize this cost over the period these awards vest. We estimate the fair value of each option granted using the Black-Scholes option pricing model. Generally, we have issued employee awards that vest over time. For these awards, we record compensation cost on a straight-line basis over the vesting period. We issue awards which typically vest 20% to 25% on the first anniversary date of issuance with the remaining options vesting ratably over the next 36 to 48 months, as determined by the Board of Directors at the time of grant.

We have issued awards to nonemployee consultants and advisers. The compensation cost on these awards is recognized through the later of the vesting of the award or completion of services by the nonemployee.

The following table summarizes our assumptions used in the Black-Scholes model for option grants during the last three years and the nine months ended September 30, 2010:

	<b>Years Ended December 31,</b>			<b>Nine Months Ended</b>
	<b>September 30,</b>			<b>2010</b>
	<b>2007</b>	<b>2008</b>	<b>2009</b>	
Share price	\$1.00	\$1.00	\$1.00-\$1.41	\$1.46-\$1.91
Expected volatility	51.4%-51.6%	52.0%-52.1%	44.7%-62.5%	57.4%-58.9%
Expected term (in years)	6.0-7.5	5.5-7.5	7.0-7.5	5.0-7.0
Risk-free interest rate	3.3%-4.9%	2.2%-3.3%	1.6%-2.2%	0.1%-1.8%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

*Share Price.* Our stock options are granted with an exercise price at or above the then current fair value of our common stock as determined by the Board of Directors. As an input to making this determination, the Board of Directors obtained a third-party valuation.

*Expected Volatility.* Since prior to this offering we were a privately-held company, the estimated future expected volatility for each stock option valuation utilizes volatility rates of similar publicly traded companies considered to be in the same peer group. The volatility is calculated over a period of time commensurate with the expected term for the options granted.

*Expected Term (in Years).* The expected term of a stock option is the period of time for which the option is expected to be outstanding. We have a large number of options outstanding. There is no secondary market for our outstanding stock options and they contain only basic terms. Therefore, we used a simplified method of determining expected term by selecting the midpoint between the date upon which they would be fully vested in accordance with their terms and the anticipated forfeiture date as the expected term for the employee and non-employee director grants. For other non-employee grants, the contractual life of the option was used.

*Risk-Free Interest Rate.* We use the average yield on current United States Treasury instruments with terms that approximate the expected term of the stock options being valued.

*Expected Dividend Yield.* The expected dividend yield for all of our stock option grants is 0%, as we have not declared a cash dividend since inception, and do not expect to do so in the foreseeable future.

*Forfeitures.* The stock-based compensation expense recognized has been reduced for estimated forfeitures. The estimated forfeiture rate is based on historical experience of our option plan, which we expect to continue at the current level, and any adjustments in the forfeiture rate in the future will result in a cumulative adjustment in the period that this estimate is changed. Ultimately, the total

compensation expense recognized for any given stock-based award over its vesting period will only be for those shares that actually vest.

*Common Stock Fair Value.* Due to the absence of an active market for our common stock, the fair value of our common stock for purposes of determining the exercise price for stock option grants was determined by our Board of Directors, with the assistance of our management, in good faith based on a number of objective and subjective factors including:

- the prices of our convertible preferred stock sold to outside investors in arms-length transactions, and the rights, preferences and privileges of our convertible preferred stock as compared to those of our common stock, including the liquidation preference of our convertible preferred stock;
- our results of operations, financial position and the status of our research and development efforts;
- our stage of development and business strategy;
- the lack of liquidity of our private stock as a private company;
- valuations performed by an unrelated valuation specialist prepared in accordance with methodologies outlined in the AICPA Technical Practice Aid, "*Valuation of Privately-Held-Company Equity Securities Issued as Compensation*";
- the likelihood of achieving a liquidity event for the shares of our common stock and underlying stock options, such as an initial public offering, given prevailing market conditions;
- the material risks related to our business; and
- the composition of and changes to our management team.

Common Stock Valuations. We engaged a third-party valuation specialist to value our common stock as of December 31, 2007, 2008 and 2009, March 31, 2010, June 30, 2010, and September 30, 2010. The valuations used the probability-weighted expected return method, or PWERM, to allocate our estimated enterprise value between our preferred stock and common stock. This method is generally considered appropriate to use when there are several distinct liquidity scenarios to be considered. Under the PWERM, we analyzed the value of our company using several scenarios, which included an initial public offering ("IPO Scenario"), sale of the Company ("Sale Scenario"), remaining a private enterprise ("Private Company Scenario") and a liquidation of the assets ("Liquidation Scenario").

In determining the value of the equity under each scenario, the traditional approaches to valuation were considered. We utilized the discounted cash flow method to provide a reliable means of representing the fair value of the equity through the potential operating results of the Company on a going concern basis. This method was utilized in the Private Company Scenario. We also considered the capital market approach. This approach was utilized because we were able to identify publicly traded guideline companies we considered sufficiently comparable to the Company. The capital market approach was used in the IPO Scenario. The asset accumulation approach was considered and utilized in the Liquidation Scenario. The business transaction approach was utilized because data was available on the sale of entire businesses that we considered to be comparable to the Company. We used this approach in the Sale Scenario.

We determined the value of our preferred stock and common stock under each scenario by allocating the equity value to each class of stock and discounting the value back to the present using a risk-adjusted discount rate. We then weighted the present value of the common stock under each scenario based upon the probability of each scenario occurring in order to determine a final indication of value for the common stock.

After calculating the estimated values of our preferred stock and common stock in each scenario, we then tested our expected pre-money enterprise values for our IPO and Sale Scenarios using the guideline public company, or GPC, method within the market approach. We believe this two-step approach is consistent with the guidance set forth by the American Institute of Certified Public Accountants in the AICPA Technical Practice Aid, "Valuation of Privately-Held-Company Equity Securities Issued as Compensation," which we refer to as the AICPA Practice Aid.

As described in the AICPA Practice Aid, the market approach is one of three generally accepted valuation approaches. The market approach, and more specifically the GPC method within that approach, considers market transactions in businesses to develop measures that can be used in the valuation of the subject business. We believe that this method is useful if adequate information is available. Guideline public companies are publicly traded companies that provide a reasonable basis for comparison to the characteristics of the company being valued. Once these guideline companies have been identified, the GPC method then consists of developing ratios of value, or market multiples, based on the traded market value of each selected public company, as well as operating performance and financial condition indicators such as revenues, earnings and cash flow.

Valuation models require the input of highly subjective assumptions, and the valuation model we used is not the only valuation model available. Therefore, we cannot assure the accuracy of any particular valuation of our stock. Because our common stock has characteristics significantly different from that of publicly traded common stock and because changes in the subjective input assumptions can materially affect the fair value estimate, the models we used do not, in management's opinion, necessarily provide a reliable, single measure of the fair value of our common stock, and we will not use them to value our common stock once this offering is complete.

Our valuation specialist performed two distinct valuations for two different purposes. The valuation described below was performed for the purpose of calculating compensation expense for options grants pursuant to FAS 123R. A separate valuation was performed for purposes of determining the fair market value of our common stock for purposes of Section 409A of the Code, and was used to establish the exercise price of stock options. The valuations resulted in different fair values for accounting and tax purposes, reflecting differences in the applicable standards and guidance.

Liquidity Scenarios. For all of the valuations we considered a number of different liquidity scenarios, including an initial public offering of our common stock and an acquisition of our company. In all of these scenarios, the proceeds of the liquidation event were sufficient to provide a return to the holders of common stock. For each of the acquisition scenarios, we assumed different enterprise valuations and different dates and, consistent with the PWERM, in the acquisition scenarios we took into account the liquidation preferences that would be payable to the shares of our convertible preferred stock before any distribution of proceeds to holders of our common stock. We also considered that the holders of certain series of the convertible preferred stock would have the right to participate, after payment of the convertible preferred stock liquidation preference, in receiving their pro rata share of remaining proceeds payable to the common stock, up to a maximum amount per share of convertible preferred stock set forth in our certificate of incorporation. We also assigned a probability to an additional scenario in which we would be dissolved for no value and no proceeds would be available for any stockholder. In this scenario, we assumed that the common stock had a value of zero, since no proceeds would be available for distribution to the holders of common stock. The probability weightings assigned to these scenarios for our 2009 valuation were lower than those used in the prior retrospective valuations because, by that time, we had determined that an initial public offering or sale of the Company at a higher valuation was more likely.

IPO and Acquisition Scenarios in which Holders of Common Stock Will Realize a Return. For all of the valuations, we assigned probabilities to successful IPO Scenarios and to Sale Scenarios that would result in a return to the holders of our common stock. We considered that our success in completing either an initial public offering or sale that resulted in a return to the holders of our common stock

would be dependent upon our realization of clinical milestones, together with our execution of our business plan and a receptive marketplace. For each of the valuations, the assumptions as to our enterprise value in the acquisition scenarios were the same as in the IPO Scenarios but, consistent with the PWERM, in the acquisition scenarios we took into account the liquidation preferences that would be payable to the shares of our convertible preferred stock before any distribution of proceeds to holders of our common stock. We also considered that the holders of the convertible preferred stock would have the right to participate, after payment of the convertible preferred stock liquidation preference, in receiving their pro rata share of remaining proceeds payable to the common stock, up to a maximum amount per share of convertible preferred stock set forth in our certificate of incorporation. As a result, the values per share of our common stock in the acquisition scenarios were less than the corresponding values per share of common stock in the IPO Scenarios.

**Guideline Public Companies Analysis.** We have completed an analysis using a set of guideline public companies. We noted that the assumed values for our company we used in our IPO Scenarios fell within the observed range of initial public offering values for the identified companies. We selected a subset of the public companies we considered to be most similar to our company. We determined that each of the selected public companies was comparable to our company at the respective valuation dates because they are small capitalization companies engaged in either small molecule research or vaccines that are generally either in a pre-commercial stage or in the early stages of commercialization. As of each valuation date, we evaluated the market value of these companies' equity, excluding cash, and noted that these values were consistent with the enterprise values that we assumed as part of our IPO Scenarios and acquisition scenarios under the PWERM.

To analyze our valuation for each of our acquisition scenarios, we utilized the guideline transaction method. In this analysis, we reviewed approximately 20 companies in the biotechnology industry and compared the multiples from these transactions to the implied multiples for the acquisition scenarios. We calculated the median multiples of the transactions for enterprise value to sales, enterprise value to earnings before interest, taxes, depreciation and amortization and enterprise value to earnings before interest and taxes. We believe that the proprietary product mix and potential growth will increase the multiples from normalized multiples paid in the industry. However, we utilized multiples at or below the median multiples. Consequently, we have kept the market multiples within a reasonable range of the median market multiples for similar companies.

**Discount Rate.** Once we had allocated the per share values to our common stock and to each series of our convertible preferred stock at each of the future dates in our various scenarios, we calculated the present values of each per share amount to the valuation date, using a discount rates ranging from 46% to 67%. We believe that the discount rates selected are consistent with the required rates of return described in the AICPA Practice Aid for companies in a similar stage of development to us. Under the criteria set forth in the AICPA Practice Aid, for the valuations for the years ending December 31, 2007, 2008 and 2009, we determined that our company was no longer in the start-up stage but had generally not progressed beyond the first or early stage of development. Under the criteria set forth in the AICPA Practice Aid, for the periods ending March 31, 2010, June 30, 2010, and September 30, 2010, we determined that the Company was in the first or early stage of development from a technology-risk point of view and the bridge or initial public offering stage of development from a time-to-liquidity point of view.

Additionally, for the December 31, 2009 valuation, the discount rate we used to determine the value of the common stock was lower than in the prior retrospective valuations because we believed that our stage of development had progressed during 2009 under the framework described in the AICPA Practice Aid. For example, we made additional progress in our product development during 2009, including the receipt of interim data from our Phase 2 clinical trial of HyperAcute Pancreas. We closed our \$7.5 million Series D preferred stock financing and had the final closing of our \$30 million Series C preferred stock financing in July 2009 and September 2009, respectively.

*Fair Value Estimates*

After taking into account all of the assumptions and estimates described in our application of the PWERM and the GPC method within the market approach, we determined the fair value of our common stock to be approximately \$0.96 per share as of December 31, 2007, approximately \$0.95 per share as of December 31, 2008, approximately \$2.02 per share as of December 31, 2009, approximately \$2.08 per share as of March 31, 2010, approximately \$2.25 per share as of June 30, 2010, and approximately \$4.02 per share as of September 30, 2010. During 2007, 2008 and 2009 and the nine-month period ended September 30, 2010, we granted options to purchase shares of common stock as follows:

<b>Options Granted on Shares of Common Stock</b>				
<b>Grant date</b>	<b>Number of shares</b>	<b>Exercise price per share</b>	<b>Common Stock values</b>	<b>Intrinsic value per share</b>
June 29, 2007	151,500	1.00	0.96	0
December 14, 2007(1)	134,500	1.00	0.96	0
July 16, 2008	364,000	1.00	0.95	0
August 6, 2008	490,000	1.00	0.95	0
May 13, 2009	2,267,000	1.00	0.95	0
December 4, 2009(2)	1,706,500	1.41	2.02	0.61
March 3, 2010	1,005,250	1.46	2.08	0.62
June 2, 2010(3)	13,000	1.91	2.25	0.34

- (1) The options granted on December 14, 2007 are not reflected in the disclosure in note 12 of the financial statements for the period ending December 31, 2009 as the grant measurement date had not yet occurred under GAAP.
- (2) The options granted on December 4, 2009 are not reflected in the disclosure in note 12 of the financial statements for the period ending December 31, 2009 as the grant measurement date had not yet occurred under GAAP.
- (3) The options granted on June 2, 2010 are not reflected in the disclosure in note 12 of the financial statements for the period ending September 30, 2010 as the grant measurement date had not yet occurred under GAAP.

Based on an assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the range set forth on the cover page of this prospectus, the intrinsic value of stock options outstanding at September 30, 2010, would have been \$ \_\_\_\_\_ million, of which \$ \_\_\_\_\_ million and \$ \_\_\_\_\_ million related to stock options that were vested and unvested, respectively, at that date.

**Results of Operations*****Nine Months Ended September 30, 2010 and 2009***

**Revenues.** Revenues for the nine months ended September 30, 2010 were \$1.1 million, increasing from \$268,000 for the same period in 2009. The increase in revenue of \$837,000 was due to increased billings by BPS under various DOD contracts and NIH grants.

**Research and Development Expenses.** Research and development expenses for the nine months ended September 30, 2010 were \$6.9 million, increasing from \$4.1 million for the same period in 2009. The \$2.8 million increase was primarily due to a \$1.8 million increase in equipment and supplies costs including the acquisition of in-process research and development, direct development expenses for our clinical trial activities and other expenses, accompanied by a \$768,000 increase in personnel-related expenses and a \$196,000 increase in depreciation and amortization expense.

*General and Administrative Expenses.* General and administrative expenses for the nine months ended September 30, 2010 were \$5.6 million, increasing from \$3.9 million for the same period in 2009. The \$1.7 million increase was primarily due to a \$662,000 increase in personnel expenses, a \$213,000 increase in legal expenses, a \$269,000 increase in occupancy-related costs, a \$213,000 increase in consulting expenses and a \$379,000 increase in other costs.

*Interest Income and Expense.* Interest expense for the nine months ended September 30, 2010 was \$34,000, compared to \$6,000 for the same period in 2009. The \$28,000 increase was primarily due to additional borrowings under capital lease obligations. Interest income for the nine months ended September 30, 2010 was \$22,000, compared to \$93,000 for the same period in 2009. The \$71,000 decrease was primarily due to a decrease in interest rates, partially offset by an increase in our average cash balances.

*Other Income (Expense).* Miscellaneous income, net for the nine months ended September 30, 2010 was \$71,000, compared to \$17,000 for the same period in 2009.

#### **Years Ended December 31, 2009 and 2008**

*Revenues.* Revenues for the year ended December 31, 2009 were \$934,000, increasing from \$633,000 for the same period in 2008. The increase in revenue of \$301,000 was primarily due to increased billings by BPS under various DOD contracts and NIH grants.

*Research and Development Expenses.* Research and development expenses for the year ended December 31, 2009 were \$5.6 million, increasing from \$5.5 million for the same period in 2008. The \$108,000 increase was primarily due to a \$205,000 increase in equipment and supplies costs for our clinical trial activities and other expenses, partially offset by a \$97,000 decrease in personnel-related expenses and costs.

*General and Administrative Expenses.* General and administrative expenses for the year ended December 31, 2009 were \$5.2 million, increasing from \$4.6 million for the same period in 2008. The \$595,000 increase was primarily due to a \$644,000 increase in personnel expenses and a \$129,000 increase in legal costs, partially offset by a \$178,000 decrease in consulting expenses, occupancy-related, and other costs.

*Interest Income and Expense.* Interest expense for the year ended December 31, 2009 was \$9,000, compared to \$2,000 for the same period in 2008. Interest income for the year ended December 31, 2009 was \$132,000, compared to \$213,000 for the same period in 2008. The \$81,000 decrease was primarily due to a decrease in interest rates.

*Other Income (Expense).* Miscellaneous income, net for the year ended December 31, 2009 was \$19,000, compared to \$42,000 for the same period in 2008.

#### **Years Ended December 31, 2008 and 2007**

*Revenues.* Revenues for the year ended December 31, 2008 were \$633,000, increasing from \$0 for the same period in 2007. The increase in revenue of \$633,000 was due to the commencement of billings by BPS under various DOD contracts and NIH grants.

*Research and Development Expenses.* Research and development expenses for the year ended December 31, 2008 were \$5.5 million, increasing from \$4.8 million for the same period in 2007. The \$684,000 increase was primarily due to a \$411,000 increase in equipment and supplies costs for our clinical trial activities and other expenses, accompanied by a \$273,000 increase in personnel-related expenses and costs.

*General and Administrative Expenses.* General and administrative expenses for the year ended December 31, 2008 were \$4.6 million, increasing from \$3.4 million for the same period in 2007. The \$1.2 million increase was primarily due to a \$991,000 million increase in personnel expenses and a \$254,000 increase in legal and other costs.

*Interest Income and Expense.* Interest expense for the year ended December 31, 2008 was \$2,000, compared to \$1,000 for the same period in 2007. Interest income for the year ended December 31, 2008 was \$213,000, compared to \$454,000 for the same period in 2007. The \$241,000 decrease was primarily due to a decrease in interest rates partially offset by increases in average cash balances.

*Other Income (Expense).* Miscellaneous income, net for the year ended December 31, 2008 was \$42,000, compared to \$87,000 for the same period in 2007. The decrease of \$45,000 was primarily due to the expiration of agreements under the terms of multi-year software sales contracts.

## Liquidity and Capital Resources

We have funded our operations principally through the private placement of equity securities, debt financing and interest income. As of September 30, 2010, we have received proceeds, net of offering costs, of \$55.0 million from the issuance of convertible preferred stock, including \$7.5 million from the sale of 1.5 million shares of Series D preferred stock in July 2009 and \$30.0 million from the sale of 6.0 million shares of Series C preferred stock in during the course of 2008 and 2009. As of September 30, 2010, we had cash, cash equivalents and certificates of deposit of approximately \$7.8 million. The following table sets forth the primary sources and uses of cash for each of the periods set forth below:

### Sources and Uses of Cash (in thousands)

	Years Ended December 31,			Nine Months Ended September 30,	
	2007	2008	2009	2009	2010
Net cash used in development activities	\$ (6,541)	\$ (8,885)	\$ (9,140)	\$ (7,253)	\$ (9,388)
Net cash provided by (used in) investing activities	1,142	(3,127)	(1,545)	1,600	(2,043)
Net cash provided by financing activities	1,035	17,930	19,626	19,048	2,023
Net increase (decrease) in cash and cash equivalents	\$ (4,364)	\$ 5,918	\$ 8,941	\$ 13,395	\$ (9,408)

For the nine months ended September 30, 2010 and 2009, we used \$9.4 million and \$7.3 million for our development activities, respectively. During 2009, 2008 and 2007, our development activities used cash of \$9.1 million, \$8.9 million and \$6.5 million, respectively. The use of cash in all periods primarily resulted from our net losses adjusted for non-cash items and changes in operating assets and liabilities. The increase in cash used for the nine months ended September 30, 2010 and the year ended 2009 resulted from an increase in general and administrative expenses and research and development activities.

For the nine months ended September 30, 2010 and 2009, our investing activities provided (used) \$(2.0) million and \$1.6 million, respectively. During 2009, 2008 and 2007, our investing activities

provided (used) cash of \$(1.5) million, \$(3.1) million and \$1.1 million, respectively. The use of cash for the nine months ended September 30, 2010 was primarily the result of the purchases of property and equipment of \$2.9 million related to the expansion of our manufacturing facilities at our corporate headquarters. We anticipate a lower rate of capital expenditures associated with the facilities through the balance of 2010. The cash provided by investing activities for the nine months ended September 30, 2009 and the year ended 2007 was due primarily to the net result of maturities and sales of investment securities. These maturities were offset partially by purchases of property and equipment of \$250,000 and \$182,000, respectively. The use of cash for the years ended 2009 and 2008 was primarily the net result of the purchase of investment securities accompanied by the purchases of property and equipment of \$1.4 million and \$427,000, respectively.

For the nine months ended September 30, 2010 and 2009, our financing activities provided \$2.0 million and \$19.0 million, respectively. During 2009, 2008 and 2007, our financing activities provided \$19.6 million, \$17.9 million and \$1.0 million, respectively. The cash provided by financing activities in the nine months ended September 30, 2010 was primarily due to proceeds from loans payable of \$1.1 million accompanied by cash received from minority interest investment of \$912,000. The cash provided by financing activities during the nine months ended September 30, 2009 was primarily a result of the issuance of preferred stock of \$19.0 million. The cash provided in 2009 was primarily a result of the continued sale and issuance of Series C preferred stock along with 1.5 million shares of Series D preferred stock for net proceeds of \$19.6 million. The cash provided by financing activities in 2008 was primarily due to the sale and issuance of Series C preferred stock for net proceeds of \$17.9 million. The cash provided by financing activities in 2007 was primarily a result of proceeds of notes payable in the amount of \$1.0 million.

### ***Series E Preferred Stock***

On December 13, 2010 we completed the sale of 248,320 shares of our Series E preferred stock at a price per share of \$31.25, which resulted in aggregate proceeds of \$7.8 million. The Series E preferred stock is convertible into common stock at a 15% discount to the price to the public in an initial public offering if the offering results in a per share price to the public of at least \$7.00 and at least \$20 million in gross proceeds to us and occurs prior to September 1, 2011, or \$6.25 per common share under any other conversion scenario.

On December 1, 2010, we entered into an agreement to acquire the minority interest in BPS. We will issue 276,304 shares of our Series E preferred stock as consideration for this acquisition.

### ***Loan Agreements***

#### *March 2005 Iowa Department of Economic Development Loan*

In March 2005, we entered into a \$6.0 million forgivable loan agreement with the Iowa Department of Economic Development, or the IDED. Under the agreement, in the absence of default, there will be no principal or interest payments due until the completion date for the project, which is March 18, 2011, under the current one-year extension granted by the IDED. The project is to provide assistance to the Company for research and product development activities at its Iowa State University Research Park facility. The project calls for the creation of 315 positions and retention of 35 positions with total project expenditures of \$189.9 million for clinical trials, research and development activities, building construction, equipment purchases, and other working capital needs. As of September 30, 2010, we believe we have created 36 jobs, retained 35 jobs and incurred approximately \$54.5 million of project expenditures.

If, as of March 18, 2011, which is the current project completion date under the agreement, the IDED determines we have fulfilled all the job creation and maintenance terms and project expenditure requirements of the loan agreement, the loan will be forgiven. However, on the project completion date we will be required to repay the greater of approximately \$17,000 for each of the 350 jobs we fail to

create and maintain as of that date or a percentage of the \$6 million advanced under the agreement equal to the percentage of any shortfall in our obligation to expend \$189.9 million of project expenditures. Five years following the project completion date, we will be required to repay approximately \$17,000 for each of the 350 jobs the IDED determines we fail to maintain as of that date. In the event of default, including failure to repay any amounts under the loan when due, we will be required to repay the note including 6% interest per annum beginning at the date of default.

Under the agreement, we are obligated to pay a minimum of 0.25% royalties on all gross revenues of our products with a cumulative maximum royalty amount due of \$3.2 million. Royalties we pay will first offset amounts we are required to repay for amounts of the loan not forgiven and then go toward reducing the total cumulative royalty to be paid. We are also obligated to maintain our business in the State of Iowa while amounts remain outstanding under the loan. Substantially all of our assets are pledged against this loan and we are required to submit audited financial statements within 90 days of year-end. We have failed to meet this covenant each year and have obtained a waiver from the IDED each year.

The original project completion date for the project was March 18, 2010 and was extended to March 18, 2011 by an amendment to the agreement approved by the IDED. We do not anticipate fulfilling the requirements for loan forgiveness under this agreement by March 18, 2011, but based on our progress on the project we anticipate asking for and believe we can obtain a further one-year extension of the project completion date from the IDED.

#### *September 2007 IDED High Quality Job Creation Program Tax Credit*

In September 2007, we entered into a master contract and associated funding agreement, or HQJC Agreement, with the IDED under its high quality job creation program. We amended the HQJC Agreement in 2010 to extend the dates by which certain job creation and investment requirements were to be met to March 18, 2011.

The terms of the HQJC Agreement, as amended, require us by March 18, 2011, to make a qualifying investment in real estate or depreciable assets of at least \$2.0 million, to finalize the lease of our new executive offices and manufacturing facilities and to create at least 45 new full time equivalent jobs in Iowa of which at least 14 must be high quality, or HQJC jobs. In order to qualify as high quality jobs, the jobs created must be at a compensation levels that exceed the county average hourly wage of \$17.31. We fulfilled two of the three requirements by March 18, 2010. We have made a qualified investment in real estate and finalized the lease of our new offices and manufacturing facility. As of September 30, 2010 we have created 37 new jobs of which 23 were HQJC jobs. In addition, we are required to retain the HQJC jobs through March 18, 2013. If we fail to meet this requirement we will be required to repay all tax credits received under the HQJC Agreement. As of September 30, 2010, we had maintained our base employment of 34 full time equivalent jobs in addition to the 37 newly created jobs.

Under the HQJC Agreement, we received a tax credit of \$414,000, which was refunded to us between March 2006 and October 2009. Under the HQJC Agreement, the IDED may require us to repay the entire amount of the tax credit upon certain events of default, which include our experiencing a substantial layoff, relocating a substantial portion of our business or our research and development outside of Iowa, failing to offer certain employee benefits or failing to reinvest at least 1.0% of our pre-tax profits from our Iowa facility in research and development in Iowa. In addition, prior notice and consent of the IDED is required during the term of the HQJC Agreement for any material changes in our business or our research and development activities.

#### *March 2010 City of Ames Forgivable Loan*

In March 2010, we entered into a \$400,000 forgivable loan agreement with the City of Ames, Iowa and the Ames Chamber of Commerce, jointly, as lenders. The project provides us with financial assistance to construct new facilities within the Ames city limits. In the absence of a default, there are

no principal or interest payments due until the expected completion date for the project, which is March 10, 2015.

The project calls for our creating or retaining at least 70 full-time jobs located in Ames, Iowa as of March 10, 2012 and the creating or maintaining at least 150 full-time positions located in Ames, Iowa as of March 10, 2015. The agreement also calls for our entering into a five-year building lease with the option for extension for an additional five years of not less than 20,000 square feet within the corporate limits of the City of Ames by March 10, 2015. If, as of March 10, 2015, we have fulfilled the terms of the loan agreement, the loan will be forgiven. If on March 10, 2012 and March 10, 2015, we have failed to create or retain at least 70 full-time jobs and 150 full-time jobs in Ames, Iowa, respectively, we will be required to repay approximately \$3,100 per job not created or retained following the respective date. As of September 30, 2010, we had created or retained an aggregate of 71 full-time jobs in Ames, Iowa. As of September 30, 2010, \$300,000 of the total \$400,000 forgivable loan was advanced to us with the final \$100,000 pending certification to the City of Ames regarding the creation of a threshold level of jobs. In the event of default, including failure to repay any amounts under the loan when due, we will be required to repay the note, including 6.5% interest per annum, beginning at the date of default.

### ***Operating Capital Requirements***

We anticipate that we will continue to generate significant operating losses for the next several years as we incur expenses related to the research and development of our HyperAcute immunotherapy and IDO pathway inhibitor product candidates, build commercial capabilities and expand our corporate infrastructure. We believe that the net proceeds from this offering, together with our existing cash and cash equivalents and marketable securities, will allow us to fund our operations through at least the end of 2012.

We may seek to sell additional equity or debt securities or obtain a credit facility if our available cash and cash equivalents are insufficient to satisfy our liquidity requirements or if we develop additional opportunities to do so. The sale of additional equity and debt securities may result in additional dilution to our shareholders. If we raise additional funds through the issuance of debt securities or preferred stock, these securities could have rights senior to those of our common stock and could contain covenants that would restrict our operations. We may require additional capital beyond our currently forecasted amounts. Any such required additional capital may not be available on reasonable terms, if at all. If we were unable to obtain additional financing, we may be required to reduce the scope of, delay or eliminate some or all of our planned research, development and commercialization activities, which could harm our business.

Because of the numerous risks and uncertainties associated with research, development and commercialization of biopharmaceutical products, we are unable to estimate the exact amounts of our working capital requirements. Our future funding requirements will depend on many factors, including, but not limited to:

- the scope, progress, results and costs of clinical trials for our product candidates, and discovery and development activities related to new product candidates;
- the timing of, and the costs involved in, obtaining regulatory approvals for our product candidates;
- the cost of commercialization activities if any of our product candidates are approved for sale, including marketing, sales and distribution costs;
- the cost of manufacturing our product candidates and any products we commercialize;
- our ability to establish and maintain strategic partnerships, licensing or other arrangements and the financial terms of such agreements;

- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims, including litigation costs and the outcome of such litigation; and
- the timing, receipt and amount of sales of, or royalties on, our future products, if any.

### **Contractual Obligations and Commitments**

The following table summarizes our contractual obligations at September 30, 2010:

	<b>Contractual Obligations Due (in thousands)</b>				
	<b>Total</b>	<b>Less than 1 Year</b>	<b>1 to 3 Years</b>	<b>3 to 5 Years</b>	<b>More than 5 Years</b>
Short and long-term debt (including interest)	\$ 7,155	\$ 6,113	\$ 225	\$ 527	\$ 290
Operating lease obligations	1,179	281	537	361	—
Capital lease obligations	325	139	186	—	—
Total contractual cash obligations	<u>\$ 8,659</u>	<u>\$ 6,533</u>	<u>\$ 948</u>	<u>\$ 888</u>	<u>\$ 290</u>

### **Financial Obligations Related to Licensing and Development**

#### ***In-Licensing Agreements***

We are subject to a number of licensing agreements with respect to certain of the technologies that underlie our intellectual property. Unless otherwise noted, these agreements typically provide that we have exclusive rights to the use and sublicensing of the technologies in question for the duration of the intellectual property patent protection in question, subject to our meeting of our financial and other contractual obligations under the agreements. Certain of the key licensing agreements with significant financial obligations include the following:

*Central Iowa Health Systems.* We are a party to a license agreement, or the CIHS Agreement, dated August 2, 2001, with the Central Iowa Health System, or CIHS. The CIHS Agreement grants to us an exclusive, worldwide license to make, have made, use, import, sell and offer for sale products that are covered by certain CIHS patent rights, proprietary information and know-how relating to our HyperAcute immunotherapy technology. In partial consideration of the license under the CIHS Agreement, we entered into a stock purchase agreement with CIHS, under which we issued to CIHS shares of our common stock and granted CIHS certain rights related to ownership of such shares.

In addition, we must reimburse CIHS for out-of-pocket costs incurred for patent prosecution and maintenance. If we commercialize a licensed product, we also have the obligation to pay CIHS royalties as a percentage of net sales of the licensed product, subject to annual minimum royalties and a reduction for any royalty payments we must make to third parties. If we grant a sublicense under the licenses granted by CIHS, we must pay to CIHS a percentage of certain consideration paid by the sublicensee to us. Under the CIHS Agreement, we must use commercially reasonable efforts to develop and commercialize licensed products, to obtain necessary regulatory approvals and to launch and market such products in specified markets.

*Drexel University.* We are party to a license agreement, or the Drexel Agreement, dated October 13, 2004 with Drexel University, or Drexel. The Drexel Agreement grants us, and our affiliates, an exclusive, worldwide license, under specified Drexel patent rights relating to compositions and methods for vaccines based on a-Gal epitopes, to make, have made, use, import, sell and offer for sale vaccine products that are covered by such patent rights, or that use related Drexel technical information, for use in the diagnosis and treatment of cancer, viral and other infectious disease.

In consideration of our license under the Drexel Agreement, we have paid and are obligated to continue to pay specified license fees, milestone payments, annual license maintenance fees, reimbursement of patent prosecution costs, and royalty payments as a percentage of "net sales" of any licensed product that is commercialized, subject to minimum royalty payments. Royalty rates vary depending on the type of licensed product, the territory where it is sold and whether the licensed product is combined with other technologies. In addition, if we grant a sublicense under the license granted by Drexel, we must pay Drexel a percentage of the consideration paid by the sublicensee to us. In accordance with a development plan included in the Drexel Agreement, we are obligated to use commercially reasonable efforts to develop and market products covered by the license as soon as practicable.

*Lankenau Institute for Medical Research — IDO-1.* We are a party to a license agreement dated July 7, 2005, as amended May 22, 2006 and September 11, 2007, or the IDO-1 Agreement, with Lankenau Institute for Medical Research, or LIMR. The IDO-1 Agreement grants us an exclusive, worldwide license, under specified LIMR patent rights relating to inhibitors of indoleamine 2,3-dioxygenase, or IDO-1, and related LIMR technology, to make, have made, use, import, sell and offer for sale products that are covered by such patent rights for use in the field of animal and human therapeutics and diagnostics.

In consideration of the license grant, we are obligated to pay to LIMR specified license fees, annual license maintenance fees, reimbursement of past patent prosecution costs, milestone payments if certain development milestones are met, and royalties as a percentage of net sales of the licensed products if a licensed product is commercialized. In addition, if we grant a sublicense under the IDO-1 Agreement, we must to pay to LIMR a percentage of the consideration received by us from the sublicensee. Under the IDO-1 Agreement, we are obligated to use commercially reasonable efforts to develop and market the licensed products, and to achieve certain specific development milestones by agreed-upon deadlines.

*Medical College of Georgia.* We are a party to a License Agreement dated September 13, 2005, or the MCGRI Agreement, with Medical College of Georgia Research Institute, or MCGRI which was amended on April 27, 2006 and February 13, 2007. The MCGRI Agreement grants us, including our affiliates, an exclusive, worldwide license, under specified MCGRI patent rights and related technology to make, have made, use, import, sell and offer for sale products that are covered by licensed patent rights or incorporates or uses licensed technology in all medical applications.

In consideration of such license grant, we are obligated to pay to MCGRI specified license fees (including issuing shares of our common stock), annual license maintenance fees, reimbursement of patent prosecution costs, milestone payments, and royalties as a percentage of net sales of the licensed products, subject to minimum royalty payments and royalty rates depending on the type of license product. In addition, if we grant a sublicense under the license granted by MCGRI, we must pay to MCGRI a percentage of the consideration we receive from the sublicensee. Under the agreement, we are obligated to make certain investments toward the further development of licensed products within specified time periods.

*University of British Columbia.* We are a party to a license agreement dated February 1, 2007, or the UBC License, with the University of British Columbia, or UBC. The UBC License grants us an exclusive, worldwide license, under specified UBC patent rights relating to IDO-1 inhibitors and related technology, to make, have made, use, import, sell and offer for sale products that are covered by licensed patent rights or incorporates or uses licensed technology. In addition, the UBC License grants us an option to obtain an exclusive, worldwide license to new IDO-1 inhibitors related technology developed during the term of the agreement.

In consideration of the license grant, we must pay to UBC specified license fees, annual payment and license maintenance fees, reimbursement of patent prosecution costs, milestone payments, and royalties as a percentage of net revenue of the licensed product if a licensed product is commercialized,

which royalty rate varies depending on the type of license product and field of use. In addition, if we grant a sublicense under the licenses granted by UBC, we may be required to pay to UBC a percentage of certain consideration we receive from the sublicensee. We are obligated to use our commercially reasonable efforts to develop and market the licensed products, and to achieve certain specific development milestones by agreed-upon deadlines.

*LIMR — IDO-2.* We are a party to a license agreement, or the LIMR IDO-2 Agreement, executed December 21, 2007 with LIMR. The LIMR IDO-2 Agreement grants us an exclusive, worldwide license, under specified LIMR patent rights relating to inhibitors of the target indoleamine 2,3 dioxygenase-2, or IDO-2, and under related LIMR know-how or technology, to make, have made, use, import, sell and offer for sale products and services that are covered by such patent rights, for all uses.

In consideration of the license grant, we have paid to LIMR an upfront license fee and annual license maintenance fees, and are obligated to pay LIMR annual license maintenance fees, additional milestone payments and, if a licensed product is commercialized, royalties as a percentage of "net sales" of the licensed product, subject to reduction for our royalty payments to third parties. In addition, if we grant a sublicense under the licenses granted by LIMR, we must pay to LIMR a percentage of the consideration paid by the sublicensee to us. Under the LIMR IDO-2 Agreement, we have agreed to use our commercially reasonable efforts to develop and exploit products covered by the license.

*2009 LIMR Exclusive License Agreement.* We are a party to a license agreement, or the 2009 LIMR Agreement, dated April 23, 2009 with LIMR. The 2009 LIMR Agreement grants us an exclusive, worldwide license, under specified LIMR patent rights relating to IDO inhibitors, and under related LIMR know-how or technology, to make, have made, use, import, sell and offer for sale products and services that are covered by such patent rights, for all uses. In consideration of such license grant, we are obligated to pay LIMR milestone payments and royalties as a percentage of "net sales" of the licensed product, subject to reduction for our royalty payments to third parties and to LIMR under the IDO-1 Agreement or LIMR IDO-2 Agreement. In addition, if we grant a sublicense under the licenses granted by LIMR, we must pay to LIMR a percentage of the consideration paid by the sublicensee to us.

*Bresagen Patent License Agreement.* We are a party to a license agreement, or the Bresagen Agreement, dated March 1, 2006 with Bresagen Xenograft Marketing Ltd, or Bresagen. The Bresagen Agreement grants us a non-exclusive, non-sublicensable license to specified Bresagen patent rights for use in testing microbial and cancer vaccines. In consideration of such license grant, we are obligated to pay Bresagen an up front license fee and an annual license fee.

#### ***Collaborative Agreements with Medical Institutions***

We have entered into numerous agreements with various medical institutions for the performance of clinical trials for various products. They typically call for the payment of fees by us for the performance of the clinical trials and the maintenance of confidentiality as to the associated technology.

On December 22, 2007, we entered into a Cooperative Research & Development Agreement, or CRADA, with Public Health Services (a consortium of the FDA, Centers for Disease Control and NCI) with respect to certain funded research for our HyperAcute immunotherapy products as they relate to lung cancer. This replaced a previously expiring CRADA with the government. It provides for certain collaborative development and the opportunity for us to develop certain rights with respect to Phase 1/2 trials related to lung cancer. We also entered into a letter of intent with the NCI regarding certain IDO development efforts. The financial obligations under the letter of intent will be defined in the CRADA when and if one is executed relating to this program. If the NCI discontinued support under the letter of intent, we would take over completing the development of D-1MT without federal support.

## Patents and Trademarks

As noted above, we presently have an extensive portfolio of patents and patent applications (and certain trademark registrations) with the United States Patent and Trademark Office. During the fiscal years ending December 31, 2009, 2008 and 2007, we incurred expenses related to the filing, maintenance and initiation of our patent portfolio of \$424,000, \$457,000 and \$437,000. During the nine months ending September 30, 2010, these expenses totaled \$584,000 for an increase of 86% over the first nine months of 2009. We anticipate these expenses to continue and increase for the remainder of 2010 and into 2011.

## OncoRx Acquisition

On June 21, 2005, we acquired all of the stock of OncoRx Corporation for \$120,000 in cash and an agreement to deliver 780,611 shares of our common stock, due in four installments upon successful completion of specified milestones as set forth in the agreement. On July 29, 2010, we entered into an amendment of this stock purchase agreement to reduce the remaining shares payable under the third and fourth installments by accelerating the payment of such installments to the effective date of the amendment. In consideration for our accelerated stock payment, we received a 30% discount on the remaining shares payable, reducing our total shares payable under the agreement by 156,122 shares. Through this acquisition, we acquired the fundamental technology for our IDO pathway inhibitor product candidates, subject to the licensing agreement with LIMR as set forth in "In-Licensing Agreements," above.

## BioProtection Systems Corporation

We formed BioProtection Systems Corporation, or BPS, as a subsidiary in 2005 to research, develop and commercialize vaccines to control the spread of emerging lethal viruses and infectious diseases, improve the efficacy of existing vaccines and provide rapid response prophylactic and therapeutic treatment for pathogens that might be targeted to the human population through acts of bioterrorism. At October 31, 2010, we owned shares of Series A common stock representing approximately 58% of BPS's common stock on an as-converted basis, assuming conversion into Series B common stock of all outstanding Series A and Series B preferred stock. On December 1, 2010, we entered into an agreement to acquire all of the minority interest in BPS, as described in more detail below.

BPS has financed its operations since inception through a combination of stock sales to and loans from the Company, sales of preferred stock to investors, and government contracts. We hold 7,000,000 shares of Series A common stock in BPS. These shares have a preference of \$0.10 per share over the Series B common stock, which is held primarily by officers and current and former employees. BPS has raised an aggregate of \$3.5 million from the sale of 1,444,721 shares of Series A preferred stock and 555,930 shares of Series B preferred stock. Each share of BPS Series B preferred stock and each share of Series A preferred stock is entitled to receive \$1.75 in preference to the shares of common stock upon a liquidation or sale of BPS.

BPS has borrowed \$2.5 million from us pursuant to a convertible secured promissory note dated September 1, 2009. The note bears interest at 9.75% per annum. At September 30, 2010, accrued interest on the note was \$0. The note is convertible into BPS Series B preferred stock at a price of \$1.40 per share, which represents a 20% discount to the price per share paid by other purchasers of Series B preferred stock. Upon conversion of the note into Series B preferred stock, the Company would own 65% of the common stock assuming the conversion of all Series A and Series B preferred stock into Series B common stock.

BPS has entered into government contracts under which it recognized revenue of \$734,000 in 2009 and \$1.1 million in the nine months ended September 30, 2010.

BPS maintains an independent stock option plan. Pursuant to its plan, Gordon Link was granted an option to purchase up to 30,000 shares of Series B common stock at an exercise price of \$0.10 per

share on September 18, 2008 and Ken Lynn was granted an option to purchase up to 30,000 shares of Series B common stock at an exercise price of \$0.10 per share on January 20, 2009. The following options to purchase Series B common stock were exercised at \$0.05 per share in September 2006 and purchased by the following officers and/or directors of the Company:

<u>Name</u>	<u>Shares</u>
Charles J. Link, Jr., M.D.	1,500,000
Nicholas N. Vahanian, M.D.	400,000
Thomas A. Raffin, M.D.	50,000
Ernest J. Talarico, III	50,000

Dr. Charles Link and Dr. Vahanian delivered notes to BPS in the principal amounts of \$75,000 and \$20,000, respectively, in September 2006, bearing interest at 5.01% per annum, in order to purchase their shares of BPS Series B common stock under the stock options. As of November 17, 2010, Dr. Link and Dr. Vahanian had repaid the remaining principal and interest owed under the notes. For a more detailed description of these loans, see "Executive and Director Compensation — Indebtedness of Management and Related Agreements." Dr. Link serves as CEO of BPS, and Dr. Vahanian serves as Chief Medical Officer of BPS.

### Acquisition of BioProtection Systems Corporation

On December 1, 2010, we entered into an agreement to acquire all of the minority interest in BPS, by merging a newly-formed subsidiary of ours with BPS, with BPS as the surviving corporation. Upon closing, we will issue an aggregate of 276,304 shares of our Series E preferred stock to the holders of BPS Series B common stock, Series A preferred stock and Series B preferred stock (other than the Company). Upon closing, BPS will become a wholly-owned subsidiary of the Company and our note will be converted into Series B preferred stock of BPS. All options to purchase shares of BPS stock will become options to purchase 106,347 shares of our common stock.

The merger of BPS has been approved by the required vote of BPS's stockholders as well as a majority of the BPS stockholders excluding the Company and officers and directors of the Company. The closing of the merger is subject only to receipt of certain approvals from our stockholders. As of \_\_\_\_\_, 2010, holders of \_\_\_\_\_ % of our common stock and \_\_\_\_\_ % of our \_\_\_\_\_ preferred stock had approved the transaction.

In this transaction, shares of our Series E preferred stock will be issued to our officers and directors as follows:

<u>Name</u>	<u>Shares of Series E Preferred Stock</u>
Charles J. Link, Jr., M.D.	51,960
Nicholas N. Vahanian, M.D.	13,856
Thomas A. Raffin, M.D.	1,732
Ernest J. Talarico, III	1,732

In addition, the following directors and officers of NewLink who are also directors or officers of BPS will exchange their BPS stock options for options to acquire shares of NewLink common stock:

<u>Name</u>	<u>Options to Acquire BPS Series B Common Stock</u>	<u>Options to Acquire NewLink Common Stock</u>
Charles J. Link, Jr., M.D.	20,000	5,385
Nicholas N. Vahanian, M.D.	20,000	5,385
Thomas A. Raffin, M.D.	50,000	13,462
Ernest J. Talarico, III	45,000	12,116

The acquisition of BPS has been recommended by a special committee of our Board of Directors consisting of Dr. Alexander and Messrs. Lundquist and Saluri, none of whom serve as directors of BPS. Dr. Alexander and Mr. Saluri do not own any shares or options in BPS. The David Lundquist Revocable Trust owns shares of Series A Preferred Stock in BPS.

### **Related Party Transactions**

In connection with his employment with us, Mr. Gordon Link was required to relocate from Colorado to Iowa. Pending the sale of his home in Colorado, we agreed to loan him the funds necessary to purchase a new home. He borrowed \$500,000 from us on July 28, 2008, which bore interest at the IRS applicable federal rate of 2.42% per annum. As of May 11, 2010, Mr. Link had repaid the principal on the loan and accrued interest of \$10,052 was forgiven.

On May 2, 2008, Dr. Charles Link borrowed \$225,000 from us at an interest rate of 6% per annum, with all accrued interest and principal due May 1, 2009. On January 22, 2009, we granted Dr. Link a bonus of \$78,149, which was applied to the principal due on the loan. On April 24, 2009, Dr. Link repaid the remaining principal and accrued interest on the loan.

On April 24, 2009, Dr. Link borrowed \$350,000 from us at an interest rate of 6% per annum, with all accrued interest and principal due May 1, 2011. On May 7, 2010, the note plus accrued interest of \$25,170 was forgiven, effective as of July 2, 2010, and an additional bonus of \$180,226 was granted to cover the resulting tax liability. To offset the forgiveness and the bonus payment, outstanding options held by Dr. Link to purchase our common stock were modified to increase the aggregate exercise price by an amount equal to the amount of the forgiveness plus the bonus paid, and Dr. Link agreed to exercise the higher priced options prior to exercising any lower priced options to purchase our common stock.

Dr. Vahanian borrowed \$31,500 from us at an interest rate of 6.71% per annum. On July 1, 2010, the note plus accrued interest of \$10,000 was forgiven, effective as of July 2, 2010, and a bonus of \$12,010 was granted to cover the resulting tax liability. To offset the forgiveness and the bonus payment, outstanding options held by Dr. Vahanian to purchase our common stock were modified to increase the aggregate exercise price by an amount equal to the amount of the forgiveness plus the bonus paid, and Dr. Vahanian agreed to exercise the higher priced options prior to exercising any lower priced options to purchase our common stock.

On August 20, 2008, Dr. Vahanian borrowed \$125,000 from us at an interest rate of 6% per annum, with all accrued interest and principal due March 1, 2009. On January 22, 2009, we granted Dr. Vahanian a bonus of \$55,037, which was applied to the principal due on the loan. On April 24, 2009, Dr. Vahanian repaid the remaining principal and accrued interest on the loan.

### **Off-Balance Sheet Arrangements**

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under Securities and Exchange Commission, or SEC, rules.

### **Recent Accounting Pronouncements**

Effective January 1, 2009, we adopted new accounting guidance related to accounting for uncertainty in income taxes. This accounting standard clarifies the recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This accounting standard also provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. We have not identified any material uncertain tax positions for which accruals would be required and the adoption of this accounting standard did not have an effect on its consolidated financial statements.

In April 2009, the Financial Accounting Standards Board, or FASB, issued guidance that expands the fair value disclosures required for financial instruments to interim reporting periods for publicly

traded companies, including disclosure of the significant assumptions used to estimate the fair value of financial instruments. We adopted this guidance effective June 30, 2010. The adoption did not impact our financial position or results of operations.

In May 2009, the FASB established general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for selecting that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. Our adoption of this standard had no material impact on our financial position, results of operations and cash flows.

In June 2009, the FASB issued ASC 105, "Generally Accepted Accounting Principles," which established the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of ASC 105, we have updated references to Generally Accepted Accounting Principles, or GAAP, in our financial statements issued for the period ended December 31, 2009. The adoption of ASC 105 did not impact our financial position or results of operations.

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The amended guidance requires disclosure of transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of the assets and liabilities measured under Level 3 of the fair value measurement hierarchy. The Company adopted the new disclosure requirements on January 1, 2010, except for the requirement concerning gross presentation of Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. The adoption of the Level 1 and Level 2 disclosure guidance did not have an impact on the Company's consolidated financial position or results of operations.

In December 2007, the FASB revised the authoritative guidance for business combinations, which establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company adopted this revised business combinations guidance on January 1, 2009. This guidance did not have any impact on the Company's consolidated financial statements upon adoption. The Company expects the guidance to have an impact on its accounting for future business combinations, but the effect will be dependent upon the acquisitions that are made in the future.

In June 2008, the FASB issued authoritative guidance on determining whether instruments granted in share-based payment transactions are participating securities. Under the guidance, unvested share-based payment awards that contain rights to receive nonforfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing EPS. The Company adopted this authoritative guidance effective January 1, 2009. Its adoption did not have an impact on the consolidated financial statements.

### **Internal Control Over Financial Reporting**

Assessing our staffing and training procedures to improve our internal control over financial reporting is an ongoing process. We are not currently required to comply with Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and are therefore not required to make an assessment of the effectiveness of our internal control over financial reporting. Further, our independent registered public accounting firm has not been engaged to express, nor have they expressed, an opinion on the effectiveness of our internal control over financial reporting.

For the year ending December 31, 2011, pursuant to Section 404 of the Sarbanes-Oxley Act, management will be required to deliver a report that assesses the effectiveness of our internal control over financial reporting. Under current SEC rules, our independent registered public accounting firm will also be required to deliver an attestation report on the effectiveness of our internal control over financial reporting beginning with the year ending December 31, 2011, unless we qualify for an exemption as a non-accelerated filer under the Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted on July 21, 2010.

### **Basic and Diluted Net Loss Attributable to Common Stockholders per Common Share**

We calculated net loss per share in accordance with ASC 260, *Earnings per Share*. We have determined that the Series A, Series AA, Series AAA, Series B, Series BB, Series C and Series D preferred stock represent participating securities in accordance with ASC 260. However, since we operate at a loss, and losses are not allocated to the preferred stock, the two class method does not affect our calculation of earnings per share. We had a net loss for all periods presented; accordingly, the inclusion of common stock options and warrants would be anti-dilutive.

Dilutive common stock equivalents would include the dilutive effect of convertible securities, common stock options, warrants for convertible securities and warrants for common stock equivalents. Potentially dilutive common stock equivalents total approximately 17.9 million, 11.4 million and 7.3 million for the years ended December 31, 2009, 2008 and 2007, respectively. Potentially dilutive common stock equivalents were excluded from the diluted earnings per share denominator for all periods because of their anti-dilutive effect. Therefore, the weighted average shares used to calculate both basic and diluted earnings per share are the same.

### **Quantitative and Qualitative Disclosures About Market Risks**

We are exposed to market risk related to changes in interest rates. As of September 30, 2010 and September 30, 2009, we had cash and cash equivalents and marketable securities of \$7.8 million and \$19.7 million, respectively, consisting of money market funds and bank certificates of deposit. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of United States interest rates, particularly because our investments are in short-term marketable securities. Our marketable securities are subject to interest rate risk and will fall in value if market interest rates increase. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 10% change in interest rates would not have a material effect on the fair market value of our portfolio. We have the ability to hold our marketable securities until maturity, and therefore we would not expect our operating results or cash flows to be affected to any significant degree by the effect of a change in market interest rates on our investments. We do not currently have any auction rate securities.

We contract with contract research organizations and investigational sites globally. We may be subject to fluctuations in foreign currency rates in connection with these agreements. We do not hedge our foreign currency exchange rate risk.

Our long-term debt and our capital lease obligations bear interest at fixed rates. As a result, we have limited exposure to changes in interest rates.

## BUSINESS

### Overview

We are a biopharmaceutical company focused on discovering, developing and commercializing novel immunotherapeutic products to improve cancer treatment options for patients and physicians. Our portfolio includes biologic and small-molecule immunotherapy product candidates intended to treat a wide range of oncology indications. Our lead product candidate, HyperAcute Pancreas cancer immunotherapy, or HyperAcute Pancreas, is being studied in a Phase 3 clinical trial in surgically-resected pancreatic cancer patients that is being performed under a Special Protocol Assessment, or SPA, with the United States Food and Drug Administration, or FDA. We launched this trial based on encouraging interim Phase 2 data that suggests improvement in both disease-free and overall survival. We have also received Fast Track and Orphan Drug designations from the FDA for this product candidate for the adjuvant treatment of surgically-resected pancreatic cancer. We have three additional product candidates in clinical development, including our HyperAcute Lung cancer immunotherapy, or HyperAcute Lung, which is being studied in a Phase 1/2 clinical trial conducted at the National Cancer Institute, or NCI, and our HyperAcute Melanoma cancer immunotherapy, or HyperAcute Melanoma, which is being studied in an investigator-initiated Phase 2 clinical trial. To date, our HyperAcute product candidates have been dosed in more than 200 cancer patients either as a monotherapy or in combination with other therapies and have demonstrated a favorable safety profile.

Our HyperAcute product candidates are based on our proprietary HyperAcute immunotherapy technology, which is designed to stimulate the human immune system. Our product candidates are designed with an objective to harness multiple components of the innate immune system to combat cancer, either as a monotherapy or in combination with current treatment regimens, without incremental toxicity. We are also conducting small-molecule based research and development with an aim to produce new drugs capable of breaking the immune system's tolerance to cancer through inhibition of the indoleamine-(2,3)-dioxygenase, or IDO, pathway. We are currently studying our lead IDO pathway inhibitor product candidate, d-1-methyltryptophan, or D-1MT, in collaboration with the NCI, in two Phase 1B/2 clinical trials. We believe that our immunotherapeutic technologies will enable us to discover, develop and commercialize multiple product candidates that can be used either alone or in combination with current therapies to treat cancer.

### *Our HyperAcute Cancer Immunotherapy Product Candidates*

We initiated our Phase 3 clinical trial for HyperAcute Pancreas in May 2010. We expect to evaluate approximately 700 surgically-resected pancreatic cancer patients in this clinical trial and have enrolled 57 patients at 24 clinical sites in the United States as of December 10, 2010. The interim data from our fully-enrolled 70-patient Phase 2 pancreatic cancer clinical trial suggests that HyperAcute Pancreas may improve disease-free and overall survival when given in addition to standard-of-care treatment to patients following complete resection of detectable disease. As of December 9, 2010, 66 patients had reached at least 12-months of follow-up with a median follow-up period of 17.6 months for the 70 enrolled patients. As of December 9, 2010, interim efficacy data for the 26 patients receiving high dose therapy predict median disease-free survival of 15.3 months and a one-year overall survival rate of 96% based on Kaplan-Meier analyses. To date, HyperAcute Pancreas has demonstrated good tolerability and a favorable safety profile. The most common non-serious adverse events observed were fatigue, local injection site skin reactions and injection site pain. There have been no reported grade four adverse events attributed to HyperAcute Pancreas, and less than 8% of the patients treated with HyperAcute Pancreas have experienced a grade three serious adverse event characterized by the investigators as possibly or probably attributable to our product candidate. The NCI's common terminology criteria, or CTC, categorizes adverse events into five grades, where grade one is mild, grade two is moderate, grade three is severe, grade four is life-threatening and grade five is death. We anticipate announcing preliminary 12-month follow-up data from all 70 evaluable patients in this clinical trial in January 2011.

Our second most advanced product candidate, HyperAcute Lung, is in a Phase 1/2 clinical trial that is fully enrolled with 54 patients for the treatment of refractory, recurrent or metastatic nonresectable non-small cell lung cancer, or NSCLC. Survival analysis completed as of September 30, 2010 for the 28 patients evaluated in the Phase 2 portion of the study suggests median overall survival of 11.3 months and a one-year survival rate of 46%. Based on our analysis of data from comparable precedent clinical trials of similar patients, we would have expected a median overall survival of approximately eight months. In an interim analysis of 45 patients who had reached median follow-up of 30 months as of September 30, 2010, HyperAcute Lung demonstrated a favorable safety profile and no dose limiting toxicities. The most common non-serious adverse events reported were flu-like symptoms, local injection site skin reactions and injection site pain. There have been no reported CTC grade four adverse events attributed to HyperAcute Lung and less than 13% of the patients treated with HyperAcute Lung have experienced a CTC grade three serious adverse event characterized by the investigators as possibly or probably attributable to our product candidate. This trial is being conducted at the NCI. We anticipate announcing the results of the completed clinical trial in the first half of 2011.

Our HyperAcute Melanoma product candidate is being studied in an investigator-initiated, fully enrolled 25 patient Phase 2 clinical trial for the treatment of advanced melanoma in combination with an eight-week course of PEG-Intron, a man-made immune modulator. As of October 7, 2010, interim results from the first 12 patients to reach 12 months of follow-up in this clinical trial have been encouraging, with all of the patients developing low levels of autoimmune antibodies and approximately one-third of patients developing vitiligo. Vitiligo is an autoimmune condition in which the patient's immune system attacks melanocytes in the skin, which are the cells that may turn into melanoma cancer cells. Vitiligo has previously been correlated with a favorable response to therapy in other melanoma immunotherapy studies. To date, HyperAcute Melanoma has demonstrated good tolerability and a favorable safety profile, with no systemic, drug-related serious adverse events characterized by the investigators as possibly or probably attributable to our product candidate. The most common non-serious adverse events reported were local injection site skin reactions, induration, diarrhea and nausea. We anticipate announcing results of the completed clinical trial in the second half of 2011.

### ***Our HyperAcute Cancer Immunotherapy Technology***

We believe our HyperAcute immunotherapies operate by exploiting a natural barrier present in humans that protects against infection being transmitted from other mammals. This barrier is related to the enzyme, alpha (1,3) galactosyl transferase, or a-GT, which is expressed in the cells of lower mammals but not present in human or other Old World primate cells. The presence of this enzyme results in the expression of a non-human form of carbohydrate called alpha (1,3) galactosyl carbohydrates, or a-Gal, on the surface of affected cells. Introducing a-Gal-expressing cells to the human or primate immune system activates an immune response from antibodies against a-Gal. Antibodies directed against the a-Gal epitope are potentially the most abundant natural antibody in humans and represent approximately 1% of circulating human antibodies.

Our HyperAcute immunotherapy product candidates are composed of irradiated, live, allogeneic human cancer cells modified to express the gene that makes a-Gal epitopes. This exposure to a-Gal stimulates the human immune system to attack and destroy the immunotherapy cells on which a-Gal is present by activating complement, an important component of the immune system that is capable of cell destruction. After destruction, we believe the resulting cellular fragments bound by anti a-Gal antibodies are processed by the immune system to elicit an enhanced multi-faceted immune response to tumor-associated antigens, or TAAs, common to both the immunotherapy and the patient's tumor cells.

We believe our proprietary HyperAcute immunotherapy technology offers several advantages over prior immunotherapy approaches. Specifically, our HyperAcute immunotherapy technology is designed to:

- harness the human body's innate immune response to a-Gal to fight cancer;

- utilize a complex targeted approach that is multi-faceted and involves combined antibody-mediated and multi-cellular responses; and
- use allogeneic (non-patient specific) cells from previously-established cell lines, which enables a simpler, more consistent and scalable manufacturing process than therapies based on autologous (patient specific) tissues or cells.

### ***Our IDO Pathway Inhibitor Product Candidate***

In addition to our HyperAcute product candidates, we are developing D-1MT, a small-molecule, orally bioavailable product candidate designed to inhibit the IDO pathway. In preclinical models, IDO pathway inhibitors have shown anti-tumor effects in combination with radiotherapy, chemotherapy, targeted therapy or immunotherapy. Through our collaboration with the NCI, we are studying D-1MT in two Phase 1B/2 safety and efficacy clinical trials in various chemotherapy and immunotherapy combinations. One clinical trial combines D-1MT with an Ad-p53 autologous dendritic cell vaccine for solid malignancies with p53 mutations, such as lung, breast and colon cancers. The other clinical trial involves the combined use of D-1MT and Taxotere for patients with advanced stage solid tumors for which Taxotere is the standard-of-care treatment, such as metastatic breast, prostate, ovarian and lung cancers. We anticipate announcing preliminary data from these clinical trials by the end of 2011.

### **Investment Highlights**

We are a biopharmaceutical company with a pipeline of product candidates based on our proprietary immunotherapeutic technologies that are intended to address significant unmet medical needs in the treatment of cancer. We believe the following are the key attributes of our company:

*Our lead product candidate, HyperAcute Pancreas, is in a Phase 3 clinical trial based on encouraging interim Phase 2 survival data in surgically-resected pancreatic cancer patients.* We are currently enrolling patients in a Phase 3 clinical trial of our lead product candidate, HyperAcute Pancreas, which is being performed under an SPA with the FDA. If approved, we believe the addition of HyperAcute Pancreas as an adjuvant therapy has the potential to be an important component of treatment for surgically-resected pancreatic cancer, an indication with high mortality rates and limited treatment alternatives. As of December 9, 2010, interim efficacy data in our HyperAcute Pancreas Phase 2 clinical trial for patients receiving high dose therapy predict median disease-free survival of 15.3 months and a one-year overall survival rate of 96% based on Kaplan-Meier analyses after 26 patients in the high dose group had reached 12 months of follow-up. Median overall survival has not yet been reached for this population. We have also received Fast Track and Orphan Drug designations for this product candidate. We anticipate announcing preliminary 12 month follow-up data from all 70 evaluable patients in this clinical trial in January 2011.

*Our novel HyperAcute immunotherapy technology has a wide range of anti-cancer applications including two additional product candidates, HyperAcute Lung and HyperAcute Melanoma, in active clinical development.* We believe our technology is broadly applicable to many types of solid tumors. We have fully enrolled both a 54-patient Phase 1/2 clinical trial for our HyperAcute Lung product candidate in NSCLC at the NCI as well as an investigator-initiated, 25-patient Phase 2 clinical trial for our HyperAcute Melanoma product candidate in advanced melanoma. In addition, we are evaluating our HyperAcute technology in preclinical models for the treatment of other cancer types. To date, our HyperAcute product candidates have been dosed in more than 200 cancer patients and have demonstrated good tolerability and a favorable safety profile.

*We have in-house manufacturing capabilities for our HyperAcute product candidates that we believe are sufficient to support clinical development and initial commercialization of HyperAcute Pancreas in the United States.* Our HyperAcute product candidates rely on established cell lines and can be produced at our current facility in Ames, Iowa through a cost-effective and scalable production process. Our HyperAcute product candidates do not require patients to donate cellular material, which

permits an easier scale-up of the manufacturing process as compared to autologous therapies. We believe that our current and planned manufacturing facilities will be adequate to supply the initial commercial quantities of HyperAcute Pancreas, if approved, in the United States.

*Our lead IDO pathway inhibitor product candidate is in clinical development in combination with multiple alternative therapies, including Taxotere.* Our lead IDO pathway inhibitor drug candidate is D-1MT, which is currently being evaluated in two Phase 1B/2 clinical trials co-sponsored by the NCI. The first clinical trial combines D-1MT with an Ad-p53 autologous dendritic cell vaccine for solid malignancies with p53 mutations, such as lung, breast and colon cancers. The second clinical trial combines D-1MT with Taxotere for patients with advanced stage solid tumors for which Taxotere is the standard-of-care, such as metastatic breast, prostate, ovarian and lung cancers. D-1MT has shown favorable drug-like properties and has demonstrated anti-tumor activity in animal models in combination with traditional chemotherapy. We are also conducting preclinical research to identify new IDO pathway inhibitors.

*We have an extensive intellectual property portfolio.* We own or license 65 issued/granted patents, including those validated internationally, and 68 pending United States and foreign patent applications covering six patent families relating to HyperAcute technology, 19 patent families relating to IDO inhibitor immune response modulators and five other patent families not related to either our HyperAcute technology or IDO product candidates. We believe the intellectual property pertaining to our HyperAcute technology offers broad protection in this field. In addition, we believe we have broad protection pertaining to immune response modulators, with market exclusivity for the use of D-1MT to treat cancer until 2027 in the United States.

## **Our Strategy**

Our strategy is to discover, develop and commercialize immunotherapeutic products for the treatment of cancer where the needs of patients are unmet by current therapies. The critical components of our business strategy include:

*Complete the Phase 3 clinical trial of HyperAcute Pancreas, our lead immunotherapy product candidate, and gain regulatory approval.* HyperAcute Pancreas is currently in Phase 3 clinical development in patients with surgically-resected pancreatic cancer. This clinical trial, which was initiated in May 2010, is an approximately 700-patient randomized clinical trial being performed under an SPA with the FDA. We plan to complete patient enrollment in 2013 and complete the first interim analysis by late 2013. We received Fast Track designation on October 1, 2010 and we received Orphan Drug designation on October 21, 2010 from the FDA for this product candidate.

*Develop sales and marketing infrastructure to commercialize our HyperAcute Pancreas product candidate in the United States and establish commercial partnerships in other regions.* We currently own or exclusively license all rights to our HyperAcute product candidates. We intend to commercialize some or all of our HyperAcute product candidates, including HyperAcute Pancreas, in the United States by building an initial specialty sales force of approximately 50 to 100 representatives with a focused marketing effort directed to medical and surgical oncologists. We intend to seek collaborations to develop and commercialize our HyperAcute product candidates outside of the United States, and may seek collaborations for selected indications within the United States.

*Advance our HyperAcute Lung and HyperAcute Melanoma product candidates through additional clinical trials.* Based on the clinical trial data generated to date by HyperAcute Lung and HyperAcute Melanoma, we plan to pursue further clinical development of these product candidates. We have convened a panel of thought leaders in lung cancer to assist us in planning a Phase 2B/3 clinical trial for NSCLC with an adaptive design, which we plan to initiate during the second half of 2011. We are also currently working to develop clinical trial designs to further study the efficacy of HyperAcute Melanoma either as a stand-alone or combination therapy.

*Expand our manufacturing capabilities for our HyperAcute product candidates.* We manufacture HyperAcute Pancreas at our facility in Ames, Iowa and believe our current and planned manufacturing facilities will be adequate to support the initial U.S. commercialization efforts for that product. We intend to maintain control over manufacturing for our HyperAcute product candidates for the U.S. market and may need to expand our manufacturing capacity in the future if more than one of our products are approved.

*Investigate our HyperAcute technology in additional oncology indications.* We have developed a process to discover and develop new tumor-specific HyperAcute cancer immunotherapies. In addition to our lead programs in pancreatic cancer, lung cancer and melanoma, we intend to pursue clinical development of this technology in other tumor types.

*Develop and commercialize D-1MT, a small-molecule product candidate, in cancer.* In collaboration with the NCI, we have initiated two Phase 1B/2 clinical trials to evaluate use of D-1MT in combination with other approved therapies for solid tumor indications. We also plan to initiate multiple clinical trials of our D-1MT product candidate in combination with other approved and development-stage cancer therapies, including immunotherapies such as our HyperAcute Lung and HyperAcute Melanoma product candidates.

## **Cancer Market Overview**

Cancer is the second-leading cause of death in the United States with an estimated 569,000 deaths in 2010. Despite a number of advancements in the diagnosis and treatment of cancer over the past decade, overall five-year survival rates from all cancer types is 68% for the period spanning 1999-2005 according to the American Cancer Society.

Cancer is characterized by abnormal cells that grow and proliferate, forming masses called tumors. Under certain circumstances, these proliferating cells can metastasize, or spread, throughout the body and produce deposits of tumor cells called metastases. As the tumors grow, they may cause tissue and organ failure and, ultimately, death. To be effective, cancer therapies must eliminate or control the growth of the cancer.

The specialized cells of the immune system recognize specific chemical structures called antigens. Generally, foreign antigens trigger an immune response that results in the removal of disease-causing agents from the body. Cancer cells, however, frequently display antigens that are also found on normal cells. The immune system may not be able to distinguish between tumors and normal cells and, thus, may be unable to mount a strong anti-cancer response. Tumors also have various defense mechanisms that may prevent the immune system from fully activating.

Current therapies, such as surgery, radiation, hormone treatments and chemotherapy, do not address this evasive characteristic of cancer and may not have the desired therapeutic effect. Active immunotherapies stimulate the immune system, the body's natural mechanism for fighting disease, and may overcome some of the limitations of current standard-of-care cancer therapies.

## **Limitations of Current Cancer Therapies**

We believe current cancer treatment alternatives suffer from a number of limitations that impair their effectiveness in improving patient survival and overall quality of life including:

- *Toxicity.* Chemotherapeutic agents are highly toxic to the human body and often cause a variety of side effects, which may include nausea and vomiting, bleeding, anemia and mucositis. Targeted therapeutics may have fewer systemic toxicities, but still tend to have off-target effects such as gastrointestinal inflammation, severe skin reactions and breathing difficulties. These effects limit a patient's ability to tolerate treatment thereby depriving the patient of the potential benefit of additional treatments or treatment combinations that might otherwise destroy or prevent the growth of cancer cells. Once educated as to the limited efficacy, limited increased

survival and potentially significant toxicity of existing treatment alternatives, patients diagnosed with terminal cancer often choose to limit or forego therapy in order to avoid further compromising their quality of life. Patients with advanced stage cancer often cannot tolerate cancer therapy, and certain therapies have been shown to hasten death in some cases as the patient's health deteriorates.

- *Mechanism of action.* While many current therapeutic approaches may be effective against a particular target, the overall impact of these therapies on treating cancer is limited because the abundance and diversity of tumor cells are believed to enable cancers to adapt and become resistant to these treatments over time resulting in reduced longer-term efficacy.
- *Short-term approach.* Incremental survival benefit is the primary objective of many currently marketed and development-stage cancer therapeutics. In general, many drugs show modest impact on overall survival or only affect progression-free survival. Other than surgical tumor removal, curative intent is often not a focus or realistic potential outcome of many current cancer therapies.
- *Immune system suppression.* Cancer is difficult to treat in part because cancer cells use sophisticated strategies to evade the immune system. Current approaches to cancer treatment generally involve introduction of an agent, such as a chemical, an antibody or radiation. These agents cause cell apoptosis (programmed cell death) or inhibit the proliferation of all cells, including immune cells, thereby indirectly suppressing the immune system. A weakened immune system not only further inhibits the body's natural ability to fight cancer, but also causes patients to become more susceptible to infections and other diseases.

### **Our Potential Solution: HyperAcute Immunotherapy**

We believe our HyperAcute immunotherapy has the following advantages over existing therapies, which may enable us to develop commercial products that extend both survival and quality of life for cancer patients:

- *Robust, innate immune response.* Our HyperAcute immunotherapy technology is designed to fight cancer by activating the human body's naturally protective and rapid immune response to the a-Gal carbohydrate.
- *Complex, multi-targeted approach.* We believe our HyperAcute immunotherapy technology attacks cancer through several mechanisms. Initially, by introducing allogeneic, whole cancer cells incorporating a-Gal to the body, our HyperAcute immunotherapy is designed to teach the immune system to attack specific cancer cells, such as pancreas, lung or melanoma cancer cells, with both antibody mediated and cellular immune responses. Secondly, by using multiple whole cancer cell lines, our HyperAcute immunotherapy targets multiple tumor proteins simultaneously, which we believe increases the probability of stimulating an effective immune response to the heterogeneous cells that are present in cancer.
- *Favorable safety profile.* We have not observed significant additional systemic toxicities when HyperAcute immunotherapy has been added to chemotherapy regimens. There have been no CTC grade four serious adverse events attributed to HyperAcute Pancreas, HyperAcute Lung or HyperAcute Melanoma. Our HyperAcute immunotherapy technology is designed to stimulate a natural immune response to specific cancer cells with the objective to decrease the risks of off-target effects. Data generated to date suggests that patients can tolerate the addition of our HyperAcute product candidates to standard chemotherapy and radiation therapy.
- *Broad applicability.* We believe that the novel mechanism of action, good tolerability and favorable safety profile will enable our HyperAcute product candidates to have potential benefits across multiple disease stages and tumor types and in combination with other therapies. Our HyperAcute immunotherapy technology can be targeted to additional specific tumor types by modifying cells from the cancer type of interest.
- *Potential application as single agent adjuvant therapy.* We believe many patients who are too ill to tolerate chemotherapy due to the associated toxicities may be able to benefit from our HyperAcute product candidates. We also believe that the safety profile of our HyperAcute immunotherapies may make them suitable for use in patients with low risk of recurrence or metastasis who choose not to receive chemotherapy due to its toxicity relative to the potential therapeutic benefits.

**Our Product Pipeline**

The chart below summarizes our current product candidates and their stages of development.

<b>Product Candidate</b>	<b>Phase of Development</b>	<b>Indication</b>	<b>Upcoming Milestone</b>
<i>HyperAcute Immunotherapy Technology</i>			
HyperAcute Pancreas	Phase 3	Adjuvant to standard-of-care in surgically-resected pancreatic cancer	1st quarter 2013: 1st interim analysis
HyperAcute Lung	Phase 2 enrollment complete	Adjuvant to standard-of-care in surgically-resected pancreatic cancer	January 2011: Announce 12-month follow-up data
	Phase 1/2 enrollment complete	Advanced NSCLC	1st half 2011: Announce Phase 1/2 clinical trial results 2nd half 2011: Initiate Phase 2B/3 clinical trial
HyperAcute Melanoma	Phase 2 enrollment complete(1)	Advanced melanoma in combination with PEG-Intron	2nd half 2011: Update Phase 2 clinical trial results
Additional HyperAcute cancer immunotherapies	Lead optimization	To be determined	End of 2011: Initiate Phase 1 clinical trial
<i>IDO Pathway Inhibitor Technology</i>			
D-1MT	Phase 1B/2(2)	2nd-line metastatic solid tumors in combination with p53 adenovirus	End of 2011: Announce preliminary data
	Phase 1B/2(2)	2nd-line metastatic solid tumors in combination with Taxotere	End of 2011: Announce preliminary data
Additional IDO Pathway Inhibitor Candidates	Lead optimization	To be determined	To be determined

(1) Investigator-initiated

(2) Co-sponsored by the National Cancer Institute

## **Our HyperAcute Pancreas Cancer Immunotherapy Product Candidate**

Our lead product candidate, HyperAcute Pancreas, is in a Phase 3 clinical trial being performed under an SPA with the FDA. We have also received Fast Track and Orphan Drug designations for this product candidate for the adjuvant treatment of surgically-resected pancreatic cancer. HyperAcute Pancreas consists of equal doses of two separate allogeneic pancreatic cancer cell lines engineered to express a-Gal. Although cells making up naturally occurring pancreatic tumors in patients do not express a-Gal, the tumor cells share other molecules, called tumor-specific or tumor-associated antigens, with the genetically altered pancreatic cancer cells contained in HyperAcute Pancreas. We believe the molecules that are common to a patient's tumor cells and HyperAcute Pancreas immunotherapy cells allow the antibodies and immune cells that develop against the HyperAcute Pancreas immunotherapy cells to target and destroy the patient's own tumor cells as well. Each of the modified cell lines is grown in large cultures, harvested, irradiated and packaged. Approximately 150 million cells of each HyperAcute Pancreas cell line are given by intradermal injection with each treatment. A series of up to 12 treatments using both cell lines over a period of six months was used in our Phase 2 clinical trial. In our Phase 3 protocol, we are adding an additional series of six maintenance treatments, to be given during the next six months.

### ***Market Opportunity***

The American Cancer Society estimates that approximately 43,000 new cases of pancreatic cancer will be diagnosed in the United States in 2010. Pancreatic cancer has generally been recognized as an aggressive form of cancer with non-specific initial symptoms, making it difficult to diagnose at an early stage. Due to the difficulty in diagnosis and the aggressive nature of this cancer, a 96% mortality rate is associated with this disease, with one-year and five-year overall survival rates of about 24% and 5%, respectively.

Pancreatic cancer can generally be divided into three broad categories: (1) local disease, in which the cancer is confined to the pancreas and can be removed surgically, which is called resection; (2) locally advanced disease, in which the cancer has spread locally and may or may not be eligible for resection because it has invaded tissues that should not be removed, such as key nerves and arteries; and (3) metastatic disease, in which the tumor has spread beyond the region of the pancreas.

Approximately 20% of pancreatic cancer patients in the United States are eligible for resection at initial diagnosis. These earlier stage, resected patients have significantly better prognoses than patients with later stage disease since they tend to have better nutritional and immune status and significantly lower amounts of micro-metastatic and residual disease. Resection followed by chemotherapy or chemoradiotherapy, known as adjuvant therapy, extends median survival to approximately 18 months. We believe the addition of HyperAcute Pancreas to adjuvant standard-of-care has the potential to improve median disease-free survival and overall survival in resected pancreatic cancer patients.

Patients with locally advanced nonresectable disease represent an additional 30% of patients at diagnosis and are generally treated with chemotherapy or chemoradiotherapy. We plan to initiate a clinical trial to test the safety and efficacy of HyperAcute Pancreas in locally advanced, nonresectable pancreatic cancer patients. We believe patients with locally advanced nonresectable disease may also benefit from the addition of HyperAcute Pancreas to standard-of-care.

### **Clinical Trials**

#### ***Phase 3 Clinical Trial***

In May 2010, we initiated our Phase 3 clinical trial for HyperAcute Pancreas. This trial is an open-label, randomized, controlled, multi-center Phase 3 clinical trial, evaluating approximately 700 Stage I and Stage II surgically-resected pancreatic cancer patients, according to the American Joint Committee on Cancer classification system, or AJCC system, who have no detectable disease by a CT scan. The

primary endpoint of the clinical trial is overall survival, with secondary endpoints of disease-free survival, safety, toxicity and immunological responses. Based on our discussions with the FDA, we plan to enroll up to 722 patients and believe this number of patients will enable us to demonstrate statistically significant improvement in median overall survival at the end of the trial. Additional patients will be accrued, if needed, to maintain adequate numbers for statistical significance. As of December 10, 2010, 57 patients had been enrolled at 24 U.S. based clinical sites. We are actively recruiting additional major medical centers, where a large number of pancreatic cancer surgeries occur, to participate in this clinical trial.

Current adjuvant standard-of-care regimens for post-resection pancreatic cancer patients include gemcitabine chemotherapy alone or a combination of gemcitabine plus 5-FU based chemoradiotherapy. In our Phase 3 clinical trial, 50% of the patients will receive standard adjuvant therapy with HyperAcute Pancreas and 50% will receive standard adjuvant therapy without HyperAcute Pancreas. The treatment schedule for HyperAcute Pancreas is being amended to administer up to 18 treatments given every two weeks over a period of approximately six months followed by monthly injections for an additional six months. Patients in the study are monitored with periodic imaging to check for recurrences for at least five years after surgery or until death occurs. We have selected the 300 million cell dose as the treatment dose for this clinical trial based on the analysis of data from our Phase 2 clinical trial.

The clinical trial includes interim evaluations for both overall survival and disease-free survival when approximately one-half of the expected number of deaths have occurred and, if needed, again when approximately three-quarters of the expected number of deaths have occurred. Our SPA specifies that if results show a highly statistically significant effect on survival we may stop the trial and apply for marketing approval. Our statistical modeling indicates that a 45% or 30% improvement in overall survival, relative to controls through the period when one-half or three-quarters, respectively, of the expected number of deaths have occurred, would be highly statistically significant. Overall survival refers to the duration of life after surgery. Disease-free survival refers to the period of time after surgical resection when no evidence of disease is detected.

When initially diagnosed, patients eligible for our Phase 3 clinical trials have localized tumors that can potentially be completely removed based upon strict imaging criteria. In addition, the patients are generally strong enough to survive a major surgical procedure that involves an inherent significant risk of death. Patients are not eligible to participate in this trial until pathology and post-operative imaging studies indicate that they are without clinical evidence of residual tumor as observed by a CT scan. As a result, patients admitted to the trials have minimal residual tumor burden and possess generally intact immune systems, characteristics that we believe improve the likelihood of meaningful response.

### ***Phase 2 Clinical Trial***

We have completed enrollment of a 70-patient open-label, single arm Phase 2 clinical trial in which HyperAcute Pancreas was given in doses of either 100 million cells or 300 million cells approximately twice monthly for six months in combination with the standard-of-care treatment regimen, which consisted of gemcitabine chemotherapy plus 5-FU based chemoradiotherapy. We enrolled patients for this clinical trial at 16 different sites including some of the leading cancer centers in the United States. Patients in this clinical trial had been diagnosed with Stage I and Stage II pancreatic adenocarcinoma, according to the AJCC system, and subsequently underwent surgical resection to remove all visible tumors with curative intent. There were no other exclusion criteria relative to pre-operative disease status. The primary endpoint of this clinical trial was to evaluate disease-free survival with secondary endpoints of overall survival and toxicity. We enrolled the final patient in March 2010 and expect to report 12-month analysis of all 70 patients in January 2011.

We designed this clinical trial to add HyperAcute Pancreas immunotherapy to the standard-of-care treatment regimen defined in RTOG 97-04 (Regine et al., 2008) as adjuvant 5-FU chemoradiotherapy plus gemcitabine and to perform a dose-finding analysis of cohorts receiving bi-weekly HyperAcute

Pancreas doses of 100 million or 300 million cells. Our objectives are to demonstrate a clinical benefit by addition of HyperAcute Pancreas to RTOG 97-04 standard adjuvant therapy alone and to determine if a superior dosing regimen can be identified.

We enrolled 44 patients in the 100 million cell dose cohort, or low dose group, and 26 patients in the 300 million cell dose cohort, or high dose group. The high dose group represented the first 26 patients enrolled in the clinical trial. The baseline patient characteristics of both cohorts were similar in terms of age, gender and disease state.

As of December 9, 2010, 66 patients had reached at least 12 months of follow-up with a median follow-up period of 17.6 months for the 70 enrolled patients. To date, HyperAcute Pancreas has demonstrated good tolerability and a favorable safety profile. There have been no reported CTC grade four adverse events attributed to HyperAcute Pancreas, and less than 8% of the patients treated with HyperAcute Pancreas have experienced a CTC grade three serious adverse event characterized by the investigators as possibly or probably attributable to the product candidate. The most common non-serious adverse events observed were fatigue, local injection site skin reactions and injection site pain. When HyperAcute Pancreas was given in combination with gemcitabine and 5-FU based chemoradiotherapy, approximately 4% of patients experienced CTC grade three lymphopenia, 3% of patients experienced CTC grade three pain, less than 2% of patients experienced CTC grade three pancreatitis and less than 2% experienced CTC grade three fatigue, adverse events possibly or in the case of fatigue, probably attributable to our product candidate according to the principal investigators.

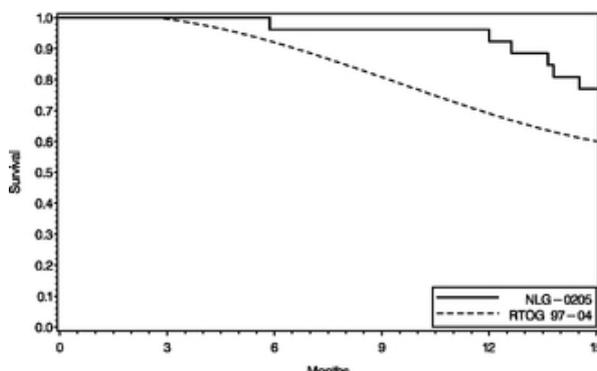
As of December 9, 2010 interim efficacy data for all treatment groups combined predict 12 month disease-free survival of 63% and 12 month overall survival of 86% based on Kaplan-Meier analyses. Data from the high and low dose HyperAcute Pancreas treatment groups predict 12 month disease-free survival of 81% and 52%, and a one-year overall survival rate of 96% and 79% for the respective cohorts based on Kaplan-Meier analyses. These results compare favorably to the outcomes of prior clinical trials in surgically resected pancreatic cancer patients. Of these clinical trials, we believe the study known as RTOG 97-04, a 451-patient clinical trial conducted by the Radiation Therapy Oncology Group, is the most comparable with respect to baseline patient characteristics and treatment regimen. One treatment arm in RTOG 97-04 received the current standard-of-care treatment regimen, or gemcitabine chemotherapy plus 5-FU based chemoradiotherapy. In RTOG 97-04, patients in the standard-of-care treatment arm had one-year disease-free survival of less than 50% and a one-year overall survival rate of 69% based on Kaplan-Meier analysis.

### ***Kaplan-Meier Analysis***

Kaplan-Meier analysis is a statistical method of predicting survival rates. As shown in the graph below, the Kaplan-Meier-calculated overall survival in our Phase 2 clinical trial, referred to as NLG-0205, compares favorably to data from RTOG 97-04. The dotted line depicts overall survival of successfully resected pancreatic cancer patients derived from the published data of RTOG 97-04 in which the one year survival rate was 69% for patients. The solid line represents the Kaplan-Meier estimated survival

curve for patients in our Phase 2 clinical trial as of December 9, 2010. At 12 months after surgery overall survival for the combined patient population in NLG-0205 is 86%.

**Kaplan-Meier Plot of Overall Survival for  
NLG-0205 Versus Expected Distribution  
Dose: 300 Million Cells**



Data from the NLG-0205 study has been stratified into high dose and low dose groups on the basis of statistically significant differential responses to HyperAcute Pancreas immunotherapy. We believe 300 million cells is the largest practically attainable treatment dose based on clinician observation; however, we have tested a 100 million cell dose as a means to reduce the number of injections needed during therapy. The patterns of response in patients treated with these two doses have become increasingly distinct during the study.

Patients in the high dose group of NLG-0205 demonstrated an improved disease-free survival projection compared to patients in the low dose group or the current standard-of-care RTOG 97-04 chemoradiotherapy protocol alone. The median disease-free survival in NLG-0205 high dose patients is projected to be 15.3 months based on data as of December 9, 2010 versus an estimated median disease-free survival of 11.4 months in RTOG 97-04. The apparent difference in disease progression is most prominent at earlier time points during active immunotherapy and persists beyond the completion of treatment. Conversely, although some benefit may occur with administration of low dose HyperAcute Pancreas during the period when the drug is administered, the effect is of lesser magnitude and is less durable beyond the active treatment phase.

The maturing data from NLG-0205 do not yet allow calculation of median overall survival but demonstrate a statistically significant difference between high and low dose groups in terms of disease-free survival ( $p=0.02$ ). In addition, an increased overall survival at one year for 300 million cell dose patients is approaching (but has not yet achieved) the level of statistical significance observed compared to low dose patients (96% vs. 79%,  $p=0.053$ ). These data demonstrate that patients in the high dose group have both a higher disease-free survival and a trend towards higher overall survival at one year compared to patients in the low dose group. Notably, patients treated at both dose levels in NLG-0205 compare favorably to the 69% one year overall survival observed in the RTOG 97-04 study. Furthermore, both dose levels in NLG-0205 compare favorably to the 63% one year overall survival calculated by the

Memorial Sloan Kettering Cancer Center nomogram, as discussed below, of the NLG-0205 patient population.

	<b>Disease-Free Survival at 1 year</b>	<b>Overall Survival at 1 year</b>
Memorial Sloan Kettering Cancer Center nomogram	Not Applicable	63%
RTOG 97-04 (all patients)	<50%*	69%
NLG-0205 — 100 million cell dose group	52%	79%
NLG-0205 — 300 million cell dose group	81%	96%

\* Disease-free survival at 1 year was not reported. However, from the median disease-free survival of 11.4 months, we have inferred that disease-free survival at 1 year is less than 50%.

After reviewing these data that cumulatively suggest a significant dosage effect, we are seeking to amend our Phase 3 clinical trial protocol to increase the duration of therapy to 12 months in an effort to further delay recurrence and improve overall survival.

### **Analysis of Historical Controls**

Baseline patient characteristics are key factors to consider in reviewing clinical trials. Not all patients have an identical disease state and, in the context of surgically-resected pancreatic cancer patients, certain patient characteristics have been shown to have a significant impact on a patient's prognosis of disease progression and survival. These characteristics include:

**Nodal status:** refers to the presence of cancer in the nearby lymph nodes. When cancer enters the lymph nodes, there is an increased risk that the cancer will spread, or metastasize, to other regions of the body via the lymphatic system. As such, nodal status is an indicator of disease progression and thereby a prognostic indicator of survival. A study completed by Hsu et al. and published in the *Annals of Surgical Oncology* in 2010 reported that resected pancreatic cancer patients who received adjuvant chemoradiotherapy with positive lymph nodes prior to resection had a median overall survival 8.5 months less than that of patients with negative nodes. Further, a study conducted by Lim et al. published in *Annals of Surgery* in 2003 demonstrated that patients with greater than four positive lymph nodes had median overall survival 9.4 months less than that of patients with no positive lymph nodes.

**Degree of local invasion:** refers to the extension of tumors into peripancreatic tissues including neural, vascular, or lymphatic structures or surrounding organs. Larger, higher-staged tumors are associated with a higher degree of local invasion, advanced disease and a poorer prognosis. As it relates to pancreatic cancer, patients with smaller, less invasive tumors have a greater median overall survival as reported by Gebhardt et al. in *Langenbeck's Archives of Surgery* in 2000. In the Gebhardt study, patients with pancreatic cancer that had invaded the lymph vessels, blood vessels and perineural tissues had a median overall survival of 16.8 months, 7.2 months and 4.8 months less, respectively, than patients with cancer that had not invaded these tissues.

**Tumor stage:** refers to the size and peripancreatic extension of pancreatic cancer. T1 is defined as less than two centimeters in diameter and limited to the pancreas; T2 is defined as greater than two centimeters in diameter and limited to the pancreas; T3 is defined as a tumor that has extended beyond the pancreas; and T4 tumors are defined as unresectable. The T3 tumor stage is associated with poorer prognosis and increased risk of death compared to T1-T2 tumors in resected pancreatic cancer patients who receive adjuvant chemoradiotherapy as reported by Hsu et al., where T3 patients had a median overall survival that was 8.3 months less than T1-T2 patients.

**Tumor grade:** refers to abnormalities of cancer cells relative to healthy cells. Tumor cells considered undifferentiated, or having a higher tumor grade, have little to no resemblance to the cells from which they originated (in this case pancreatic cells). Tumors classified as G1 or G2 are

considered low grade tumors with well and moderately differentiated cells, respectively. Tumors classified as G3 or G4 are considered high grade tumors with poorly or undifferentiated cells, respectively. Many factors are considered in determining tumor grade, including the structure and growth pattern of the cells. Tumor grade is determined by a pathologist via biopsy of the tumor. Higher degrees of cancer cell abnormality are associated with a poorer disease prognosis; in fact, high tumor grade is an independent predictor of survival. The study conducted by Lim et al. referred to above showed that patients with poorly differentiated (G3), or higher grade, tumors of the pancreas had median overall survival of 22.8 months less than patients with well differentiated (G1), or lower grade, tumors.

Ca 19-9 markers: refers to the post-operative concentration of the tumor marker carbohydrate antigen 19-9. The concentration of Ca 19-9 markers is associated with significant risk of early, distant metastasis. A study conducted by Kinsella et al. published in *American Journal of Clinical Oncology* in 2008 reported that pancreatic cancer patients with high post-operative Ca 19-9 levels, defined as greater than 70 units per milliliter, had a median overall survival 16.8 month less than patients with Ca 19-9 marker levels lower than 70 units per milliliter.

Our Phase 2 clinical trial did not compare the outcomes of patients who received HyperAcute Pancreas plus the standard-of-care treatment regimen to the standard-of-care alone. Therefore, we believe it is important to evaluate the patient characteristics and clinical results of NLG-0205 relative to those of prior clinical trials in surgically-resected pancreatic cancer patients. We have reviewed baseline patient characteristics and outcomes from the following clinical trials conducted in surgically-resected Stage I/II pancreatic cancer:

ESPAC-1: This clinical trial initially recruited 541 patients at 53 hospitals in 11 European countries from February 1994 to June 2000. The final data analysis published in March 2004 was based on an evaluation of 289 patients. The objective of ESPAC-1 was to evaluate potential survival benefits of post-surgical adjuvant therapy: chemotherapy, chemoradiotherapy, chemoradiotherapy followed by chemotherapy and no-treatment/observation. The investigators in this clinical trial concluded that adjuvant chemotherapy with 5-FU has a significant survival benefit in patients with resected pancreatic cancer while chemoradiotherapy may have had a negative impact on survival. We believe ESPAC-1 lacked adequate statistical power to draw any meaningful conclusions regarding superiority of any of the treatment arms. Results of ESPAC-1 were published in the *New England Journal of Medicine* in March 2004.

ESPAC-3: This clinical trial enrolled a total of 1,088 patients at 159 pancreatic cancer centers in Europe, Australasia, Japan, and Canada from July 2000 to January 2007. The objective of ESPAC-3 was to determine whether treatment with 5-FU/FA or gemcitabine is superior in terms of overall survival as adjuvant treatment following resection of pancreatic cancer. ESPAC-3 is the largest adjuvant trial conducted in pancreatic ductal adenocarcinoma. This study concluded that gemcitabine alone did not result in improved overall survival in completely resected pancreatic cancer versus 5-FU/FA chemotherapy. The results of ESPAC-3 were presented at the 2009 annual meeting of the American Society of Clinical Oncology, or ASCO, and published in the *Journal of the American Medical Association*, or *JAMA*, in September 2010.

We believe that there were several confounding elements of the ESPAC-3 trial design that limit the applicability of its conclusions to clinical practice. First, the treatment regimens lacked standardization in terms of dosing and schedule. Also, ESPAC-3 was conducted primarily in Europe where standard surgical practices differ from the United States. Finally, the investigators determined not to include an observation arm in this study following the results of ESPAC-1. The lack of a treatment control arm does not allow investigators to define a baseline patient risk profile for enrollees in this trial.

CONKO-001: This clinical trial enrolled a total of 368 patients at 88 academic and community-based oncology centers in Germany and Austria from July 1998 to December 2004. The objective

of CONKO-001 was to test the hypothesis that adjuvant chemotherapy with gemcitabine administered after complete resection of pancreatic cancer improves disease-free survival by six months or more relative to best supportive care. In their analysis of 354 eligible patients, the CONKO-001 investigators concluded that adjuvant gemcitabine delayed the development of recurrent disease compared to observation alone. However, a statistically significant benefit in overall survival was not observed. CONKO-001 results were published in *JAMA* in January 2007.

**RTOG 97-04:** This clinical trial enrolled 538 patients at 164 U.S. and Canadian institutions from July 1998 to July 2002 with follow-up through August 2006. The objective of RTOG 97-04 was to determine if the addition of gemcitabine to adjuvant 5-FU chemoradiation would improve survival for patients with resected pancreatic adenocarcinoma. In their primary analysis of a 451 patient sub-population, the RTOG 97-04 investigators determined that the addition of gemcitabine to adjuvant 5-FU-based chemoradiation was associated with a survival benefit for patients with resected pancreatic cancer, although this benefit was not statistically significant. Based on the subpopulation analysis of this study, we believe that this study demonstrated limited benefit. The results of RTOG 97-04 were presented at the 2006 ASCO annual meeting and published in *JAMA* in March 2008.

The table below shows baseline patient characteristics for several key prognostic indicators and outcomes from these clinical trials. The same prognostic indicators are not always reported at baseline in each clinical trial. Prognostic indicators for Stage I/II pancreatic cancer have been analyzed during the development of the AJCC TNM (Tumor size, Lymph Nodes affected, Metastases) system. The principal prognostic indicators have been validated and demonstrate that baseline data on tumors, nodal involvement and metastasis inform meaningful predictions of likely outcomes for patients.

Study	Nodal Status (% N+)	Local Invasion	Tumor Stage (T3/T4)	High Tumor Grade	Ca 19-9 (≥ 180 U/mL)	Disease-Free Survival Median (Months)	Overall Survival Median (Months)	Overall Survival at 1 Year
<b>ESPAC-1 (289 patients) 2004(1)</b> Treatment Arm: 5-FU (147 patients)	52%*	18%*	Not Reported	18%*	Not Reported	Not Reported	20.1	67%
<b>CONKO-001(354 patients) 2007(2)</b> Treatment Arm: Gemzar (179 patients)	71%	Not Reported	86%	36%*	0%	13.4	22.1	73%
<b>RTOG 97-04 (451 patients) 2008(3)</b> Treatment Arm: Gemcitabine+5-FU+Radiation (221 patients)	68%	Not Reported	81%	32%*	14%	11.4(6)	20.5(6)	69%
<b>ESPAC-3 (1088 patients) 2010(4)</b> Treatment Arm: Gemcitabine (537 patients)	73%	43%	64%	24%	Not Reported(5)	14.3	23.6	80%
<b>NLG-0205 (70 patients)</b> Gemcitabine + 5-FU + Radiation + HyperAcute Pancreas	81%	90%*	83%	35%*	17%*	—(7)	—(7)	86%(8)

- (1) Neoptolemos et al., *New England Journal of Medicine* 2004; 350:1200-1210.
- (2) Oettle et al., *JAMA* 2007; 297(3): 267-277.
- (3) Regine et al., *JAMA* 2008; 299(9): 1019-1026.
- (4) Neoptolemos et al., *JAMA* 2010; 304(10):1073-1081.
- (5) Postoperative levels of CA 19-9 were recorded in 373 of the 537 Gemcitabine treatment arm patients. Only patients with CA 19-9 levels in the interquartile (25th to 75th percentile) range of recorded events were reported, with a reported range of 9 to 62 units per milliliter and a median of 22 units per milliliter.
- (6) Regine et al. study in *JAMA* only reports overall survival and disease-free survival for patients with pancreatic head tumors. The median overall survival of all cancer patients treated in RTOG 97-04 is 18.8 months.
- (7) Not estimable as of December 9, 2010.

(8) Determined by Kaplan-Meier estimation of overall survival at 1 year (66/70 patients evaluable) as of December 9, 2010.

\* Calculation excludes unknowns

We believe that patient characteristics and treatment regimens used in these prior clinical trials are relevant when comparing NLG-0205 to historical controls; however, variability between patient populations as well as variability in data collection and presentation for these different trials makes direct comparisons complex. Foremost, differences in patient selection may exist between trials due to differences in surgical approaches between United States and Europe. For example, according to Picozzi, in *Business Briefing: US Gastroenterology Review* in 2005, less than 3% of Stage I/II pancreatic cancer patients receive surgery in the United Kingdom versus up to 15% in the United States and up to 40% in Japan. As a result, the baseline characteristics for the RTOG 97-04 and NLG-0205 clinical trials are different compared to the three European trials. Furthermore, the studies do not follow harmonized or standardized study regimens. Nonetheless, the table above demonstrates that whether considering either individual or collective prognostic indicators, patients in NLG-0205 are higher risk patients in comparison to those treated in other clinical trials. The NLG-0205 data gathered to date suggest that these higher risk patients have longer disease-free survival and higher overall survival at 12-months than patients from the other comparator studies.

ESPAC-1, ESPAC-3, CONKO-001 were studies conducted in Europe and thus have notable differences compared to NLG-0205 in terms of patient selection and therapies administered. Relative to NLG-0205, baseline patient characteristics of both ESPAC studies show lower risk profiles as evidenced by substantially lower levels of local invasion as an individual risk factor and by a higher percentage of patients with T1-T2 stage tumors in ESPAC-3 compared to NLG-0205. Furthermore, ESPAC-1 and ESPAC-3 study subjects had lower grade tumors compared to NLG-0205. In terms of historical comparisons between NLG-0205 and other resectable pancreatic cancer trials with curative intent, we believe RTOG 97-04 represents the most appropriate comparator study. RTOG 97-04 baseline patient characteristics are the most similar to NLG-0205 baseline patient characteristics, both studies enrolled patients primarily at major medical centers in the United States and there is minimal difference in treatment regimens between these two trials; specifically, NLG-0205 incorporates the addition of HyperAcute Pancreas to a chemoradiotherapy protocol highly similar to that used in RTOG 97-04.

Since comparisons between specific studies can have distinct limitations, other approaches have been created to evaluate the likely impact of therapies on overall survival. To expand prognostication beyond the TNM system, researchers have developed statistical tools such as multi-component nomograms that incorporate large numbers of independent variables, including adjuvant therapy, to permit calculations of likely outcomes for post-surgical pancreatic cancer patients. One such nomogram has been developed for surgically resected Stage I/II patients based on the interaction of multiple prognostic indicators identified at Memorial Sloan Kettering Cancer Center over a 17-year period. We have evaluated our entire patient population using this nomogram. The nomogram analysis of the NLG-0205 patients predicted a 63% overall survival at one year following standard therapy. This is in contrast to one-year Kaplan-Meier estimated survival rates of 86% for all patients and 96% for high dose patients in our clinical trial. We believe this represents an additional demonstration that the survival data from NLG-0205 is consistent with an improvement in survival arising from the use of HyperAcute Pancreas in the adjuvant setting.

### **Our HyperAcute Lung Cancer Immunotherapy Product Candidate**

Our HyperAcute Lung product candidate is being studied in a combined Phase 1/2 clinical trial that is fully enrolled with 54 patients for the treatment of refractory, recurrent or metastatic nonresectable NSCLC. This trial is being conducted at the NCI. HyperAcute Lung consists of a group of three separate allogeneic lung tumor cell lines that were modified to express the gene that makes a-GT. These three cell lines are representative of the three major types of NSCLC. Each of the modified cell lines is grown in large cultures, harvested, irradiated, and packaged. Approximately 100 million cells of each HyperAcute Lung cell line are given by intradermal injection with each treatment.

## **Market Opportunity**

Lung cancer is the leading cause of cancer-related death in the United States. The NCI estimates that over 157,000 Americans will die of the disease in 2010, accounting for approximately 28% of all cancer deaths. Lung cancer is most often diagnosed at advanced stages when it is difficult to treat. About 85% to 90% of lung cancers are classified as NSCLC. The remainder are called small cell lung cancer. About 80% of NSCLC cases are detected when they have progressed to stages III or IV. The current expected overall survival for a nonresectable stage IIIB or IV NSCLC patient who has failed first line treatment is approximately seven months.

## **Clinical Trials**

### **Phase 1/2 Clinical Trial**

HyperAcute Lung is currently in a Phase 1/2, single-arm, open-label clinical trial that is fully enrolled with 54 patients at the NCI. This clinical trial is for patients with refractory, recurrent or metastatic NSCLC. Its primary endpoint is to assess tumor response rate after administration of HyperAcute Lung, and the secondary endpoint is to assess overall survival. For the Phase 1 portion of this clinical trial, a positive response included stable disease for 16 weeks in patients who had enrolled after having previously shown progressive disease. A total of 17 patients in the Phase 1 portion and 37 patients in the Phase 2 portion were injected with HyperAcute Lung. Of the 37 patients in the Phase 2 portion, only 28 were evaluated for clinical response. In the Phase 1 portion, four cohorts of patients each received injections of 3 million, 10 million, 30 million, or 100 million cells every four weeks for four doses, and one cohort of three patients received an initial dose of 500 million cells, followed by injections of 300 million cells every two weeks for up to seven doses. In the Phase 2 portion, the 28 patients evaluated received injections of 300 million cells every two weeks for up to eight doses.

The interim results of our Phase 1/2 clinical trial for HyperAcute Lung based on an interim analysis of 45 patients who had reached median follow-up of 30 months as of September 30, 2010, were encouraging. The interim results for the 28 patients evaluated in the Phase 2 clinical trial group showed a median progression-free survival of 14.6 weeks, median overall survival of 11.3 months, and a one-year survival rate of 46%. Median overall survival data from the Phase 2 clinical trial group was better than the Phase 1 clinical trial group (11.3 versus 7.6 months), a comparison that would be consistent with study drug dose dependency. Overall survival of patients in our Phase 1/2 clinical trial trended with the persistent elevation of anti-a-Gal immunoglobulin (IgG) antibodies. Some patients with longer overall survival demonstrated increased secretion of interleukin-5 (IL-5) and gamma-interferon (IFN $\gamma$ ).

Prior Phase 3 studies suggest that in the refractory, recurrent or metastatic NSCLC setting (second line therapy), the median overall survival of patients receiving best supportive care was 4.6 months and the median overall survival of patients receiving pemetrexed or docetaxel (Taxotere) therapy was approximately eight months. We believe the data from our Phase 1/2 clinical trial is encouraging and suggests that further studies are warranted. The initial Phase 1/2 clinical trial was amended to collect lung biopsies before and after administration of the immunotherapy to study in detail immunological responses to the therapy within the lung. Data from this analysis should be available in 2011. We are currently evaluating alternative designs for a Phase 2B/3 clinical trial in NSCLC with an adaptive design, which we plan to initiate in the second half of 2011. The following table shows comparative results for second-line treatment in advanced NSCLC with pemetrexed, docetaxel and HyperAcute Lung.

**Treatment Options and Clinical Outcomes in 2<sup>nd</sup> Line Advanced Stage NSCLC**

Therapy	Overall Survival (Months)	12 Month Survival	Serious Adverse Events (CTC Grade 3 or 4) Attributed to Therapy			
			Nausea	Fatigue	Anemia	Neutropenia
Docetaxel(1)	7.9	30%	1.8%	5.4%	4.3%	40.2%
Pemetrexed(2)	8.3	30%	2.6%	5.3%	4.2%	5.3%
HyperAcute Lung(3)	11.3	46%	0%	0%	0%	0%

- (1) Prospective Randomized Trial of Docetaxel versus Best Supportive Care in Patients with Non-Small-Cell Lung Cancer Previously Treated With Platinum-Based Chemotherapy. Frances A. Shepherd et al., *Journal of Clinical Oncology*, Volume 18, No. 10 (May), 2000: pp 2095-2103
- (2) Randomized Phase III Trial of Pemetrexed Versus Docetaxel in Patients with Non-Small-Cell Lung Cancer Previously Treated with Chemotherapy. Hanna N. Shepherd et al., *Journal of Clinical Oncology* 2004 May 1; 22(9):1589-97
- (3) Data from NLG0101 clinical trial Patients 18-45

The Phase 1 portion of our Phase 1/2 clinical trial for our HyperAcute Lung demonstrated a favorable safety profile, with no dose limiting toxicities at any of the five escalating dose levels. There have been no reported CTC grade four adverse events attributed to HyperAcute Lung and only one serious adverse event (CTC grade three lymphopenia) characterized by investigators as possibly or probably attributable to HyperAcute Lung. To date, the most common non-serious adverse events reported were local injection site reactions, induration (hardening of the skin) and fatigue. The clinical trial involved a dose escalation from approximately three million up to 300 million cells in repeat dosing. Only a single dose escalation has been required by the FDA in all subsequent clinical trials of our other HyperAcute product candidates conducted to date.

**Our HyperAcute Melanoma Immunotherapy Product Candidate**

Our HyperAcute Melanoma product candidate is being studied in an investigator-initiated Phase 2 clinical trial in 25 patients with advanced melanoma. In this trial, HyperAcute Melanoma is being administered in combination with an eight-week course of PEG-Intron, a man-made immune modulator that has been tested for the treatment of melanoma. HyperAcute Melanoma consists of a group of three allogeneic melanoma tumor cell lines that were modified to express the gene that makes a-GT. These three cell lines each possess collections of known melanoma antigens so that the immune response they stimulate will provide broad coverage. Each of the modified cell lines is grown separately in large cultures, harvested, irradiated and packaged. Approximately 50 million cells of each HyperAcute Melanoma cell line are given by intradermal injection with each treatment.

**Market Opportunity**

Melanoma is an often lethal form of skin cancer. If it is not recognized and treated early, the cancer can advance and spread to other parts of the body, where it becomes hard to treat and can be fatal. While it is not the most common of the skin cancers, it causes the most deaths. The American Cancer Society estimates that in 2009 there were 8,650 deaths from melanoma in the United States and there will be approximately 68,000 new cases of melanoma in the United States in 2010.

## **Phase 2 Clinical Trial**

We are currently providing HyperAcute Melanoma product to, and collaborating with, Dr. Adam Riker at the Ochsner Cancer Institute in New Orleans, Louisiana, in support of a Phase 2 investigator-initiated clinical trial studying HyperAcute Melanoma in combination with an eight week course of PEG-Intron for patients with advanced melanoma. The treatment consists of 12 weekly injections of HyperAcute Melanoma with PEG-Intron being co-administered in weeks five through 12. This is the first time that one of our HyperAcute immunotherapies has been combined with another approved immunotherapy, in this case PEG-Intron. The primary objective of this clinical trial is to conduct correlative scientific studies of patient tumor and peripheral blood samples to determine the mechanism of any observed anti-tumor effect involving the innate and cell-mediated host immune response to HyperAcute immunotherapy alone and combined with PEG-Intron. Although the number of patients in this clinical trial is modest, the results to date are encouraging.

We continue to look for immunological evidence that our HyperAcute immunotherapies are working as expected. All of the patients in the clinical trial developed low levels of autoimmune antibodies as a result of the immunotherapy and approximately one-third of the patients developed a condition called vitiligo. Both of these observations suggest an immunological response to the HyperAcute Melanoma. Vitiligo is an autoimmune condition in which the patient's immune system attacks melanocytes, the cells responsible for skin pigmentation and potential melanoma cancer cells. Other than vitiligo, no other clinically apparent autoimmune disorder has been reported in any patient to date. Patient outcomes of two prior clinical trials of immunotherapies not conducted by us indicated that the development of vitiligo was correlated with a favorable response to therapy in melanoma patients. Two of the eight patients with metastatic disease in our Phase 2 clinical trial had complete responses to therapy. To date, HyperAcute Melanoma has demonstrated good tolerability and a favorable safety profile, with no systemic, drug-related serious adverse events characterized by the investigators as possibly or probably attributable to our product candidate. The most common non-serious adverse events reported were injection site reactions, induration, diarrhea and nausea. The small scale of this clinical trial and the fact that it was performed at a single institution limit our ability to draw significant conclusions from the data; however, durable complete responses to metastatic disease in this setting are rarely seen.

The investigator-initiated Phase 2 clinical trial of our HyperAcute Melanoma product reached its 25-patient enrollment goal in September 2010, and we anticipate updating the data from this clinical trial in the second half of 2011. While preliminary analysis of the data from this Phase 2 clinical trial is encouraging, we are in the process of further evaluating the optimal clinical settings and drug combinations that may maximize the potential benefits of HyperAcute Melanoma. Therefore, we are currently developing clinical trial designs to further evaluate the efficacy of HyperAcute Melanoma either as a stand-alone or combination therapy.

## **Our Other HyperAcute Cancer Immunotherapy Product Candidates and Indications**

We believe we have developed a process to efficiently discover and develop new tumor-specific HyperAcute immunotherapies for other solid tumor types. We have initiated clinical development for our HyperAcute Prostate and HyperAcute Breast product candidates and are developing our HyperAcute immunotherapy technology for other indications.

### ***Our HyperAcute Prostate Cancer Immunotherapy Product Candidate***

Prostate cancer is one of the most common forms of cancer affecting men. According to the American Cancer Society, there will be over 217,000 patients diagnosed with prostate cancer in the United States in 2010. Increased screening over the past few decades has enabled physicians to detect prostate cancer in its early, more treatable stages. Nonetheless, while overall five-year survival rates for

cases of prostate cancer approach 100%, the outlook for advanced, metastasized cases is poor with five-year survival rates of 31.7%.

We have completed an open-label, single-center Phase 1 clinical trial for our HyperAcute Prostate product candidate. This clinical trial enrolled eight patients with hormone refractory prostate cancer that had recurred or no longer responded to standard treatment. Study participants received 12 bi-weekly intradermal injections of HyperAcute Prostate, which consists of two separate allogeneic prostate cancer cell lines that were selected based on antigen profiles and modified to express the gene that makes a-GT. The primary endpoint for this clinical trial was safety and efficacy of administration. We successfully completed this clinical trial in August 2008. We observed no dose-limiting toxicities and only one serious adverse event (CTC grade three anemia) was reported by the investigator as possibly attributable to HyperAcute Prostate. We have preliminary immunologic data that suggests that treatment with HyperAcute Prostate induces novel anti-tumor antibodies. Although we currently do not have an active IND for this indication due to resource constraints, we believe HyperAcute Prostate could provide a valuable treatment alternative for many prostate cancer patients.

#### ***Our HyperAcute Breast Cancer Immunotherapy Product Candidate***

According to the American Cancer Society, carcinoma of the breast is the second leading cause of cancer death in women in the United States with over 207,000 new cases and 39,800 deaths estimated in 2010. Increased access to improved screening methods has had a major impact on reducing deaths from this disease; however, despite these interventions, patients continue to present with nodal or metastatic lesions that carry poor prognoses.

We initiated an open-label, single-center Phase 1 clinical trial for our HyperAcute Breast product candidate. Three patients were enrolled in this clinical trial. Due to resource constraints, the clinical trial was suspended.

HyperAcute Breast consists of two allogeneic breast cancer cell lines genetically modified to express the gene that makes a-GT. The cell lines selected for inclusion in this drug represent both estrogen receptor positive and estrogen receptor negative examples of disease. The cell lines of the drug are manufactured with growth nutrient in media by concentrating, irradiating and compounding in a cryopreservative solution. Although we currently do not have an active IND for this indication, we believe HyperAcute Breast could provide a valuable treatment alternative for many breast cancer patients.

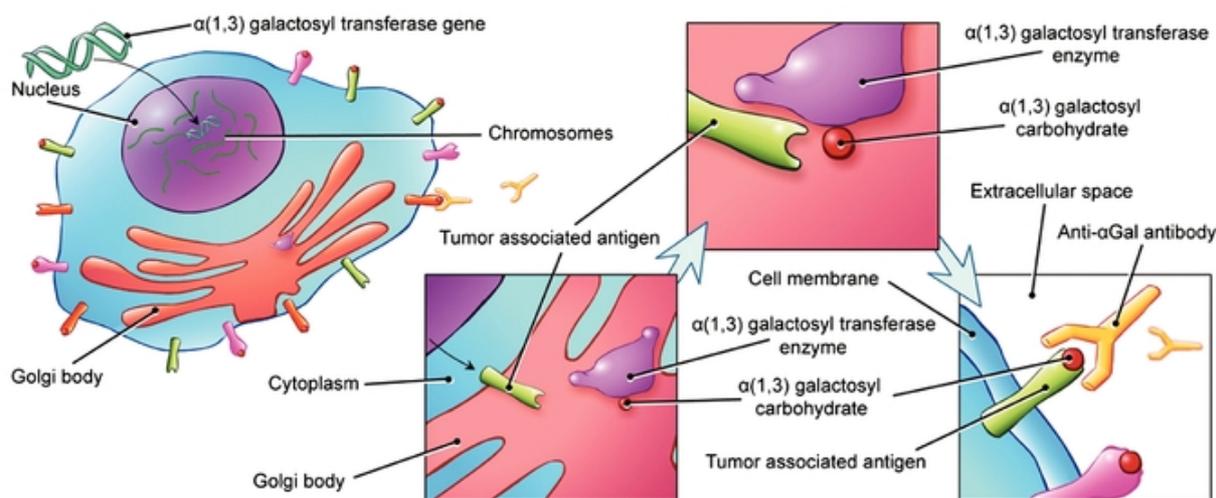
#### **Our HyperAcute Cancer Immunotherapy Technology**

Compared to prior immunotherapy approaches, our proprietary HyperAcute immunotherapy technology offers several distinct advantages including:

- a robust innate immune response that harnesses the human body's naturally protective and rapid immune reaction to the a-Gal carbohydrate to fight cancer;
- a complex targeted approach that is multi-faceted and involves combined antibody-mediated and multi-cellular responses; and
- an allogeneic, or non-patient specific, approach, in which we manufacture products from genetically modified, allogeneic cells from previously established cell lines, which permits an easier scale-up of the manufacturing process compared to an autologous, or patient specific, approach involving a patient's own cells.

We believe our HyperAcute immunotherapies operate by exploiting a natural barrier present in humans that protects against infections being transmitted from other mammals. This barrier is related to the enzyme a-GT, which is expressed in the cells of lower mammals but not present in human or other Old World primate cells. The presence of this enzyme results in the expression of a non-human

form of carbohydrate called a-Gal on the surface of affected cells. Introducing a-Gal expressing cells to the human or primate immune system activates an immune response from antibodies against a-Gal. Antibodies directed against the a-Gal epitope are potentially the most abundant antibody in humans and represent approximately 1% of circulating human antibodies.



The figure above represents our HyperAcute Immunotherapy process. The a-GT gene is inserted into the chromosome within the cancer cell. The gene then yields a protein called a-GT enzyme which is located within the Golgi body of the cell where macromolecules, such as proteins and lipids, are processed and packaged. Proteins, like the illustrated tumor associated antigen, that are processed through the Golgi, are tagged with a-Gal carbohydrate and placed on the surface of the cell. The a-Gal carbohydrate located on the surface of the tumor associated antigen is now targeted by anti-aGal antibodies causing the hyperacute immune response to be initiated.

HyperAcute immunotherapy product candidates are composed of irradiated, live, allogeneic human cancer cells modified to express the gene that makes a-Gal epitopes. This exposure to a-Gal stimulates the human immune system to attack and destroy the immunotherapy cells on which a-Gal is present by activating complement, an important component of the immune system that is capable of cell destruction. After destruction, we believe the resulting cellular fragments bound by anti a-Gal antibodies are processed by the immune system to elicit an enhanced multi-faceted immune response to tumor-associated antigens common to both the immunotherapy and the patient's tumor cells.

In the early 1990s, the NCI conducted experiments in brain cancer patients involving the implantation of mouse cells that had been engineered to produce a virus to genetically attack cancer cells in the brains of cancer patients. Promising results in these clinical trials led our founder and others to attempt a similar experiment in ovarian cancer patients in 1995. However after that therapy, genetic testing of biopsies from these patients demonstrated that this gene transfer approach was ineffective. Nonetheless, the clinical trial suggested clinical benefit in four of nine evaluated patients. During the clinical trial, it was observed that the ovarian cancer patients had a vigorous immune response to the infusion of the mouse cells, characterized by fever and abdominal pain. Further study and comparison to the work of transplant scientists who were attempting to understand the mechanism of xenotransplant rejection (the rejection of tissues transplanted from a different species) identified a carbohydrate on the surface of mouse cells known as a-Gal that may have triggered the ovarian cancer patient's immune systems to mount an attack on the mouse cells. This immune response was led by existing anti-a-Gal antibodies in a manner very similar to "hyperacute rejection," the rapid destruction of tissues transplanted from lower animals.

Evolutionary biologists believe that the ancestors of humans lost the functional gene to produce a-Gal about 25 million years ago. Because the cells or pathogens originating in nonhuman species (for

example domestic pets) contain a-Gal, they are rapidly destroyed by anti- a-Gal antibodies present in substantially all humans. This process likely helps humans to defeat infection from other species. Humans develop these antibodies as a result of constant exposure to a-Gal from the beneficial bacteria normally found in the digestive system and through exposure to cells carrying a-Gal on the meat in the diets of humans. We believe the cancer cells in the ovarian cancer patients were immunologically destroyed as a result of being adjacent to the mouse cells carrying the a-Gal gene, and we term this the "hyperacute" response.

In the case of a HyperAcute cancer immunotherapy, this process results in immune cells that are educated to attack a patient's own cancer cells by virtue of the antigens which the immunotherapy and these tumor cells share and by a more generalized activation of the immune system. Our scientists have shown in mouse models of cancer that the immune system responds after a HyperAcute injection by attacking all similar cancer cells, including those that have no a-Gal carbohydrate. In the case of a HyperAcute viral immunotherapy, because of the high concentration of anti-a-Gal antibodies, there is a clearance and processing of immunotherapy containing the a-Gal epitope, significantly boosting immune responses to some target pathogens.

HyperAcute immunotherapies are designed to break tolerance and enable longer duration of anti-tumor effect. We believe that our HyperAcute immunotherapy technology induces a unique combination of advantageous immunologic effects. Our current understanding of the mechanism of HyperAcute immunotherapy includes the following concepts, although our understanding of this technology continues to evolve. The immune response is triggered by formation of immunocomplexes between the a-Gal-containing cells or viral vaccines and pre-existing, naturally occurring, high-titer antibodies to a-Gal that are present in every patient screened by us to date. Formation of immunocomplexes by complement-fixing anti-Gal antibodies activates complement-mediated cell lysis, which generates immune system "danger signals" that elicit activation and recruitment of antigen presenting cells, or APCs, of multiple lineages. The anti-a-Gal-dependent generation of immune responses involves activation of multiple types of immune system effector cells, such as dendritic cells, macrophages and natural killer (NK) cells. These cells which have taken up the lysed or fragmented HyperAcute immunotherapy cells have responses against multiple tumor targets and act by different modes of action, both cellular and antibody mediated. The process of FcγR-mediated phagocytosis, whereby antibodies bind to the immunotherapy cells and form a connection to a specific region that facilitates uptake by APCs, results in activation of certain immune cells called cytotoxic CD8+ T-cells and CD4+ helper T-cells, as well as stimulation of tumor antigen-specific B-cells. Hyperacute immunotherapy has produced long-term complete responses in an animal model of metastatic disease. Further study in human cancer patients will need to be correlated with observations in preclinical models.

### **Our IDO Pathway Inhibitor Product Candidate**

We are developing d-1-methyltryptophan, or D-1MT, a small-molecule, orally bioavailable product candidate based on our proprietary IDO pathway inhibitor technology. Preclinical experiments have demonstrated a strong, synergistic anti-tumor effect without increased toxicity when D-1MT was administered in combination with a number of currently available chemotherapeutic agents. D-1MT is currently being evaluated for the treatment of a broad range of solid tumors in chemotherapeutic and immunotherapeutic combinations in two Phase 1B/2 clinical trials.

### **Clinical Trials**

#### ***Phase 1B/2 Clinical Trials***

We currently have two Phase 1B/2 clinical trials enrolling patients to evaluate D-1MT in combination with other approved therapies. The first clinical trial has primary endpoints that assess safety and efficacy of D-1MT in combination with an Ad-p53 autologous dendritic cell vaccine for solid

malignancies with p53 mutations, such as lung, breast and colon cancers. As of October 10, 2010, eight patients have been enrolled in the Phase 1B dose escalation portion of this clinical trial. The Phase 2 clinical trial portion of the D-1MT/Ad-p53 study will expand primarily to enroll patients with metastatic breast cancer. The second clinical trial has primary endpoints that assess safety and efficacy of D-1MT in combination with Taxotere for patients with advanced stage solid tumors for which Taxotere is the standard-of-care, such as metastatic breast, prostate, ovarian and lung cancers. As of October 10, 2010, patients are being screened for enrollment in the Phase 1B dose escalation portion of this clinical trial. The Phase 2 clinical trial portion of the D-1MT/Taxotere study will expand primarily to enroll patients with metastatic breast cancer. We believe D-1MT has the potential to have a synergistic therapeutic effect in combination with Ad-p53 or Taxotere without adding systemic safety complications. The clinical trials are being co-sponsored by the NCI's Division of Cancer Treatment and Diagnosis under a Cooperative Research and Development Agreement and letter of intent and are taking place at the Moffitt Cancer and Research Institute in Tampa, Florida.

In the United States, breast cancer is the most common malignancy among women. According to the American Cancer Society, there are projected to be approximately 207,000 new cases in 2010, and approximately 39,800 patients are expected to die of the disease. The disease comes in different forms depending on whether the tumor is driven by signaling through the estrogen receptor (approximately 70% of patients), the HER2/neu receptor (approximately 15-20% of patients), or neither. In the early stages, breast cancer may have no symptoms and can be detected only through mammography screening. During the later phases, symptoms may include tenderness, swelling, lumps, and skin irritation. Treatment of breast cancer typically includes surgery to remove tumors and lymph nodes. Usually a combination of radiation, chemotherapy or hormonal therapy is used post-surgery. Although the use of mammography screening has driven a trend toward earlier-stage diagnosis and decreased mortality, approximately 5% of new breast cancer cases will be Stage IV at the time of diagnosis in 2010. Metastatic breast cancer can be treated with a variety of monotherapy or combination drug regimens. Median survival for the most common metastatic breast cancer is approximately three years.

### ***Phase 1 Clinical Trials***

We have nearly completed two Phase 1 clinical trials of D-1MT as a single agent. These Phase 1 clinical trials were open to all tumor types and enrolled patients with a wide variety of cancers. The principal goal of these trials was to demonstrate that patients can tolerate the drug and that increasing quantities of the drug can be administered without inducing toxicity that would prevent the attainment of efficacy. We have observed an encouraging safety profile, with one reported CTC grade four (cerebrovascular ischemia) and two reported CTC grade three (lymphopenia) serious adverse events characterized by the investigators possibly, probably or definitely attributable to D-1MT in the clinical trial combining D-1MT with Ad-p53. There have been no reported serious adverse events characterized by the investigators as attributable to D-1MT in the clinical trial combining D-1MT with Taxotere. We may reach the end of the clinical trial without demonstrating dose-limiting toxicity or maximum tolerated dose. In addition to toxicity data, we have completed pharmacokinetic studies demonstrating that drug concentrations in the ranges anticipated to have biologic effects can be reached with the doses we are administering in our on-going Phase 1B/2 clinical trials. Finally, we have observed significant biologic effects in a small group of patients previously sensitized to immunotherapy. The drug appears to produce detectable immune system activation.

### ***Our IDO Pathway Inhibitor Technology***

IDO pathway inhibitors, including D-1MT, represent a potential breakthrough approach to cancer therapy using small-molecule, anti-toleragenic product candidates intended to combat the mechanisms by which tumors evade immune-mediated destruction. IDO is an enzyme that regulates immune response by suppressing T-cell function and creating local tumor immune escape. Recent studies have demonstrated that IDO is overexpressed in many cancers, within both tumor cells as a direct defense

against T-cell attack, and also within antigen presenting cells in tumor draining lymph nodes whereby IDO promotes peripheral tolerance to TAAs. When hijacked by developing cancers in this manner, IDO may facilitate the survival, growth, invasion, and metastasis of malignant cells expressing TAAs that might otherwise be recognized and attacked by the immune system as foreign.

We believe that immune system failure is a fundamental reason for the inability of the human body to successfully fight cancer cells. Research into the inability of the immune system to respond to cancerous tumors indicates that tumors can induce the human immune system to tolerate the existence of the tumor. This immune tolerance and suppression represents a major barrier to successful treatment of cancer and is a significant target for new therapeutics.

Scientific understanding of the process leading to immune tolerance is in its early stages. We believe IDO is part of a system that may be used by some tumors as a mechanism to evade the immune system. IDO is an enzyme that regulates immune response by suppressing effector T-cell function by breaking down the essential amino acid tryptophan. Expression of IDO, either directly by tumors or by dendritic cells in tumor-draining lymph nodes, has been shown in animal studies to induce immune tolerance to tumors, and inhibition of IDO has been shown in these studies to prevent this induction of tolerance. IDO is rarely expressed by the majority of normal tissues, but it is overexpressed in many types of human tumors.

Cytotoxic chemotherapy places substantial stress on established, tumor-induced tolerance. Several factors can potentially contribute to this result: (1) dying tumors cells release waves of TAAs for processing and presentation, (2) many chemotherapeutic regimens induce a period of transient lymphopenia and homeostatic recovery during which T-cells may become more susceptible to breaking tolerance, and (3) certain regimens can transiently deplete or inactivate tumor-protective T-regulatory cells. Despite producing these challenges to tolerance, most chemotherapeutic agents do not appear to trigger a protective immune response against established tumors. This shortcoming of traditional chemotherapy has been attributed, in part, to the ability of tumors to rapidly reestablish tolerance following each cycle of chemotherapy. We believe a potential mechanism underlying the failed opportunity is IDO expression by APCs in tumor-draining lymph nodes, which are thereby converted to an immunosuppressive and tolerance-inducing milieu. Preclinical data have demonstrated that IDO pathway inhibitors have anti-tumor effects in combination with a number of radiotherapy, chemotherapeutic drugs or other immunotherapy drug candidates and may work better together than either type of treatment alone.

The ability to acutely eliminate the protective IDO mechanism by administering IDO pathway inhibitor drugs, such as D-1MT, may provide a therapeutic window in which to break tolerance in tumors and reverse the inhibition of immune cells. Additionally, we believe that once immune cells are restored to normal function, they can assist in the rejection of tumors.

We believe our IDO pathway inhibitor technology has the following potential advantages in combating cancers:

- *Potential to break immune tolerance.* The immune tolerance to cancerous cells represents a key barrier to the treatment of cancer. To date, few available therapies have addressed the immune escape mechanisms of cancer. We believe inhibition of the IDO pathway has the potential to break a key immune escape mechanism of cancer cells and significantly enhance patient outcomes.
- *Tolerability.* In early-stage clinical development, we have observed an encouraging safety profile. We believe inhibition of the IDO pathway will selectively enhance the immune response against cancer cells given the limited expression of IDO in normal cells.
- *Oral bioavailability.* Unlike many cancer therapies which require intravenous administration, our D-1MT IDO pathway inhibitor is orally bioavailable, a significant advantage in ease of administration for patients and physicians.

- *Synergy with existing cancer therapies.* Inhibiting the IDO pathway in conjunction with chemotherapy has the potential to enhance the therapeutic effect of chemotherapy by delaying or disrupting the reacquisition of immune tolerance to tumor antigens during the period following chemotherapy. We believe our IDO pathway inhibitors could also have therapeutic synergy with targeted therapeutics, radiation and immunotherapy. The safety profile in humans is conducive to exploring combination therapy and the available animal data does not indicate significant additive or synergistic toxicities with many common oncology therapies.

### **BioProtection Systems Corporation**

BioProtection Systems Corporation, or BPS, was founded by the Company as a subsidiary in 2005 to research, develop and commercialize vaccines to control the spread of emerging lethal viruses and infectious diseases, improve the efficacy of existing vaccines and provide rapid-response prophylactic and therapeutic treatment for pathogens likely to be targeted to the human population through acts of bioterrorism. At October 31, 2010, the Company owned shares of Series A common stock representing approximately 58% of BPS's common stock on an as-converted basis, assuming conversion into Series B common stock of all outstanding Series A and Series B preferred stock. On December 1, 2010, we entered into an agreement to acquire the minority interest in BPS. Upon closing of that agreement, expected in December 2010, BPS will become a wholly-owned subsidiary of the Company.

BPS is based upon three core technologies, each of which can be leveraged into the biodefense field. The first is our HyperAcute immunotherapy technology, which has been licensed from us for the biodefense field. The second technology, based on a yellow fever virus, is licensed from the University of California at San Francisco. The third technology is replication competent recombinant Vesicular Stomatitis Vaccine, or rVSV, an advanced vaccine technology developed for the Marburg and Ebola viruses.

### **Manufacturing**

To date, we have manufactured our HyperAcute immunotherapies in our facilities in Ames, Iowa. We are in the process of transferring all of our manufacturing to a new facility also located in Ames. We believe this facility is adequate to supply all of the Phase 3 clinical trial drug requirements for at least the first two of our HyperAcute product candidates and initial commercial quantities of HyperAcute Pancreas in the United States. We are in the process of finalizing manufacturing process improvements that have the potential to significantly increase our production capacity.

We are currently contracting with third parties for the manufacture of our D-1MT product candidate. We believe that many suppliers would be available for the production of this product, if required. We currently have no plans to build our own manufacturing capacity to support this product.

### **Sales and Marketing**

We currently own exclusive worldwide commercial rights to our HyperAcute and D-1MT immunotherapy product candidates. If we obtain approval for any of these product candidates, we intend to build a commercial infrastructure targeting oncologists and cancer centers in the United States. In addition, we may pursue partnerships or co-promotion arrangements with pharmaceutical and biotechnology companies to complement these efforts or for particular indications.

We expect that our commercial infrastructure would be comprised of a targeted specialty sales force led by several experienced sales management personnel, an internal marketing and medical affairs staff and a specialty distribution team. For our lead product candidate, HyperAcute Pancreas, we estimate that an initial sales force of approximately 50 to 100 representatives will be necessary to drive utilization at key institutions and cancer centers treating pancreatic cancer patients. Our sales infrastructure will also include managed markets personnel to establish and direct reimbursement activities with third-party payors, such as managed care organizations, group-purchasing organizations, oncology group networks and government accounts. We may need to hire personnel to fill some of these functions in advance of the approval of any of our product candidates. We currently have no sales and marketing or distribution capabilities or in-house personnel specializing in these functions.

Outside the United States, we may enter into out-licensing agreements with other pharmaceutical or biotechnology firms to develop and commercialize our product candidates in foreign markets.

## **Competition**

The biopharmaceutical industry is highly competitive. Given the significant unmet patient need for new therapies, oncology is an area of focus for many public and private biopharmaceutical companies, public and private universities and research organizations actively engaged in the discovery and research and development of products for cancer. As a result, there are and will likely continue to be extensive research and substantial financial resources invested in the discovery and development of new oncology products. In addition, there are a number of multinational pharmaceutical companies and large biotechnology companies currently marketing or pursuing the development of products or product candidates targeting the same cancer indications as our product candidates.

Many of our competitors, either alone or with their strategic partners, have substantially greater financial, technical and human resources than we do and significantly greater experience in the discovery and development of drugs, obtaining FDA and other regulatory approvals, and the commercialization of those products. Accordingly, our competitors may be more successful in obtaining approval for drugs and achieving widespread market acceptance. Our competitors' drugs may be more effective, or more effectively marketed and sold, than any drug we may commercialize and may render our product candidates obsolete or non-competitive before we can recover the expenses of developing and commercializing any of our product candidates. We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available.

## ***Immunotherapy Products for Cancer***

The cancer immunotherapy landscape is broad but still in the early stages of development as a class of therapeutics with only one FDA-approved active cellular immunotherapy product, Dendreon Corporation's Provenge for the treatment of asymptomatic or minimally symptomatic metastatic castrate resistant (hormone refractory) prostate cancer. We estimate that there are over 100 cancer immunotherapy products in clinical development by approximately 70 public and private biotechnology and pharmaceutical companies. Altogether, trials of these product candidates target at least 23 different cancer types. Of this universe, several large public biopharmaceutical companies have approved or are developing cancer immunotherapy products, including Dendreon Corporation, Bristol-Myers Squibb Company, GlaxoSmithKline plc, Merck & Co., Inc., Merck KGaA and Sanofi-Aventis. The cancer immunotherapy product landscape includes numerous immunotherapeutic approaches including but not limited to anti-idiotype, whole cell, DNA, peptide/antigen, viral, tumor lysate, shed antigens, and dendritic cell. To the extent applicable, cancer immunotherapies are also distinguished by whether or not they are derived from autologous or allogeneic sources. Different approaches to cancer immunotherapy design have the potential to confer corresponding advantages and disadvantages based on their respective immunostimulatory mechanisms, formulation characteristics, manufacturing requirements, and logistical demands.

### ***HyperAcute Pancreas***

There are several marketed products indicated for pancreatic cancer including Eli Lilly and Company's Gemzar, Astellas Pharma Inc.'s Tarceva, Teva Pharmaceutical Industries Limited's streptozocin, and fluorouracil, or 5-FU, and mitomycin which are marketed by several generic pharmaceutical firms. In addition, there are a number of companies with active clinical trials ongoing in pancreatic cancer including AB Science SA, Amgen Inc., Astellas Pharma, BioSante Pharmaceuticals, Inc., Celgene Corporation, Immunomedics, Inc., Lorus Therapeutics Inc., Sanofi-Aventis, and Threshold Pharmaceuticals, Inc. among other companies.

### ***HyperAcute Lung***

There are numerous marketed therapeutics indicated for NSCLC including Roche Holding AG's Avastin, Eli Lilly's Alimta and Gemzar, Astellas Pharma's Tarceva, AstraZeneca PLC's Iressa, Sanofi-Aventis' Taxotere and Eloxatin, as well as generically available platinum-based chemotherapeutics (cisplatin and carboplatin) and mitotic inhibitors (paclitaxel and vinorelbine) which are marketed by several generic pharmaceutical firms. In addition, there are a number of companies with active clinical trials ongoing in lung cancer including Abbott Laboratories, Amgen, Bristol-Myers Squibb, Boehringer Ingelheim GmbH, BioNumerik Pharmaceuticals, Inc., Celgene, GlaxoSmithKline, NovaRx Corporation, Onyx Pharmaceuticals, Inc., Pfizer Inc., Regeneron Pharmaceuticals, Inc. among other companies.

### ***HyperAcute Melanoma***

Excision is the preferred treatment for early stage, localized melanoma, and there are several marketed therapeutics indicated for advanced melanoma including Merck's Intron A, Novartis AG / Prometheus Laboratories Inc.'s Proleukin as well as cisplatin and dacarbazine, which are available through several generic pharmaceuticals firms. Bristol-Myers Squibb's immunotherapy ipilimumab is pending FDA approval for use as a monotherapy. In addition, there are a number of companies with active clinical trials ongoing in advanced melanoma including Astellas Pharma, Eli Lilly, Onyx, Plexxikon Inc., Roche, Synta Pharmaceuticals Corp., and Vical Inc., among other companies.

### **Intellectual Property**

We believe that patent protection and trade secret protection are important to our business and that our future success will depend, in part, on our ability to maintain our technology licenses, maintain trade secret protection, obtain and maintain patents and operate without infringing the proprietary rights of others both in the United States and abroad. We believe that obtaining identical patents and protection periods for a given technology throughout all markets of the world will be difficult because of differences in patent laws. In addition, the protection provided by non-U.S. patents, if any, may be weaker than that provided by United States patents. We have established and continue to build proprietary positions for our HyperAcute Technology and our IDO pathway inhibitor technology in the United States and abroad. As of September 30, 2010, our patent portfolio included six patent families relating to our HyperAcute Technology and nineteen patent families relating to our IDO pathway inhibitor technology.

There are two principal families of patents and patent applications relating to our HyperAcute product candidates and HyperAcute Technology. The first patent family is exclusively licensed from Central Iowa Health System and covers a range of patents and patent applications related to the HyperAcute Technology. This patent family is expected to provide basic composition of matter patent protection extending until 2023 and has already resulted in a granted patent in Europe (EP 1549353 B1) and in Mexico (278681) both covering pharmaceutical compositions for inhibiting pre-established tumor growth comprising attenuated allogeneic tumor cells modified with a-Gal. Similar composition claims as well as methods of use for treating pre-established tumors are currently being pursued in the U.S., China, Japan and Canada. One patent recently issued from this family in the U.S. and contains claims to methods of making master cell banks of HyperAcute allogeneic cells (US 7,763,461).

The second principal family of patents is exclusively licensed from Drexel University and includes two U.S. patents (US 6,361,775 and US 5,879,675) relating to the use of a-Gal in viral and cancer vaccines. These patents expire in 2014 and 2016, respectively, in the United States. Related patents in this family have also been granted in Canada and Europe. We exclusively license from Central Iowa Health System or own several other patents relating to a-Gal technology, which we believe provide additional barriers to entry in the space occupied by our HyperAcute Technology. Additional coverage includes issued patents relating to gene therapy technology and the use of xenogeneic cells having a-Gal, and a pending application covering isolated tumor antigens comprising a-Gal residues.

Our IDO pathway inhibitor technology patent portfolio contains several key U.S. patent families exclusively licensed from the Medical College of Georgia. The first patent family contains issued U.S. patents having claims to methods of increasing T cell activation (US 6,451,840) and methods of augmenting rejection of tumor cells (US 6,482,416) by administering an IDO inhibitor, which expire in 2018. The second patent family contains an issued U.S. patent (US 7,598,287) to methods of using D-1MT to treat cancer and provides exclusivity for this use until 2027. We are also actively pursuing pharmaceutical composition claims to D-1MT in the U.S. in a pending application from this family, and also claims to the use of D-1MT to activate T cells in Europe out of another Medical College of Georgia patent family that if granted, will provide exclusivity for this use in validated European countries until 2022. Related applications are pending in Australia and Canada. We believe additional barriers to entry in the IDO space are provided through exclusive licenses with Lanckenau Institute for Medical Research and various NewLink-owned inventions, in which we are pursuing patent protection for specific combination therapies targeting the IDO pathway, as well as protection for novel inhibitor compounds and potential second generation products.

In order to protect the confidentiality of our technology, including trade secrets and know-how and other proprietary technical and business information, we require all of our employees, consultants, advisors and collaborators to enter into confidentiality agreements that prohibit the use or disclosure of confidential information. The agreements also oblige our employees, consultants, advisors and collaborators to assign or license to us ideas, developments, discoveries and inventions made by such persons in connection with their work with us. We cannot be sure that these agreements will maintain confidentiality, will prevent disclosure, or will protect our proprietary information or intellectual property, or that others will not independently develop substantially equivalent proprietary information or intellectual property.

The pharmaceutical industry is highly competitive and patents have been applied for by, and issued to, other parties relating to products or new technologies that may be competitive with those being developed by us. Therefore, our product candidates may give rise to claims that it infringes the patents or proprietary rights of other parties now or in the future. Furthermore, to the extent that we, our consultants, or manufacturing and research collaborators, use intellectual property owned by others in work performed for us, disputes may also arise as to the rights to such intellectual property or in related or resulting know-how and inventions. An adverse claim could subject us to significant liabilities to such other parties and/or require disputed rights to be licensed from such other parties. A license required under any such patents or proprietary rights may not be available to us, or may not be available on acceptable terms. If we do not obtain such licenses, we may encounter delays in product market introductions, or may find that we are prevented from the development, manufacture or sale of products requiring such licenses. In addition, we could incur substantial costs in defending ourselves in legal proceedings instituted before patent and trademark offices in the United States, the European Union, or other ex-U.S. territories, or in a suit brought against us by a private party based on such patents or proprietary rights, or in a suit by us asserting our patent or proprietary rights against another party, even if the outcome is not adverse to us.

## Licensing Agreements

Following are licensing agreements covering technologies and intellectual property rights useful to our HyperAcute product candidates and technologies:

### *Central Iowa Health System License Agreement*

We are a party to a license agreement, or the CIHS Agreement, dated August 2, 2001 with the Central Iowa Health System, or CIHS. The CIHS Agreement grants to us an exclusive, worldwide license to make, have made, use, import, sell and offer for sale products that are covered by certain CIHS patent rights, proprietary information and know-how relating to our HyperAcute immunotherapy technology. The license is subject to CIHS's retained right to use, and to permit other academic and research institutions to use, the CIHS patent rights and information for non-commercial bona fide research purposes. The license is also subject to certain rights of and obligations to the United States government under applicable law, to the extent that such intellectual property was created using funding provided by a United States federal agency. We may grant sublicenses under the license, so long as the sublicense is subordinate to, and complies with, the CIHS Agreement.

In partial consideration of the license under the CIHS Agreement, we entered into a stock purchase agreement with CIHS, under which we issued to CIHS shares of our common stock and granted CIHS certain rights related to ownership of such shares. In addition, we must reimburse CIHS for out-of-pocket costs incurred for patent prosecution and maintenance. If we commercialize a licensed product, we also have the obligation to pay CIHS royalties as a percentage of net sales of the licensed product, subject to annual minimum royalties and a reduction for any royalty payments we must make to third parties. If we grant a sublicense under the licenses granted by CIHS, we must pay to CIHS a percentage of certain consideration paid by the sublicensee to us.

Under the CIHS Agreement, we must use commercially reasonable efforts to develop and commercialize licensed products, to obtain necessary regulatory approvals and to launch and market such products in specified markets. As part of such efforts, we must deliver to CIHS certain information including an annual progress report detailing our progress towards commercial use of licensed products. At specific dates after the effective date we must satisfy certain obligations to conduct specified development on the licensed product, expend specified amounts on development of the licensed technology, or raise specific minimum amounts of equity capital. We are obligated to use commercially reasonable efforts to negotiate appropriate sponsored research programs with researchers at CIHS. If CIHS concludes that we have not met any of these obligations, and we fail to cure such failure, CIHS may either terminate the agreement or convert the license to a non-exclusive license. In addition, if CIHS determines that we have failed to use commercially reasonable efforts to, or to grant sublicenses to, develop or commercialize a licensed product in a particular field within the licensed field of use, CIHS may terminate, or convert the license to a non-exclusive license with respect to such particular field.

Unless terminated earlier, the CIHS Agreement shall remain in effect until the expiration of all of our royalty obligations under the agreement. We may terminate the agreement, or specific patents covered by the agreement, on written notice to CIHS or for CIHS' uncured material breach of the agreement. CIHS has the right to terminate for our uncured material breach of the agreement after written notice. Upon termination of the agreement we may sell our existing inventory of licensed products for a period of three months after such termination. We have the right to assign the CIHS Agreement to any affiliate or in connection with the transfer of all or substantially all of our assets relating to the agreement, but any other assignment requires CIHS' written consent, which consent shall not be unreasonably withheld.

### ***Drexel University License Agreement***

We are party to a license agreement, or the Drexel Agreement, dated October 13, 2004 with Drexel University, or Drexel. The Drexel Agreement grants us, and our affiliates, an exclusive, worldwide license, under specified Drexel patent rights relating to compositions and methods for vaccines based on a-Gal epitopes, to make, have made, use, import, sell and offer for sale vaccine products that are covered by such patent rights, or that use related Drexel technical information, for use in the diagnosis and treatment of cancer, viral and other infectious disease. The license is subject to Drexel's retained right to use, and to permit other non-profit organizations to use, those patent rights and technical information for educational and non-commercial research purposes. The license is also subject to certain rights of and obligations to the U.S. government under applicable law, to the extent that certain of such intellectual property were created using funding provided by a U.S. federal agency. We may grant sublicenses under the license, pursuant to a sublicense agreement in form acceptable to Drexel and subject to certain additional conditions and obligations.

In consideration of our license under the Drexel Agreement, we have paid and are obligated to continue to pay specified license fees, milestone payments, annual license maintenance fees, reimbursement of patent prosecution costs, and royalty payments as a percentage of "net sales" of any licensed product that is commercialized, subject to minimum royalty payments. Royalty rates vary depending on the type of licensed product, the territory where it is sold and whether the licensed product is combined with other technologies. In addition, if we grant a sublicense under the license granted by Drexel, we must pay Drexel a percentage of the consideration paid by the sublicensee to us.

In accordance with a development plan included in the Drexel Agreement, we are obligated to use commercially reasonable efforts to develop and market products covered by the license as soon as practicable. In addition, we must either market licensed products within five years of the date of the agreement, or demonstrate that we have made and continue to make bona fide, good faith, ongoing efforts to develop and market licensed products.

Unless terminated earlier, the Drexel Agreement shall remain in effect until the expiration or abandonment of all the licensed Drexel patents. We may terminate the Drexel Agreement on written notice to Drexel. Drexel has the right to terminate for the uncured breach of our obligations under the agreement or for certain other reasons. If the Drexel Agreement terminates we may, in certain circumstances, sell any remaining inventory of licensed products for a period of six months after termination. We may not assign the Drexel Agreement except with Drexel's written consent, not to be unreasonably withheld or delayed.

Following are licensing agreements covering technologies and intellectual property rights useful to our IDO pathway inhibitor technology and product candidate:

### ***LIMR Exclusive License Agreement (IDO-1)***

We are a party to a license agreement dated July 7, 2005, as amended May 22, 2006 and September 11, 2007, or the IDO-1 Agreement, with Lankenau Institute for Medical Research, or LIMR. The IDO-1 Agreement grants us an exclusive, worldwide license, under specified LIMR patent rights relating to inhibitors of indoleamine 2,3-dioxygenase, or IDO-1, and related LIMR technology, to make, have made, use, import, sell and offer for sale products that are covered by such patent rights for use in the field of animal and human therapeutics and diagnostics. Such license is subject to LIMR's retained right to use such LIMR patent rights and technology for its non-commercial educational and research purposes. In addition, the license is subject to certain rights of and obligations to the U.S. government under applicable law, to the extent that such intellectual property was created using funding provided by a U.S. federal agency. We may grant sublicenses under the LIMR Licenses, provided that each sublicense materially conforms to the IDO-1 Agreement and is expressly subject to its terms.

In consideration of such license grant, we are obligated to pay to LIMR specified license fees, annual license maintenance fees, reimbursement of past patent prosecution costs, milestone payments if certain development milestones are met, and royalties as a percentage of net sales of the licensed products if a licensed product is commercialized. In addition, if we grant a sublicense under the IDO-1 Agreement, we must to pay to LIMR a percentage of the consideration received by us from the sublicensee.

Under the IDO-1 Agreement, we are obligated to use commercially reasonable efforts to develop and market the licensed products, and to achieve certain specific development milestones by agreed-upon deadlines. If we breach our obligations and fail to cure such breach, LIMR may reduce our license to a non-exclusive license or revoke the license in its entirety.

Unless terminated earlier, the IDO-1 Agreement shall remain in effect until the expiration of the last licensed LIMR patents. LIMR may terminate the agreement for our failure to make payments due, bankruptcy or similar proceedings. Upon termination of the agreement, we may sell our current inventory of licensed products and those licensed products in the process of manufacture, subject to the terms of the agreement. We have the right to assign the IDO-1 Agreement in connection with an acquisition, merger, consolidation, operation of law or the transfer of all or substantially all of our assets or equity relating to the agreement, but any other assignment requires the express prior written consent of LIMR, not to be unreasonably withheld.

#### ***Medical College of Georgia Research Institute License Agreement***

We are a party to a License Agreement dated September 13, 2005, or the MCGRI Agreement, with Medical College of Georgia Research Institute, or MCGRI which was amended on April 27, 2006 and February 13, 2007. The MCGRI Agreement grants us, including our affiliates, an exclusive, worldwide license, under specified MCGRI patent rights and related technology to make, have made, use, import, sell and offer for sale products that are covered by licensed patent rights or incorporates or uses licensed technology in all medical applications.

Such license is subject to MCGRI's retained right to use, and to permit its academic research collaborators to use, such MCGRI patent rights and technology for research and educational purposes. In addition, the license is subject to certain rights of and obligations to the U.S. government under applicable law, to the extent that such intellectual property was created using funding provided by a U.S. federal agency. We may grant sublicenses under such license, subject to the prior approval of MCGRI, not to be unreasonably withheld or delayed.

In consideration of such license grant, we are obligated to pay to MCGRI specified license fees (including issuing shares of our common stock), annual license maintenance fees, reimbursement of patent prosecution costs, milestone payments, and royalties as a percentage of net sales of the licensed products, subject to minimum royalty payments and royalty rates depending on the type of license product. In addition, if we grant a sublicense under the license granted by MCGRI, we must pay to MCGRI a percentage of the consideration we receive from the sublicensee.

Under the agreement, we are obligated to make certain investments toward the further development of licensed products within specified time periods. If we fail to make the required investment, MCGRI may convert our license in the oncology field to a non-exclusive license. In addition, if we fail to develop the licensed products in a non-cancer field, specifically infectious disease or diagnostics, MCGRI may convert our license in such field to a non-exclusive license.

Unless terminated earlier, the MCGRI Agreement will remain in effect until the expiration of the last licensed MCGRI patents. MCGRI may terminate this agreement for our uncured material breach, bankruptcy or similar proceedings. For a period of one year following the termination of the agreement, we may sell our licensed products that are fully manufactured and part of our normal inventory at the date of termination. We have the right to assign the MCGRI Agreement to our affiliates or in

connection with the transfer of all or substantially all of our assets relating to the agreement, but any other assignment requires the prior written consent of MCGRI.

#### ***University of British Columbia License Agreement***

We are a party to a license agreement dated February 1, 2007, or the UBC License, with the University of British Columbia, or UBC. The UBC License grants us an exclusive, worldwide license, under specified UBC patent rights relating to IDO-1 inhibitors and related technology, to make, have made, use, import, sell and offer for sale products that are covered by licensed patent rights or incorporates or uses licensed technology. In addition, the UBC License grants us an option to obtain an exclusive, worldwide license to new IDO-1 inhibitors related technology developed during the term of the agreement.

Such license is subject to UBC's retained right to use such UBC patent rights and technology for research, scholarly publication, educational and non-commercial uses. We may grant sublicenses, other than naked cross-licenses, under the UBC license, provided that each sublicense is consistent with the terms and conditions of the UBC License and contains certain mandatory sublicensing provisions.

In consideration of such license grant, we must pay to UBC specified license fees, annual payment and license maintenance fees, reimbursement of patent prosecution costs, milestone payments, and royalties as a percentage of net revenue of the licensed product if a licensed product is commercialized, which royalty rate varies depending on the type of license product and field of use. In addition, if we grant a sublicense under the licenses granted by UBC, we may be required to pay to UBC a percentage of certain consideration we receive from the sublicensee.

We are obligated to use our commercially reasonable efforts to develop and market the licensed products, and to achieve certain specific development milestones by agreed-upon deadlines. If we breach our obligations and fail to cure such breach, UBC may terminate this agreement. If we are diligently developing the licensed product in some therapeutic fields, but not in other therapeutic fields, UBC may require us to grant a sublicense in such other fields not being exploited by us to a third party that is able to develop the licensed product in such other fields.

Unless terminated earlier, the UBC License will remain in effect for 20 years or until the expiration of the last licensed UBC patents, whichever is later. UBC may terminate this agreement for our uncured material breach, bankruptcy or similar proceedings. Upon termination of the agreement, we may not sell any inventory of the licensed product without the prior written consent of UBC. We have the right to assign the UBC Agreement to our affiliates or in connection with a merger, acquisition, or the transfer of all or substantially all of our assets relating to the agreement, but any other assignment requires the prior written consent of UBC, not to be unreasonably withheld.

#### ***LIMR Exclusive License Agreement (IDO-2)***

We are a party to a license agreement, or the LIMR IDO-2 Agreement, executed December 21, 2007 with LIMR. The LIMR IDO-2 Agreement grants us an exclusive, worldwide license, under specified LIMR patent rights relating to inhibitors of the target Indoleamine 2,3 Dioxygenase-2, or IDO-2, and under related LIMR know-how or technology, to make, have made, use, import, sell and offer for sale products and services that are covered by such patent rights, for all uses. Such license is subject to LIMR's retained non-exclusive right to use such LIMR patent rights and technical information for internal non-commercial, educational and research purposes only. In addition, the license is subject to certain rights of and obligations to the U.S. government under applicable law, to the extent that such intellectual property was created using funding provided by a U.S. federal agency. We may grant sublicenses under the LIMR IDO-2 license, provided that each sublicense complies with the terms of the LIMR IDO-2 Agreement.

In consideration of such license grant, we have paid to LIMR an upfront license fee and annual license maintenance fees, and are obligated to pay LIMR annual license maintenance fees, additional milestone payments and, if a licensed product is commercialized, royalties as a percentage of "net sales" of the licensed product, subject to reduction for our royalty payments to third parties. In addition, if we grant a sublicense under the licenses granted by LIMR, we must pay to LIMR a percentage of the consideration paid by the sublicensee to us. The payment provisions of the LIMR IDO-2 Agreement provide that, in the event a product for which we have payment obligations under the LIMR IDO-2 Agreement is also covered by payment obligations under the LIMR IDO-1 Agreement, we will not be obligated to pay both such obligations but rather will pay to LIMR the higher of the amounts owed under the two agreements.

Under the LIMR IDO-2 Agreement, we have agreed to use our commercially reasonable efforts to develop and exploit products covered by the license. We have the obligation, at our expense and in our reasonable discretion, to conduct the prosecution and maintenance of the LIMR patent rights licensed to us under the agreement. In addition, LIMR granted us the exclusive option to obtain exclusive, worldwide licenses on commercially reasonable terms to future inventions and discoveries of LIMR related to IDO-2 or inhibitors of IDO-2.

Concurrently with, and as an obligation under, the LIMR IDO-2 Agreement, we entered into a cooperative research and development agreement with LIMR, or the CRADA Agreement. Under the CRADA agreement, we agree to provide funding to LIMR in support of IDO research for one year and renewable at our option.

Unless terminated earlier, the LIMR IDO-2 Agreement shall continue until the expiration of the last valid LIMR patent licensed under the agreement. We may terminate the Agreement on written notice to LIMR. LIMR has the right to terminate for our uncured breach, bankruptcy or similar proceedings. Upon termination of the agreement, we may sell our current inventory of licensed products and those licensed products in the process of manufacture, subject to the terms of the agreement. We may assign the LIMR Agreement in connection with the transfer of all or substantially all of our assets or equity, or by reason of acquisition, merger, consolidation or operation of law, but any other assignment requires LIMR's written consent, which shall not be unreasonably withheld.

#### ***LIMR Exclusive License Agreement (IDO)***

We are a party to a license agreement, or the LIMR IDO Agreement, dated April 23, 2009 with LIMR. The LIMR IDO Agreement grants us an exclusive, worldwide license, under specified LIMR patent rights relating to IDO inhibitors, and under related LIMR know-how or technology, to make, have made, use, import, sell and offer for sale products and services that are covered by such patent rights, for all uses. Such license is subject to LIMR's retained non-exclusive right to use such LIMR patent rights and technical information for internal non-commercial, educational and research purposes only. In addition, the license is subject to certain rights of and obligations to the U.S. government under applicable law, to the extent that such intellectual property was created using funding provided by a U.S. federal agency. We may grant sublicenses under the LIMR IDO license, provided that each sublicense complies with the terms of the LIMR IDO Agreement.

In consideration of such license grant, we are obligated to pay LIMR milestone payments and royalties as a percentage of "net sales" of the licensed product, subject to reduction for our royalty payments to third parties and to LIMR under the IDO-1 Agreement or LIMR IDO-2 Agreement. In addition, if we grant a sublicense under the licenses granted by LIMR, we must pay to LIMR a percentage of the consideration paid by the sublicensee to us.

Under the LIMR IDO Agreement, we have agreed to use our commercially reasonable efforts to develop and exploit products covered by the license. We have the right and responsibility, at our expense and in our reasonable discretion, to conduct the prosecution and maintenance of the LIMR patent rights licensed to us under the agreement.

Unless terminated earlier, the LIMR IDO Agreement shall continue until the expiration of the last valid LIMR patent licensed under the agreement. We may terminate the Agreement on written notice to LIMR. LIMR has the right to terminate for our uncured breach, bankruptcy or similar proceedings. Upon termination of the agreement, we may sell our current inventory of licensed products and those licensed products in the process of manufacture, subject to the terms of the agreement. We may assign the LIMR IDO Agreement in connection with the transfer of all or substantially all of our assets or equity, or by reason of acquisition, merger, consolidation or operation of law, but any other assignment requires LIMR's written consent, which shall not be unreasonably withheld.

### ***Bresagen Patent License Agreement***

We are a party to a license agreement, or the Bresagen Agreement, dated March 1, 2006 with Bresagen Xenograft Marketing Ltd, or Bresagen. The Bresagen Agreement grants us a non-exclusive, non-sublicensable license to specified Bresagen patent rights for use in testing microbial and cancer vaccines. In consideration of such license grant, we are obligated to pay Bresagen an up-front license fee and an annual license fee.

Unless terminated earlier, the Bresagen Agreement shall continue for an initial period of eight years, which may be extended an additional five years upon agreement of the parties. We may terminate the Agreement upon agreement in writing with Bresagen. Bresagen has the right to terminate for our uncured breach, insolvency, change of control without consent or similar proceedings. Upon termination of the agreement, all of our rights under the license are terminated. We may assign the Bresagen Agreement in connection with the transfer of all or substantially all of our assets by reason of acquisition, merger, purchase or otherwise with notice to Bresagen, but any other assignment requires Bresagen's written consent.

### **Government Regulation**

We operate in a highly regulated industry that is subject to significant federal, state, local and foreign regulation. Our present and future business has been, and will continue to be, subject to a variety of laws including, the Federal Food, Drug, and Cosmetic Act, or FDC Act and the Public Health Service Act, among others.

The FDC Act and other federal and state statutes and regulations govern the testing, manufacture, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion of our products. As a result of these laws and regulations, product development and product approval processes are very expensive and time consuming.

### **FDA Approval Process**

In the United States, pharmaceutical products, including biologics, are subject to extensive regulation by the FDA. The FDC Act and other federal and state statutes and regulations, govern, among other things, the research, development, testing, manufacture, storage, recordkeeping, approval, labeling, promotion and marketing, distribution, post-approval monitoring and reporting, sampling, and import and export of pharmaceutical products. Failure to comply with applicable U.S. requirements may subject a company to a variety of administrative or judicial sanctions, such as FDA refusal to approve pending new drug applications, or NDAs, or biologic license applications, or BLAs, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties, and criminal prosecution.

Pharmaceutical product development in the U.S. typically involves preclinical laboratory and animal tests, the submission to the FDA of a notice of claimed investigational exemption or an investigational new drug application, or IND, which must become effective before clinical testing may commence, and adequate and well-controlled clinical trials to establish the safety and effectiveness of the drug or biologic for each indication for which FDA approval is sought. Satisfaction of FDA

pre-market approval requirements typically takes many years and the actual time required may vary substantially based upon the type, complexity and novelty of the product or disease.

Preclinical tests include laboratory evaluation as well as animal trials to assess the characteristics and potential pharmacology and toxicity of the product. The conduct of the preclinical tests must comply with federal regulations and requirements including good laboratory practices. The results of preclinical testing are submitted to the FDA as part of an IND along with other information including information about product chemistry, manufacturing and controls and a proposed clinical trial protocol. Long term preclinical tests, such as animal tests of reproductive toxicity and carcinogenicity, may continue after the IND is submitted.

A 30-day waiting period after the submission of each IND is required prior to the commencement of clinical testing in humans. If the FDA has not objected to the IND within this 30-day period, the clinical trial proposed in the IND may begin.

Clinical trials involve the administration of the investigational new drug to healthy volunteers or patients under the supervision of a qualified investigator. Clinical trials must be conducted in compliance with federal regulations, good clinical practices, or GCP, as well as under protocols detailing the objectives of the trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. Each protocol involving testing on U.S. patients and subsequent protocol amendments must be submitted to the FDA as part of the IND.

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

Clinical trials to support NDAs or BLAs, which are applications for marketing approval, are typically conducted in three sequential Phases, but the Phases may overlap. In Phase 1, the initial introduction of the drug into healthy human subjects or patients, the drug is tested to assess metabolism, pharmacokinetics, pharmacological actions, side effects associated with increasing doses and, if possible, early evidence on effectiveness. Phase 2 usually involves trials in a limited patient population, to determine the effectiveness of the drug for a particular indication or indications, dosage tolerance and optimum dosage, and identify common adverse effects and safety risks.

If a compound demonstrates evidence of effectiveness and an acceptable safety profile in Phase 2 evaluations, Phase 3 clinical trials are undertaken to obtain the additional information about clinical efficacy and safety in a larger number of patients, typically at geographically dispersed clinical trial sites, to permit the FDA to evaluate the overall benefit-risk relationship of the drug and to provide adequate information for the labeling of the drug. Before proceeding with a Phase 3 clinical trial, sponsors may seek a written agreement from the FDA regarding the design, size, and conduct of a clinical trial. This is known as a Special Protocol Assessment, or SPA. SPAs help establish up front agreement with the FDA about the adequacy of the design of a clinical trial to support a regulatory approval, but the agreement is not binding if new circumstances arise. In addition, even if an SPA remains in place and the trial meets its endpoints with statistical significance, the FDA could determine that the overall balance of risks and benefits for the product candidate is not adequate to support approval, or only justifies approval for a narrow set of clinical uses or approval with restricted distribution or other burdensome post-approval requirements or limitations.

In the case of product candidates for severe or life-threatening diseases such as cancer, the initial human testing is often conducted in patients rather than in healthy volunteers. Since these patients already have the target disease, these studies may provide initial evidence of efficacy traditionally

obtained in Phase 2 clinical trials and thus these trials are frequently referred to as Phase 1B clinical trials. Additionally, when product candidates can do damage to normal cells, it is not ethical to administer such drugs to healthy patients in a Phase 1 clinical trial. After completion of the required clinical testing, an NDA or, in the case of a biologic, a BLA, is prepared and submitted to the FDA. FDA approval of the marketing application is required before marketing of the product may begin in the U.S. The marketing application must include the results of all preclinical, clinical and other testing and a compilation of data relating to the product's pharmacology, chemistry, manufacture, and controls.

The FDA has 60 days from its receipt of an NDA or BLA to determine whether the application will be accepted for filing based on the agency's threshold determination that it is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review. The FDA has agreed to certain performance goals in the review of marketing applications. Most such applications for non-priority drug products are reviewed within ten months. The review process may be extended by the FDA for three additional months to consider new information submitted during the review or clarification regarding information already provided in the submission. The FDA may also refer applications for novel drug products or drug products which present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. Before approving a marketing application, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. Additionally, the FDA will inspect the facility or the facilities at which the drug is manufactured. The FDA will not approve the product unless compliance with current good manufacturing practices, or cGMPs, is satisfactory and the marketing application (the NDA or, in the case of biologics, the BLA) contains data that provide substantial evidence that the drug is safe and effective in the indication studied. Manufacturers of biologics also must comply with FDA's general biological product standards.

After the FDA evaluates the marketing application and the manufacturing facilities, it issues an approval letter, or a complete response letter. A complete response letter outlines the deficiencies in the submission and may require substantial additional testing or information in order for the FDA to reconsider the application. If and when those deficiencies have been addressed in a resubmission of the marketing application, FDA will re-initiate review. If it is satisfied that the deficiencies have been addressed, the FDA will issue an approval letter. The FDA has committed to reviewing such resubmissions in two or six months depending on the type of information included. It is not unusual for the FDA to issue a complete response letter because it believes that the drug is not safe enough or effective enough or because it does not believe that the data submitted are reliable or conclusive.

An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications. As a condition of approval of the marketing application, the FDA may require substantial post-approval testing and surveillance to monitor the drug's safety or efficacy and may impose other conditions, including labeling restrictions which can materially affect the potential market and profitability of the drug. Once granted, product approvals may be withdrawn if compliance with regulatory standards is not maintained or problems are identified following initial marketing.

### ***Fast Track Designation***

Congress enacted the Food and Drug Administration Modernization Act of 1997, or the Modernization Act, in part to ensure the availability of safe and effective drugs, biologics and medical devices by expediting the development and review for certain new products. The Modernization Act establishes a statutory program for the review of Fast Track products, including biologics. A Fast Track product is defined as a new drug or biologic intended for the treatment of a serious or life-threatening condition that demonstrates the potential to address unmet medical needs for this condition. Under the Fast Track program, the sponsor of a new drug or biologic may request that the FDA designate the drug

or biologic as a Fast Track product at any time during the development of the product, prior to a new drug application submission. Fast Track designation enables a company to file their application for approval on a rolling basis and potentially qualify for priority review.

The FDA may condition approval of an application for a Fast Track product on a commitment to do post-approval studies to validate the surrogate endpoint or confirm the effect on the clinical endpoint and require prior review of all promotional materials. In addition, the FDA may withdraw approval of a Fast Track product in an expedited manner on a number of grounds, including the sponsor's failure to conduct any required post-approval study in a timely manner. On October 1, 2010 the FDA approved our application for Fast Track product designation for HyperAcute Pancreas.

### ***Orphan Drug Designation***

The Company was granted Orphan Drug designation for HyperAcute Pancreas on October 21, 2010 by the FDA. The FDA grants Orphan Drug designation to drugs intended to treat a rare disease or condition, which for this program is defined as having a prevalence of less than 200,000 individuals in the United States. Now that the FDA has granted us Orphan Drug designation, the generic identity of our therapeutic agent and its potential orphan use will be disclosed publicly by the FDA. Orphan drug exclusive marketing rights may be lost if the FDA determines that our request for designation was materially defective or if we are unable to assure sufficient quantity of our drug.

Orphan drug designation does not shorten the regulatory review and approval process for an orphan drug, nor does it give that drug any advantage in the regulatory review and approval process. However, if an orphan drug later receives the first approval for the indication for which it has designation, the FDA may not approve any other applications to market the same drug for the same indication, except in very limited circumstances, for seven years in the United States. Additional benefits of Orphan Drug designation include clinical tax research incentives and exemption from application filing fees. Although obtaining approval to market a product with orphan drug exclusivity may be advantageous, we cannot be certain:

- that we will be the first to obtain approval for any other drugs or indications for which we obtain Orphan Drug designation;
- that Orphan Drug designation will result in any commercial advantage or reduce competition; or
- that the limited exceptions to this exclusivity will not be invoked by the FDA.

### ***Accelerated Approval Based on Surrogate Endpoint***

The Modernization Act provides that the FDA can base approval of a marketing application for a Fast Track product on an effect on a surrogate endpoint, or on another endpoint that is reasonably likely to predict clinical benefit. Under the FDA's accelerated approval regulations, the FDA may approve a drug for a serious or life-threatening illness that provides meaningful therapeutic benefit to patients over existing treatments based upon a surrogate endpoint that is reasonably likely to predict clinical benefit. In clinical trials, a surrogate endpoint is a measurement of laboratory or clinical signs of a disease or condition that substitutes for a direct measurement of how a patient feels, functions or survives. Surrogate endpoints can often be measured more easily or more rapidly than clinical endpoints. A drug candidate approved on this basis is subject to rigorous post-marketing compliance requirements, including the completion of Phase 4 or post-approval clinical trials to confirm the effect on the clinical endpoint. Failure to conduct required post-approval studies, or confirm a clinical benefit during post-marketing studies, will allow the FDA to withdraw the drug from the market on an expedited basis. All promotional materials for drug candidates approved under accelerated regulations are subject to prior review by the FDA. We do not intend to seek approval for HyperAcute Pancreas based on a surrogate endpoint, but may seek approval based on surrogate endpoints for other indications in the future.

### ***The Hatch-Waxman Act***

In seeking approval for marketing of a drug or biologic through an NDA or BLA, respectively, applicants are required to list with the FDA each patent with claims that cover the applicant's product or FDA approved method of using this product. Upon approval of a product, each of the patents listed in the application for the drug is then published in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book. Drugs listed in the Orange Book can, in turn, be cited by potential competitors in support of approval of an abbreviated new drug application, or ANDA. An ANDA provides for marketing of a drug product that has the same active ingredients in the same strengths and dosage form as the listed drug and has been shown through bioequivalence testing to be therapeutically equivalent to the listed drug. ANDA applicants are not required to conduct or submit results of preclinical or clinical tests to prove the safety or effectiveness of their drug product, other than the requirement for bioequivalence testing. Drugs approved in this way are commonly referred to as "generic equivalents" to the listed drug, and can often be substituted by pharmacists under prescriptions written for the original listed drug.

The ANDA applicant is required to certify to the FDA concerning any patents listed for the approved product in the FDA's Orange Book. Specifically, the applicant must certify that: (i) the required patent information has not been filed; (ii) the listed patent has expired; (iii) the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration; or (iv) the listed patent is invalid or will not be infringed by the new product. A certification that the new product will not infringe the already approved product's listed patents or that such patents are invalid is called a Paragraph IV certification. If the applicant does not challenge the listed patents, the ANDA application will not be approved until all the listed patents claiming the referenced product have expired.

If the ANDA applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the NDA and patent holders once the ANDA has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. The filing of a patent infringement lawsuit within 45 days of the receipt of a Paragraph IV certification notification automatically prevents the FDA from approving the ANDA until the earlier of 30 months, expiration of the patent, settlement of the lawsuit or a decision in the infringement case that is favorable to the ANDA applicant.

The ANDA application also will not be approved until any non-patent exclusivity, such as exclusivity for obtaining approval of a new chemical entity, listed in the Orange Book for the referenced product has expired. Federal law provides a period of five years following approval of a drug containing no previously approved active moiety, during which ANDAs for generic versions of those drugs cannot be submitted unless the submission contains a Paragraph IV challenge to a listed patent, in which case the submission may be made four years following the original product approval. Federal law provides for a period of three years of exclusivity following approval of a listed drug that contains previously approved active ingredients but is approved in a new dosage form, route of administration or combination, or for a new use, the approval of which was required to be supported by new clinical trials conducted by or for the sponsor, during which the FDA cannot grant effective approval of an ANDA based on that listed drug.

### ***Other Regulatory Requirements***

Once an NDA or BLA is approved, a product will be subject to certain post-approval requirements. For instance, the FDA closely regulates the post-approval marketing and promotion of drugs, including standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the internet.

Drugs may be marketed only for the approved indications and in accordance with the provisions of the approved labeling. Changes to some of the conditions established in an approved application,

including changes in indications, labeling, or manufacturing processes or facilities, require submission and FDA approval of a new NDA or NDA supplement, or in the case of biologics, a new BLA or BLA supplement, before the change can be implemented. An NDA or BLA supplement for a new indication typically requires clinical data similar to that in the original application, and the FDA uses the same procedures and actions in reviewing NDA and BLA supplements as it does in reviewing NDAs and BLAs. We cannot be certain that the FDA or any other regulatory agency will grant approval for our product candidates for any other indications or any other product candidate for any indication on a timely basis, if at all.

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

### ***Priority Review***

Under the FDA policies, a drug or biologic candidate is eligible for priority review, or review within a six-month time frame from the time a complete NDA or BLA is submitted, if the drug candidate provides a significant improvement compared to marketed drugs in the treatment, diagnosis or prevention of a disease. A Fast Track designated drug or biologic candidate would ordinarily meet the FDA's criteria for priority review.

### ***U.S. Foreign Corrupt Practices Act***

The U.S. Foreign Corrupt Practices Act, to which we are subject, prohibits corporations and individuals from engaging in certain activities to obtain or retain business or to influence a person working in an official capacity. It is illegal to pay, offer to pay or authorize the payment of anything of value to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity.

### ***Federal and State Fraud and Abuse Laws***

In addition to FDA restrictions on marketing of pharmaceutical products, several other types of state and federal laws have been applied to restrict certain marketing practices in the pharmaceutical and medical device industries in recent years. These laws include anti-kickback statutes and false claims statutes.

The federal health care program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting, or receiving remuneration to induce or in return for purchasing, leasing, ordering, or arranging for the purchase, lease, or order of any health care item or service reimbursable under Medicare, Medicaid, or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers, and formulary managers on the other. Although there are a number of statutory exemptions and regulatory safe harbors protecting certain common activities from prosecution, the

exemptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchases, or recommendations may be subject to scrutiny if they do not qualify for an exemption or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability.

Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to get a false claim paid. Recently, several pharmaceutical and other health care companies have been prosecuted under these laws for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the company's marketing of the product for unapproved, and thus non-reimbursable, uses. The majority of states also have statutes or regulations similar to the federal anti-kickback law and false claims laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payer. Sanctions under these federal and state laws may include civil monetary penalties, exclusion of a manufacturer's products from reimbursement under government programs, criminal fines, and imprisonment.

Because of the breadth of these laws and the narrowness of the safe harbors, it is possible that some of our business activities could be subject to challenge under one or more of such laws. Such a challenge could have a material adverse effect on our business, financial condition and results of operations.

In addition, as part of the sales and marketing process, pharmaceutical companies frequently provide samples of approved drugs to physicians. This practice is regulated by the FDA and other governmental authorities, including, in particular, requirements concerning record keeping and control procedures. Any failure to comply with the regulations may result in significant criminal and civil penalties as well as damage to our credibility in the marketplace.

### ***Regulation in the European Union***

Drugs are also subject to extensive regulation outside of the United States. In the E.U., for example, there is a centralized approval procedure that authorizes marketing of a product in all countries of the E.U. (which includes most major countries in Europe). If this procedure is not used, approval in one country of the E.U. can be used to obtain approval in another country of the E.U. under two simplified application processes, the mutual recognition procedure or the decentralized procedure, both of which rely on the principle of mutual recognition. After receiving regulatory approval through any of the European registration procedures, pricing and reimbursement approvals are also required in most countries.

Similar to the United States, a system for Orphan Drug designation exists in the E.U. Orphan designation does not shorten the regulatory review and approval process for an orphan drug, nor does it give that drug any advantage in the regulatory review and approval process. However, if an orphan drug later receives approval for the indication for which it has designation, the relevant regulatory authority may not approve any other applications to market the same drug for the same indication, except in very limited circumstances, for ten years in the E.U.

### ***Price Controls***

In many of the markets where we may do business in the future, the prices of pharmaceutical products are subject to direct price controls (by law) and to reimbursement programs with varying price control mechanisms. In the United States, the Medicare program is administered by the Centers for Medicare & Medicaid Services, or CMS, an agency within the U.S. Department of Health and Human Services. Coverage and reimbursement for products and services under Medicare are determined pursuant to regulations promulgated by CMS and pursuant to CMS's subregulatory coverage and

reimbursement determinations. It is difficult to predict how CMS may apply those regulations and subregulatory determinations to newly approved products, especially novel products, and those regulations and interpretive determinations are subject to change. Moreover, the methodology under which CMS makes coverage and reimbursement determinations is subject to change, particularly because of budgetary pressures facing the Medicare program. For example, the Modernization Act provides for a change in reimbursement methodology that reduces the Medicare reimbursement rates for many drugs, including oncology therapeutics. Medicare regulations and interpretive determinations also may determine who may be reimbursed for certain services.

In the European Union, governments influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national health care systems that fund a large part of the cost of such products to consumers. The approach taken varies from member state to member state. Some jurisdictions operate positive or negative list systems under which products may only be marketed once a reimbursement price has been agreed. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on health care costs in general, particularly prescription drugs, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products, as exemplified by the role of the National Institute for Health and Clinical Excellence in the United Kingdom, which evaluates the data supporting new medicines and passes reimbursement recommendations to the government. In addition, in some countries cross-border imports from low-priced markets (parallel imports) exert commercial pressure on pricing within a country.

### ***Other Regulations***

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

### **Legal Proceedings**

We are not currently a party to any legal proceedings.

### **Employees**

As of September 30, 2010, we had 73 employees. None of our employees are subject to a collective bargaining agreement or represented by a labor or trade union, and we believe that our relations with our employees are good.

### **Facilities**

Our executive offices and manufacturing facilities are located in the Iowa State University Research Park in Ames, Iowa. In June 2010, we completed the expansion of a 22,500 square foot facility, which includes executive offices as well as approximately 14,000 feet dedicated to manufacturing, testing and product storage. The manufacturing portion of the facility became operational on October 17, 2010. The lease expires January 31, 2015, and we have the option to extend the lease for three additional five-year periods upon the same terms as the base lease. In addition, we continue to occupy a small pilot manufacturing and office facility in the same research park, which we lease on a month-to-month basis.

**MANAGEMENT**

The following table sets forth the name, age and position of each of our executive officers and directors as of October 1, 2010.

<b>Name</b>	<b>Age</b>	<b>Position</b>
<b>Executive Officers</b>		
Charles J. Link, Jr., M.D.	51	Chief Executive Officer, Chief Scientific Officer, Chairman of the Board
Nicholas N. Vahanian, M.D.	43	President, Chief Medical Officer
Gordon H. Link, Jr.	56	Chief Financial Officer
Kenneth Lynn	57	Executive Vice President of Business Development
<b>Significant Employees</b>		
Mario Mautino, Ph.D.	44	Vice President — Drug Discovery Module, Intellectual Property Officer
W. Jay Ramsey, M.D., Ph.D.	53	Quality Assurance Officer
<b>Non-Employee Directors</b>		
Thomas A. Raffin, M.D.	63	Director, (1), (2) and (4)
Sarah Alexander, M.D., F.A.C.P.	66	Director, (2)
David J. Lundquist	68	Director, (3)
Joseph Saluri	43	Director, (1), (2) and (3)
Ernest J. Talarico, III	39	Director, (1) and (3)

- (1) Member of the Compensation Committee.
- (2) Member of the Nominating and Governance Committee.
- (3) Member of the Audit Committee.
- (4) Lead Independent Director.

**Executive Officers**

*Charles J. Link, Jr., M.D.* founded the Company in 1999 and has served as Chairman of the Board and Chief Scientific Officer since inception in 1999. He served as President from 2001 to 2009 and has served as Chief Executive Officer since 2003. Dr. Link has also served as Chairman and Chief Executive Officer of BioProtection Systems Corporation from 2005 and was its Chief Scientific Officer from 2005 to 2009. Dr. Link has been a practicing oncologist at the Medical Oncology and Hematology Associates of Iowa since 1995. From 1995 to 2003, Dr. Link served as the Director of the John Stoddard Cancer Research Institute, which he co-founded. Dr. Link served as a Medical Oncology Clinical Fellow at the NCI, National Institutes of Health, or NIH, from 1988 to 1991. Dr. Link attended the U.S. Air Force Academy from 1977 to 1980. Dr. Link holds a B.A. from Stanford University, an M.D. from Stanford University School of Medicine and is certified in Internal Medicine by the American Board of Internal Medicine and has previously been certified in Medical Oncology.

The Nominating and Corporate Governance Committee believes that Dr. Link's extensive experience with the Company, as founder and as Chief Scientific Officer and Chairman of the Board since inception, brings both strategic vision and continuity to the Board. In addition, the Nominating and Corporate Governance Committee believes that Dr. Link's prior experience as a NCI trained oncologist and Director of the Stoddard Cancer Research Institute provides him with substantial expertise in drug discovery and development, which are important to the Board.

*Nicholas N. Vahanian, M.D.* has served as our Chief Medical Officer since 2001, Chief Operations Officer since 2003 and President since 2009. Dr. Vahanian served as a research scientist at the NCI from 1992 to 1994 and at the National Center for Human Genome Research, NIH from 1994 to 1995. He

completed his Molecular Oncology Fellowship at the John Stoddard Cancer Research Institute from 1999 to 2000. Dr. Vahanian holds a B.S. in Biology from Virginia Commonwealth University. Dr. Vahanian attended St. Bartholomew's and Royal London Hospital Medical College. He also holds an M.B.A. from the University of Notre Dame.

*Gordon H. Link, Jr.* has served as our Chief Financial Officer since 2008. Previously, Mr. Link worked for Tapestry Pharmaceuticals, Inc., or Tapestry, as Chief Executive Officer from April to July 2008, Senior Vice President and Chief Financial Officer from 2002 through 2008, President of the Genomics Division from 2000 to 2002 and Vice President and Chief Financial Officer from 1993 to 2002. At Tapestry, Mr. Link directed a staff of five to ten individuals in areas of accounting, cash management, financial planning and analysis, risk management, financial reporting and investor relations. Mr. Link also worked with Tapestry's Board of Directors on financial, business and corporate development matters and coordinated Tapestry's initial public offering and subsequent follow-on public offerings of common stock. On April 4, 2008, the Tapestry Board of Directors appointed Mr. Link as Chief Executive Officer to manage the winding up of Tapestry in bankruptcy. Tapestry filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code on March 19, 2009. Prior to joining Tapestry, Mr. Link served as Corporate Controller of Synergen, Inc., Treasurer of the Syntex-Synergen Neuroscience Joint Venture, Treasurer of Synergen Development Corporation and Audit Manager with Deloitte & Touche USA LLP. Mr. Link received a B.S. from Rensselaer Polytechnic Institute and a B.A. in accounting from Metropolitan State College. Mr. Link is not related to our Chief Executive Officer, Dr. Charles Link.

*Kenneth Lynn* joined the Company as Senior Vice President of Business Development in February 2008 and has served as Executive Vice President of Business Development since February 2009. From 2006 to 2008, Mr. Lynn was employed as Executive Vice President, Strategy and Policy, of Kansas Technology Enterprise Corporation. From 2004 to 2006, Mr. Lynn worked for the Kauffman Foundation, where he served as President of the Kauffman Innovation Network, a nonprofit corporation established and supported by the Kauffman Foundation to promote the advancement of science and technology-based innovation generated by university researchers. Mr. Lynn was Senior Vice President of Corporate Development and Legal Affairs with RxKinetix, Inc. from 2000 to 2002, where he led the opportunities assessment and strategic planning process, coordinated development of the business plan, and evaluated and negotiated partnership and licensing agreements. He was Senior Vice President, Corporate Development and Legal Affairs with Valentis, Inc. from 1999 to 2000, where he supervised the business development and legal staff, evaluated and negotiated corporate transactions and partnering opportunities, and managed existing strategic alliances. From 1993 to 1998, Mr. Lynn worked for Cortech, Inc., a publicly traded company, where he progressed from Vice President of Business Development and General Counsel to Chairman and Chief Executive Officer. From 1991 to 1993, Mr. Lynn was Vice President and General Counsel of U.S. Bioscience, Inc. From 1984 to 1991, he served as Corporate Counsel with Marion Laboratories (now Sanofi-Aventis). Mr. Lynn holds a B.A. degree in history from Washburn University, a J.D. from the University of Kansas, and an M.B.A. from Rockhurst University.

#### **Significant Employees**

*Mario Mautino, Ph.D.* has served as our Vice President for the Drug Discovery Module since 2007 and as our Intellectual Property Officer since 2002, and served as a Senior Scientist at NewLink Genetics from 2001 to 2007. He received his Licenciante in Biological Chemistry in 1990 and his Ph.D. in Molecular Genetics at the University of Cordoba, Argentina in 1995. He performed one year of post-doctoral training at the National University of Cordoba and five years of post-doctoral work in human gene therapy at the Clinical Gene Therapy Branch, NIH.

*W. Jay Ramsey, M.D., Ph.D.* has served as our Clinical and Regulatory Compliance Officer since 2006 and served as our Senior Medical Scientist from 2000 to 2006. Prior to joining the Company, Dr. Ramsey served as Clinical Fellow of the Clinical Gene Therapy Branch, National Human Genome Research Institute, NIH from 1995 to 2000, and Clinical Fellow of the Metabolism Branch of the NCI

from 1992 to 1995. Dr. Ramsey received his Ph.D. in Cell Biology from the Baylor College of Medicine in Houston, TX and his M.D. from University of Texas Medical Branch at Galveston.

### **Non-Employee Directors**

*Thomas A. Raffin, M.D.* has served as a member of the Board of Directors since 1999. Dr. Raffin has spent 30 years on the faculty at Stanford University School of Medicine, where he is the Colleen and Robert Haas Professor Emeritus of Medicine and Biomedical Ethics. Over the past two decades, Dr. Raffin has worked extensively in the healthcare and medical device business sectors and was an advisor to Cell Therapeutics Inc. (1993-1997), Broncus Technologies (1997-2004), Medica (1998-2002), and Inhale Technologies (1998-2001). He co-founded Rigel Pharmaceuticals, a publicly traded company, in 1996. In 2001, he co-founded Telegraph Hill Partners, a San Francisco life sciences private equity firm as a General Partner. Dr. Raffin has been a director of the following Telegraph Hill Partners private portfolio companies: AngioScore, Confirma, Freedom Innovations, LDR, and PneumRK. Dr. Raffin received a B.A. from Stanford University and an M.D. from Stanford University School of Medicine and did his medical residency at the Peter Bent Brigham Hospital (now Brigham and Women's Hospital) in Boston.

The Nominating and Corporate Governance Committee believes that Dr. Raffin's experience with the Company, as a director since inception, brings continuity to the Board. In addition, the Nominating and Corporate Governance Committee believes that Dr. Raffin's prior experience as a founder of Rigel Pharmaceuticals and as a venture capitalist and board member of development stage biotechnology companies provides important background to the Board in drug development, finance, corporate development, and overall strategy.

*Sarah Alexander, M.D., F.A.C.P.* has served as a director since 2006. Dr. Alexander is certified by the American Board of Internal Medicine in Internal Medicine, Hematology and Medical Oncology. She has been a practicing hematologist and oncologist since 1975 and worked with the Medical Oncology and Hematology Associates in Des Moines since 1989. At present, she is a Medical Oncologist and Hematologist at the Des Moines Veterans Administration Hospital. Dr. Alexander's undergraduate work was completed at Christian Medical College, Vellore, Madras, India, her residency in Internal Medicine was completed at the V. A. Hospital in New Orleans, Louisiana, and her fellowship in Medical Oncology and Hematology was completed in at Emory University School of Medicine.

The Nominating and Corporate Governance Committee believes that Dr. Alexander's experience as a practicing medical oncologist and as an investigator in clinical trials brings an important perspective to the Board, as most of our product candidates under development are targeted at cancer.

*David J. Lundquist* has served as a director since 2005. Since 1996, Mr. Lundquist has served as a Partner of Lundquist, Schiltz & Associates, a firm in the fee-only investment advisory business. From 1991 to 1996, Mr. Lundquist was Vice Chairman of New Heritage Associates, a company engaged in the acquisition and operation of cable television systems. From 1980 to 1990, Mr. Lundquist was Executive Vice President — Finance of Heritage Communications, Inc. Mr. Lundquist is currently a director of Da-Lite Screen Company, Genesis Systems Group, Marketlink and G-Sky. Mr. Lundquist holds a B.A. from the University of Minnesota and an M.B.A. from Stanford University Graduate School of Business.

The Nominating and Corporate Governance Committee believes that Mr. Lundquist's ten years of experience as a Executive Vice President — Finance of a public company provides important experience in corporate finance and provides the background necessary for Mr. Lundquist to chair our Audit Committee and to serve as an "audit committee financial expert." In addition, Mr. Lundquist's operational experience in rapidly growing companies and transactional experience in both financing and strategic transactions may be helpful to the Company in the future.

*Joseph Saluri* has served as a director since May 2010. Mr. Saluri has served as Vice President and General Counsel for Stine Seed Company and its affiliates since July 1999. As part of his duties for Stine, he works to establish collaborative licensing, research and marketing alliances with international

biotechnology and agribusiness companies, in addition to managing the legal and intellectual property affairs for the Stine Companies. Previous to his employment with Stine, Mr. Saluri was an attorney and solicitor at law with Nicholas Critelli Associates, PC, in Des Moines and London. Mr. Saluri received a B.S./B.A. from Drake University and a J.D. from Drake University Law School.

The Nominating and Corporate Governance Committee believes that Mr. Saluri's extensive experience as legal counsel to a large private company provides important experience in corporate finance and provides the background necessary for Mr. Saluri to serve as a member of our Audit Committee and our Nominating and Corporate Governance Committee. In addition, Mr. Saluri's operational experience in rapidly growing companies and transactional experience in both financing and strategic transactions may be helpful to the Company in the future.

*Ernest J. Talarico, III* has served as a director since 1999. Mr. Talarico has worked for Mesirow Financial Holdings, Inc., a diversified financial services firm headquartered in Chicago, Illinois since 1998, where he has been a Managing Director since June 2008. Prior to becoming Managing Director, Mr. Talarico served as Senior Vice President from 2005 to 2008, Vice President from 2003 to 2005 and Investment Executive from 1998 to 2003. Mr. Talarico specializes in financial planning and asset allocation, as well as other wealth accumulation and preservation strategies for individuals and businesses. Mr. Talarico sits on several boards and committees, including the Mutual Fund Committee at Mesirow Financial and the Select Advisory Board and Committee at Mesirow Financial. Mr. Talarico has also been the Chairman for the local chapter of the Cystic Fibrosis Foundation and the Founder and Chairman of the Talarico Ataxia Foundation. Mr. Talarico holds a bachelor's degree from the University of Iowa as well as licenses in equities, options and managed futures.

The Nominating and Corporate Governance Committee believes that Mr. Talarico's experience with the Company, as a director since inception, brings continuity to the Board. In addition, the Nominating and Corporate Governance Committee believes that Mr. Talarico's extensive experience in the investment management business provides important experience in corporate finance and investor relations and provides the background necessary for him to serve as a member of our Audit Committee.

### **Scientific Advisors**

We have established a scientific advisory board comprised of leading experts in their fields. We regularly seek advice and input from these experienced scientific leaders on matters related to our research and development programs. The members of our scientific advisory board consist of experts across a range of key disciplines relevant to our programs and science. We intend to continue to leverage the broad expertise of our advisors by seeking their counsel on important topics relating to our drug discovery and development programs. Some members of our scientific advisory board enter into consulting agreements with us covering their respective financial arrangements and confidentiality, non-disclosure and proprietary rights matters and own or have owned shares of our common stock or options to purchase shares of our common stock.

All of the scientific advisors are employed by or have consulting arrangements with other entities and devote only a small portion of their time to us. Our current advisors are:

<u>Name</u>	<u>Professional Affiliation</u>
Robert B. Belshe, M.D.	Director of the Division of Infectious Diseases and Immunology at Saint Louis University.
Michael Blaese, M.D.	Research Director of the Fund for Inherited Disease Research, Founder and President of PreGentis, Medical Director of the Immune Deficiency Foundation and Administrator of the U.S. Immunodeficiency Network Research Consortium.
Richard Burt, M.D.	Director of Allogeneic Bone Marrow Transplantation for Northwestern Medical Center in Chicago, Illinois and Assistant Professor at Northwestern University School of Medicine.
Richard C. Larock, Ph.D.	Distinguished Professor of Organic Chemistry at Iowa State University.
Kevin Legge, Ph.D.	Assistant Professor of Pathology at the University of Iowa Carver College of Medicine.
Andrew Mellor, Ph.D.	Professor of Medicine and Georgia Research Alliance Eminent Scholar in Immunogenetics at the Medical College of Georgia.
David Munn, M.D.	Professor of Pediatric Hematology-Oncology at the Medical College of Georgia. Head of the Cancer Immunotherapy program in the Cancer Research Center at MCG.
Nicola Pohl, Ph.D.	Associate Professor and Caldwell Chair of Chemistry at Iowa State University.
George Prendergast, Ph.D.	Professor and President/CEO of the Lankenau Institute for Medical Research.

### **Board Composition and Election of Directors**

Our Board of Directors currently consists of five non-employee members and our Chief Executive Officer, Dr. Charles Link. Our Board of Directors has determined that all of our directors, other than Dr. Link, are independent within the meaning of applicable NASDAQ listing standards.

We have initiated the process of recruiting an additional director. Among other qualifications, we are seeking a director who could serve as a member of our Audit Committee.

Effective upon the completion of this offering, we will divide our Board of Directors into three classes, as follows:

- Class I, which will consist of Dr. Alexander and Mr. Talarico, and whose terms will expire at our first annual meeting of stockholders to be held after the completion of this offering;
- Class II, which will consist of Mr. Lundquist and Mr. Saluri, and whose terms will expire at our second annual meeting of stockholders to be held after the completion of this offering; and
- Class III, which will consist of Dr. Charles Link and Dr. Raffin, and whose terms will expire at our third annual meeting of stockholders to be held after the completion of this offering.

At each annual meeting of stockholders to be held after the initial classification, the successors to directors whose terms then expire will serve until the third annual meeting following their election and until their successors are duly elected and qualified. The authorized number of directors may be changed only by resolution of the Board of Directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as

possible, each class will consist of one-third of the directors. This classification of the Board of Directors may have the effect of delaying or preventing changes in our control or management. Under our certificate of incorporation to be in effect upon the closing of this offering, our directors may be removed only for cause, which may be effected by the affirmative vote of the holders of 66<sup>2</sup>/<sub>3</sub>% of our voting stock.

## **Board Committees**

Upon the completion of this offering, our Board of Directors will have an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. At that time, each of these committees will have adopted a written charter that will be available on our corporate website. The composition and primary responsibilities of each committee are described below.

### ***Audit Committee***

Upon the completion of this offering, the members of our Audit Committee will be Mr. Lundquist, Mr. Saluri and Mr. Talarico. Mr. Lundquist will serve as chairman of the Audit Committee. Our Board of Directors has determined that each member of the Audit Committee meets the independence requirements of Rule 10A-3 of the Securities Exchange Act of 1934, or the Exchange Act, and NASDAQ listing standards, except for Mr. Talarico. Our Board of Directors has also determined that Mr. Lundquist qualifies as an audit committee financial expert within the meaning of Securities and Exchange Commission, or SEC, regulations.

The primary purpose of the Audit Committee is to discharge the responsibilities of our Board of Directors with respect to our accounting, financial and other reporting and internal control practices and to oversee our independent registered public accounting firm. Specific responsibilities of our Audit Committee include:

- evaluating the performance of our independent registered public accounting firm and determining whether to retain or terminate their services;
- determining and pre-approving the engagement of our independent registered public accounting firm to perform audit services and any permissible non-audit services, other than immaterial aggregate amounts of non-audit services as excepted under applicable laws and rules;
- reviewing and discussing with management and our independent registered public accounting firm the results of the annual audit and the independent registered public accounting firm's review of our annual and quarterly financial statements and reports;
- reviewing with management and our independent registered public accounting firm significant issues that arise regarding accounting principles and financial statement presentation;
- conferring with management and our independent registered public accounting firm regarding the scope, adequacy and effectiveness of our internal control over financial reporting; and
- establishing procedures for the receipt, retention and treatment of any complaints we receive regarding accounting, internal control or auditing matters.

### ***Compensation Committee***

Upon the completion of this offering, the members of our Compensation Committee will be Dr. Raffin, Mr. Saluri and Mr. Talarico. Dr. Raffin will serve as chairman of the Compensation Committee. Our Board has determined that each member of the Compensation Committee is independent within the meaning of applicable NASDAQ listing standards, is a non-employee director as defined in Rule 16b-3 under the Exchange Act and is an outside director as that term is defined in Section 162(m) of the Internal Revenue Code of 1986. The purpose of our Compensation Committee is to discharge the responsibilities of our Board of Directors to oversee our compensation policies, plans

and programs and to review and determine the compensation to be paid to our executive officers and other senior management. Specific responsibilities of our Compensation Committee include:

- determining the compensation and other terms of employment of our executive officers and reviewing and approving corporate performance goals and objectives relevant to such compensation;
- evaluating and recommending to our Board of Directors the compensation plans and programs advisable for us, and evaluating and recommending the modification or termination of existing plans and programs; and
- reviewing and approving the terms of any employment agreements, severance arrangements, change-of-control protections and any other compensatory arrangements for our executive officers.

#### ***Nominating and Corporate Governance Committee***

The members of our Nominating and Corporate Governance Committee are Dr. Alexander, Dr. Raffin and Mr. Saluri. Dr. Raffin serves as chairman of the Nominating and Corporate Governance Committee. Each member of the Nominating and Corporate Governance Committee is independent within the meaning of applicable NASDAQ listing standards. The specific responsibilities of our Nominating and Corporate Governance Committee include:

- identifying, reviewing, evaluating and recommending for selection candidates for membership to our Board of Directors;
- reviewing, evaluating and considering the recommendation for nomination of incumbent members of our Board of Directors for reelection to our Board of Directors and monitoring the size of our Board of Directors;
- evaluating nominations by stockholders of candidates for election to our Board of Directors;
- reviewing, discussing and reporting to our Board of Directors an assessment of our board's performance; and
- determining adherence to our corporate governance documents.

#### **Lead Independent Director**

Dr. Raffin has been appointed as our lead independent director. As lead independent director, Dr. Raffin will work with our Chief Executive Officer to develop the agenda for meetings of the Board of Directors and with committee chairs to develop the agendas for meetings of committees. He will also chair the executive session of Board meetings at which officers are not present and will oversee the Board's annual evaluation of our Chief Executive Officer's performance.

#### **Compensation Committee Interlocks and Insider Participation**

For the fiscal year ended December 31, 2009, members of the Board's Compensation Committee consisted of Dr. Raffin and Mr. Talarico. None of the members of the Compensation Committee is currently, or has ever been at any time since the Company's formation, one of the Company's officers or employees. None of our officers currently serve, nor have they served during the last completed fiscal year, as a member of the board of directors or compensation committee of any entity that has one or more officers serving as a member of our Board of Directors or Compensation Committee.

#### **Code of Business Conduct and Ethics**

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions. Following this offering, a current copy of the code will be posted on the Corporate Governance section of our website, [www.linkp.com](http://www.linkp.com).

## EXECUTIVE AND DIRECTOR COMPENSATION

*The following discussion and analysis of compensation arrangements of our named executive officers for our fiscal year ended December 31, 2009 should be read together with the compensation tables and related disclosures set forth below. This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt may differ materially from currently planned programs as summarized in this discussion.*

### **Compensation Discussion and Analysis**

Our executive compensation program is designed to help us attract talented individuals to manage and operate our business, to reward those individuals fairly over time and to retain those individuals who continue to meet our high expectations. The goals of our executive compensation program are to align our executive officers' compensation with our business objectives and the interests of our stockholders, to incentivize and reward our executive officers for our success and to reflect the teamwork philosophy of our executive management team. To achieve these goals, we have established executive compensation and benefit packages that are based on a mix of base salary, cash incentive payments and equity-based awards and severance and change in control benefits. Our executive compensation program is also intended to make us competitive in the biopharmaceutical industry, where there is significant competition for talented employees, and to be fair relative to other professionals within our organization.

### **Compensation Objectives**

Our compensation program is designed to enable us to attract and retain executives with the skills and experience necessary to execute our business plan, to provide short-term incentives to accomplish specific annual goals defined by the Board of Directors, and to provide long-term incentives to build shareholder value.

### **Role of Our President and Chief Executive Officer in Setting Executive Compensation**

We initially establish executive officers' compensation arrangements when negotiating the terms of employment when they join the Company. We generally include these initial compensation terms in an offer letter with the executive. Each year we review executive compensation and the mix of elements used to compensate our executive officers. In connection with each annual review cycle, Dr. Charles Link, our Chief Executive Officer, meets with those officers who report directly to him to discuss the Company's accomplishments during the year and the individual's performance and contributions over the prior year. Based on these discussions, our Chief Executive Officer then develops a set of compensation recommendations for submission to our Compensation Committee. The Compensation Committee uses these recommendations, its own judgment and experience, and the resources and tools described below to determine the appropriate mix of compensation for each of our executive officers. Our Chief Executive Officer does not participate in the determination of his own compensation.

### **Role of Our Board and Compensation Committee in Setting Executive Compensation**

Our Board of Directors has established a Compensation Committee for the purpose of making recommendations to the full Board of Directors regarding compensation decisions for our executive officers. The Compensation Committee currently consists of Dr. Raffin, Mr. Saluri and Mr. Talarico. In carrying out its responsibilities, our Compensation Committee receives and evaluates the compensation recommendations made by our Chief Executive Officer. None of our executive officers participates in the discussions regarding his own compensation. Based on the evaluation of management's suggestions, the Compensation Committee then makes formal recommendations regarding executive compensation decisions to the full Board of Directors. In making these recommendations, the Compensation Committee does not delegate any of its functions to others.

Our Compensation Committee has retained independent compensation consultants to advise on selected aspects of executive and Board compensation as follows:

- In 2007, Syzygy Consulting Group was retained to make recommendations regarding equity awards to Dr. Charles Link, who was then serving as our Chief Executive Officer, and Dr. Vahanian, who was then serving as our Chief Medical and Operating Officer, and to provide recommendations concerning Board compensation. The consultant's report was based on 34 United States-based life sciences and biotechnology companies that were managed by founders and had financing histories and valuations deemed similar to the company.
- In 2009, our Compensation Committee retained two compensation consultants, Syzygy Consulting Group and Radford, to provide recommendations on all aspects of executive compensation. The Syzygy report was based on a proprietary database of 160 private life sciences and biotechnology-related companies and its private technology company total compensation survey that covered compensation practices at 341 private companies. From those databases, Syzygy identified a group of similarly-situated, founder-managed companies based on cumulative capital raised and valuation. The Radford analysis was based on the 2009 Radford Global Life Sciences Pre-IPO Survey. These reports covered both the Company and our subsidiary BioProtection Systems Corporation, or BPS.
- In 2010, our Compensation Committee retained Syzygy Consulting Group to provide recommendations regarding the establishment and size of initial share reserves for an Employee Stock Purchase Plan and Non-Employee Directors' Stock Award Plan, and the addition of an "evergreen" provision to our 2009 Equity Incentive Plan. The Syzygy report was based on an analysis of 34 public biotechnology companies that were considered to be similar to us with respect to market capitalization.

In addition to relying on the consultants' reports, the committee members also have relied on the Ernst & Young 2008, 2009, and 2010 Compensation and Entrepreneurship Report in Life Sciences and on their own experience and observations in the marketplace in assessing and making recommendations regarding executive compensation. Our Board of Directors evaluates the recommendations from the Compensation Committee and makes final decisions regarding executive compensation.

Our Compensation Committee consists solely of directors who are "outside directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, and "non-employee directors" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

Prior to our pending acquisition of the minority interest in our subsidiary BPS, it had its own compensation committee, consisting of Dr. Raffin and Mr. Talarico, who are also directors of the Company, and Mr. Steve Stahley, who is not a director, officer, employee or affiliate of the Company. Dr. Charles Link, our Chief Executive Officer, and Dr. Vahanian, our President and Chief Medical Officer have equity ownership positions in BPS. Neither Dr. Link nor Dr. Vahanian receives any salary from BPS. In September 2006, Drs. Link and Vahanian delivered notes to BPS in the principal amounts of \$75,000 and \$20,000, respectively, bearing interest at 5.01% per annum, in order to purchase their shares of BPS Series B common stock under stock options. As of November 17, 2010, Dr. Link and Dr. Vahanian had repaid the remaining principal and interest owed under the notes. For a more detailed description of these loans, see "Executive and Director Compensation — Indebtedness of Management and Related Agreements."

#### **Basis for Historical and Future Compensation Policies and Decisions**

We use a mix of short-term compensation, consisting of base salaries and cash incentive bonuses, and long-term compensation, consisting of equity incentive compensation, to provide a total compensation structure that is designed to achieve our corporate objectives.

In arriving at the amount and types of initial compensation for each of our named executive officers, we consider the following factors:

- the individual's particular background and circumstances, including prior relevant work experience and compensation paid prior to joining us;
- the individual's role with us and the compensation paid to similar persons in the similarly situated companies represented in the compensation data that we review;
- the demand for people with the individual's specific expertise and experience;
- performance goals and other expectations for the individual's position;
- comparison to other executives within the Company having similar levels of expertise and experience; and
- recommendations from our compensation consultants.

We annually re-assess the compensation of our named executive officers and determine whether any adjustments should be made. In determining whether to adjust the compensation of any of our named executive officers, we generally take into account the following factors:

- our understanding of compensation generally paid by similarly situated companies to their executives with similar roles and responsibilities;
- formal market data regarding base salary, cash incentives and equity compensation from surveys conducted by our compensation consultants of biopharmaceutical and biotechnology companies, as well as the Ernst & Young report cited above;
- the roles and responsibilities of our executives, including any increases or decreases in responsibilities; and
- the contributions and performance of each named executive officer.

#### ***Elements of our Executive Compensation Program***

*General.* Our executive compensation program consists of four principal components: base salary, performance-based cash bonus payments, long-term incentive compensation in the form of equity-based awards and severance and change-in-control benefits. Each component of our executive compensation program is designed to address specific compensation objectives. The Compensation Committee has not established any formal policies or guidelines for allocating compensation between the components, although it seeks to maintain an appropriate balance between fixed compensation, in the form of base salary, and performance-based compensation, in the form of cash bonuses and long-term incentive compensation. As a general matter, our executive officers are also eligible to participate, on the same basis as other employees, in our 401(k) plan and our other benefit programs generally available to all employees, and with limited exceptions relating to the relocation of executive officers, we do not provide perquisites or benefits for our named executive officers on a basis that is different from other eligible employees.

We view each of the elements of our compensation program as related but distinct. Our decisions about each individual element generally do not affect the decisions we make about other elements. For example, we do not believe that significant compensation derived from one element of compensation, such as equity appreciation, should adversely affect compensation from other elements, such as salary or bonus.

*Base Salary.* Base salary is the primary fixed component of our executive compensation program. We use base salary to compensate executives for services rendered during the calendar year, and to ensure that we remain competitive in attracting and retaining executive talent.

Upon joining the Company, each of our executive officers received an offer letter that provided for an initial base salary. These initial salaries are the product of negotiation with the executive, but we generally seek to establish salaries that we believe are commensurate with the salaries paid to industry peers with comparable qualifications, experience, responsibilities and performance at similar companies. In addition to the Radford and Syzygy reports in 2009, we reviewed the Ernst & Young reports cited above. Our Compensation Committee has also relied on its members' collective experience in the marketplace for determining what they believe to be the market rate of salaries for executives of comparable companies.

Shortly before the end of each calendar year, we review company and individual performance to, among other things, determine whether adjustments in base salary are necessary or appropriate. In establishing the 2009 base salaries of our executive officers, our Compensation Committee and Board of Directors took into account a number of factors, including the executive's seniority, position, functional role and level of responsibility and individual performance during 2008. We will continue to review base salaries of our executive officers on an annual basis and make adjustments to reflect individual performance-based factors, as well as our financial status. Historically, we have not applied, nor do we intend to apply, specific formulas to determine base salary increases.

*Performance-Based Cash Bonuses.* Our performance-based cash bonus program is designed to promote the interests of the Company and its stockholders by providing executive officers with the opportunity to earn annual cash bonuses based upon the achievement of pre-specified corporate and individual performance objectives, and to assist the Company in attracting and retaining executive talent.

Our annual cash bonus amounts are recommended by our Compensation Committee and approved by our Board, and these bonuses are ordinarily paid in a single installment in the first quarter of each year for performance in the prior year. Each executive officer is eligible for a discretionary annual cash incentive payment up to a specified percentage of the executive officer's salary. The Board of Directors sets these target percentages at levels that, upon achievement of the target percentage, are likely to result in cash bonus payments that the Board believes to be approximately the level paid to high-performing executives of comparable companies in the biopharmaceutical industry.

At the end of each year, our Chief Executive Officer develops bonus recommendations for each of our executive officers, based on the company's corporate accomplishments and the individual's performance and contributions to those accomplishments during the year. These recommendations are subjective determinations which may vary, from time to time, depending on our overall strategic objectives and the job responsibilities of each executive officer, but relate generally to factors such as development and progression of our existing product candidates, achievement of clinical and regulatory milestones, operational goals such as the expansion of our manufacturing capabilities, and financial factors such as raising and maintaining capital. However, these recommendations may be more or less than the established target percentages for the executive officers, depending on individual and corporate performance, as well as our financial position. The Compensation Committee assesses the bonuses recommended by management and makes its bonus recommendations to the full Board of Directors. Based on its consideration of the recommendations of the Compensation Committee, the full Board then makes a final decision regarding cash bonus payments, if any, for the year. Whether or not a cash bonus is paid for any year is solely within the discretion of the Board.

For 2009, based upon recommendations of the Compensation Committee, the Board of Directors established the target amounts of cash bonuses at 50% of the 2010 base salary for Dr. Charles Link, 40% of the 2010 base salary for Dr. Vahanian, 25% for of the 2010 base salary Mr. Gordon Link, 20% of the 2010 base salary for Mr. Lynn, and 15% of the 2010 base salary for Dr. Ramsey. The Compensation Committee then made its bonus recommendations in December 2009, following a review of our corporate accomplishments during the year, which included:

- receiving approval from the FDA for the launch of our Phase 3 trial for HyperAcute Pancreas;

- developing Phase 2 clinical trial plans for D-1MT; and
- raising at least \$10.0 million in additional funding.

The Board determined that each of these corporate goals had been met or exceeded.

After considering our corporate accomplishments during the year, the Compensation Committee also made a subjective assessment of each executive officer's individual contribution to the achievement of each of those accomplishments. In the case of Dr. Charles Link, the committee considered his overall responsibility in leading our company through the significant corporate developments referenced above. For Dr. Vahanian, the committee considered his role in running our day-to-day operations, including the achievements referenced above. In the case of Mr. Gordon Link, the committee considered his primary responsibility, as our principal financial and accounting officer, for our Series C and Series D preferred stock financings that closed in 2009. For Mr. Lynn, the committee considered his role in establishing third party relationships and presenting our Company to outside companies for potential future collaborations. In the case of Dr. Ramsey, the committee considered regulatory and compliance accomplishments concerning clinical trials manufacturing and quality assurance.

As a result, the Compensation Committee, in its discretion, made bonus recommendations for each executive officer. In December 2009, the Board of Directors adopted the bonus recommendations of the Compensation Committee. The bonuses paid to Dr. Charles Link, Dr. Vahanian, Mr. Gordon Link, Mr. Lynn and Dr. Ramsey were equal to 50%, 40%, 25%, 20%, and 15% of their 2010 base salaries, respectively.

For 2010, the target bonuses for Dr. Charles Link, Dr. Vahanian, Mr. Gordon Link, Mr. Lynn and Dr. Ramsey are equal to 50%, 35%, 25%, 40% and 25% of their 2011 base salaries, respectively.

We have not determined whether we would seek to recover cash bonus payments paid to our executive officers if the performance objectives that led to the determination of such payments were to be restated or found not to have been met to the extent that we originally believed.

*Equity Compensation.* Equity incentives represent the largest at-risk component of our executive compensation program. Our equity incentives are designed to align the interests of our executive officers with those of our stockholders by creating an incentive for our executive officers to maximize stockholder value and to remain employed with us despite a competitive labor market through the grant of time-vested stock options.

Initial option grants to our executive officers are generally set forth in an offer letter. These initial option grants are the product of negotiation with the executive, but we generally seek to establish equity ownership levels that we believe are commensurate with the equity stakes of industry peers with comparable qualifications, experience, responsibilities and performance at similar companies. In addition, as part of our annual compensation review process, we provide subsequent option grants to those executive officers determined to be performing well.

In May 2009, we granted Dr. Charles Link a stock option for 1,538,275 shares and Dr. Vahanian a stock option for 695,725 shares, each at an exercise price of \$1.00 per share. These options vest over five years beginning on June 29, 2007, and expire on December 13, 2017. These grants had been initially approved by the Compensation Committee and the Board in June 2007, but the Company did not have sufficient shares authorized under its 2000 Equity Incentive Plan at that time. In 2009 the Company adopted the 2009 Equity Incentive Plan and these options were approved and granted by the Board under that plan. In December 2009, we granted Dr. Charles Link a stock option for 900,000 shares of common stock, and Dr. Vahanian a stock option for 800,000 shares of common stock, each at an exercise price of \$1.41 per share. These options vest as to 20% on the first anniversary of the date of grant and as to the remainder in equal monthly increments over the following 48 months. These options expire December 3, 2019. In March 2010, we made grants of stock options to all of our other executive officers. All of these grants were recommended to the Board by our Compensation Committee, which

considered the advice of our independent compensation consultants regarding executive equity ownership. Our independent compensation consultants compared our executives' ownership positions with other similarly-situated biopharmaceutical companies and, in recommending these grants, the Compensation Committee considered the executives' roles and responsibilities within the company, and their ownership positions in relation to similarly-situated companies as defined by our Compensation Committee. The December 2009 grants to Dr. Link and Dr. Vahanian resulted in equity ownership percentages above the median of the companies in the group of companies analyzed by our compensation consultant. The Compensation Committee and Board approved these grants in recognition of the leadership of Dr. Link and Dr. Vahanian in achieving company goals and raising capital.

*Severance and Change of Control Benefits.* We enter into employment agreements with our executives in select cases, generally when it is necessary to secure the services of a newly hired executive. We entered into employment agreements with each of Dr. Charles Link, Dr. Vahanian, Mr. Gordon Link, Mr. Lynn and Dr. Ramsey, as well as certain other officers. These agreements provide for severance compensation to be paid if the officers are terminated under certain conditions, such as in connection with a change-in-control of the Company or a termination without cause by us, each as defined in the agreements. The severance compensation payable under the employment agreements are described in more detail beginning on page 135 of this prospectus under the heading "Potential Payments Upon Termination or Change in Control."

In our experience, post-termination protection for executive officers is common among our peer group, and the Compensation Committee believes that providing this protection is essential to our ability to attract and retain talented executives capable of providing the leadership, vision and execution necessary to achieve our business objectives. In addition, the employment agreements and the related post-termination compensation provisions are designed to meet the following objectives:

- *Change in control:* As part of our normal course of business, we engage in discussions with other pharmaceutical companies about possible collaborations, licensing and/or other ways in which the companies may work together to further our respective long-term objectives. In addition, many larger established pharmaceutical companies consider companies at similar stages of development to ours as potential acquisition targets. In certain scenarios, the potential for a merger or being acquired may be in the best interests of our stockholders. We provide post-termination compensation if an officer is terminated as a result of a change-in-control transaction to promote the ability of our officers to act in the best interests of our stockholders even though they could be terminated as a result of the transaction.
- *Termination Without Cause:* In certain instances, if we terminate the employment of an officer "without cause" or the officer resigns for "good reason," each as defined in the applicable agreement, we are obligated to pay the officers certain severance benefits under their employment agreements. We believe this is appropriate because the terminated officer is bound by confidentiality and non-competition provisions covering one year after termination and because we and the officer have a mutually agreed-to severance package that is in place prior to any termination event. This provides us with more flexibility to make a change in senior management if such a change is in our and our stockholders' best interest.

**401(k) Plan.** Our employees, including our executive officers, are eligible to participate in our 401(k) plan. Our 401(k) plan is intended to qualify as a tax qualified plan under Section 401 of the Code. Our 401(k) plan provides that each participant may contribute a portion of his or her pretax compensation, up to a statutory limit, which for most employees is \$16,500 in 2009, with a larger "catch up" limit for older employees. Employee contributions are held and invested by the plan's trustee. We provide a contribution of 3% of each participant's salary with a possibility of an additional discretionary contributions.

**Other Benefits and Perquisites.** We provide medical insurance, dental insurance, vision coverage, life insurance and accidental death and dismemberment insurance benefits to all full-time employees, including our executive officers. These benefits are available to all employees, subject to applicable laws. Our executive officers do not receive any perquisites valued at more than \$10,000 per year per person. However, from time to time, we have provided relocation expenses in connection with the relocation of executive officers to the geographic area of our corporate headquarters in Ames, Iowa. We intend to continue to provide relocation expenses in the future, as necessary, to obtain the services of qualified individuals.

**Executive Loans.** Between September 2006 and October 2010, the Company and its subsidiary BPS extended loans to Dr. Charles Link, Dr. Vahanian and Mr. Gordon Link. The loans made by the Company were extended to Dr. Charles Link and Dr. Vahanian for personal purposes and to Mr. Gordon Link to facilitate purchase of a home in Ames, Iowa. In light of the Company's planned initial public offering, and in accordance with the recommendation of its compensation consultants, the Company's Compensation Committee recommended and the Company's Board agreed in May 2010 to forgive Dr. Charles Link's and Dr. Vahanian's loans and pay a bonus equal to the resulting tax liability in exchange for the executives' agreement to increase the exercise price of certain outstanding stock options. As of July 2, 2010, the aggregate exercise price of these options was increased by an amount equal to the principal and accrued interest on the loans forgiven plus the bonuses paid to cover the resulting tax liability. Mr. Gordon Link repaid his loan in full on May 11, 2010.

In September 2006, Dr. Charles Link and Dr. Vahanian delivered notes to BPS in the principal amounts of \$75,000 and \$20,000, respectively, bearing interest at 5.01% per annum, in order to purchase their shares of BPS Series B common stock under stock options. As of November 17, 2010, Dr. Link and Dr. Vahanian had repaid the remaining principal and interest owed under the notes. For a more detailed description of these loans, see "Executive and Director Compensation — Indebtedness of Management and Related Agreements." No loans to executives of the company or BPS are currently outstanding and it is the policy of the Company and BPS not to extend loans to officers or directors in the future.

**Other Compensation.** We intend to continue to maintain the current benefits for our executive officers, which are also available to all of our other employees; however, our Compensation Committee, in its discretion, may in the future revise, amend or add to the benefits of any executive officer if it deems it advisable.

#### **Federal Tax Considerations Under Sections 162(m) and 409A**

Section 162(m) of the Code limits our deduction for federal income tax purposes to not more than \$1 million of compensation paid to specified executive officers in a calendar year. Compensation above \$1 million may be deducted if it is performance-based compensation within the meaning of Section 162(m). Our Compensation Committee has not yet established a policy for determining which forms of incentive compensation awarded to our executive officers will be designed to qualify as performance-based compensation. To maintain flexibility in compensating our executive officers in a manner designed to promote our objectives, our Compensation Committee has not adopted a policy that requires all compensation to be deductible. However, the committee intends to evaluate the effects of the compensation limits of Section 162(m) on any compensation it proposes to grant, and the

Compensation Committee intends to provide future compensation in a manner consistent with our best interests and those of our stockholders.

Section 409A of the Code addresses the tax treatment of nonqualified deferred compensation benefits and provides for significant taxes and penalties in the case of payment of nonqualified deferred compensation. We currently intend to structure our executive compensation programs to avoid triggering these taxes and penalties under Section 409A.

### **Accounting Considerations**

Effective January 1, 2006, we adopted the fair value provisions of ASC 718. Under ASC 718, we are required to estimate and record an expense for each award of equity compensation, including stock options, over the vesting period of the award. Our Board of Directors has determined to retain for the foreseeable future our stock option program as the sole component of its long-term compensation program, and, therefore, to record this expense on an ongoing basis according to ASC 718. Our Compensation Committee may in the future consider the grant of restricted stock or other equity-based awards to our executive officers in lieu of stock option grants, in light of the accounting impact of ASC 718 with respect to stock option grants.

### **Compensation Policies and Practices as They Relate to Risk Management**

The Company believes that risks arising from its compensation policies and practices for its employees are not reasonably likely to have a material adverse effect on the Company. In addition, the Compensation Committee believes that the mix and design of the elements of executive compensation do not encourage management to assume excessive risks.

The Compensation Committee has reviewed the elements of executive compensation to determine whether any portion of executive compensation encouraged excessive risk taking and concluded:

- significant weighting towards long-term incentive compensation discourages short-term risk taking, including use of multi-year vesting for equity awards which compromise the majority of compensation awards;
- goals are set to focus mainly on key events related to the overall success of the Company's product development rather than individual components;
- vesting conditions imposed on option awards after performance targets are reached discourage short-term risk taking;
- incentive awards are benchmarked to calculate reasonable overall compensation; and
- as a biopharmaceutical business, the Company does not face the same level of risks associated with compensation for employees at financial services companies (traders and instruments with a high degree of risk).

Furthermore, as described above in "Compensation Discussion and Analysis," compensation decisions include subjective considerations, which help to constrain the influence of formulae or objective factors on excessive risk taking.

### **Summary Compensation Table**

The following table sets forth information regarding compensation earned during the year ended December 31, 2009, by our principal executive officer, our principal financial officer and our three other most highly compensated executive officers serving as executive officers at December 31, 2009 whose

total compensation exceeded \$100,000 for the year ended December 31, 2009. We refer to these persons as our named executive officers.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus(1) (\$)</b>	<b>Option Awards(2) (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Charles J. Link, Jr., M.D. Chairman of the Board and Chief Executive and Scientific Officer	2009	354,895	220,341	307,655	18,032(3)	900,923
Nicholas N. Vahanian, M.D. President and Chief Medical Officer	2009	256,316	124,929	139,145	—	520,390
Gordon H. Link, Jr. Chief Financial Officer	2009	228,375	59,948	52,500	—	340,823
Kenneth Lynn Executive Vice President of Business Development	2009	231,750	48,668	52,500	—	332,918
W. Jay Ramsey, M.D., Ph.D. Quality Assurance Officer	2009	162,225	36,000	8,400	—	204,499

- (1) Bonuses are based on a percentage of 2010 base salary. For 2009, Dr. Charles Link was awarded a cash bonus of 50% of his 2010 base salary, which is \$440,682. Dr. Vahanian was awarded a cash bonus of 40% of his 2010 base salary, which is \$312,332. Mr. Gordon Link was awarded a cash bonus of 25% of his 2010 base salary, which is \$239,794. Mr. Lynn was awarded a cash bonus of 20% of each of his 2010 base salary, which is \$243,338. Dr. Ramsey was awarded a cash bonus of 15% of his 2010 base salary, which is \$240,000.
- (2) The assumptions we used in valuing options are described under the caption "Stock Option Valuation" in note 2(n) to our financial statements included in this prospectus. This column reflects compensation expense that would be recorded under ASC 718 as stock-based compensation in our financial statements for the indicated year in connection with options we granted in the indicated year and in prior years, adjusted to disregard the effects of any estimate of forfeitures related to service-based vesting, if we had adopted the modified-prospective transition method of ASC 718. As a result, unlike our financial statements for the indicated year, the amounts in the table include values associated with stock options that were granted prior to January 1, 2006 and that had not fully vested prior to the indicated year, and assume that the executive will perform the requisite service for the award to vest.
- (3) Amount represents the cost of various benefits received by Dr. Charles Link that we reimbursed or paid on his behalf in 2009, including insurance, memberships and various other company provided benefits.

**2009 Grants of Plan-Based Awards**

The following table lists grants of plan-based awards made to our named executive officers in 2009:

<b>Grants Of Plan-Based Awards</b>				
<b>Name</b>	<b>Grant Date</b>	<b>All Other Option Awards: Number of Securities Underlying Options (#)</b>	<b>Exercise or Base Price of Option Awards (\$/Sh)</b>	<b>Grant Date Fair Value of Stock and Option Awards</b>
Charles J. Link, Jr.	5/13/09	555,396(1)	\$ 2.00(2)	\$ 273,003
	5/13/09	982,879(1)	\$ 1.00	\$ 483,131
	12/4/09	900,000	\$ 1.41	\$ 1,213,454
Nicholas N. Vahanian	5/13/09	37,010(1)	\$ 2.00(2)	\$ 18,192
	5/13/09	658,715(1)	\$ 1.00	\$ 323,789
	12/4/09	800,000	\$ 1.41	\$ 1,078,625

- (1) The vesting commencement date of these options was June 29, 2007. See "Executive and Director Compensation — Elements of our Executive Compensation Program — Equity Compensation" for further discussion of these option grants.
- (2) The exercise price of these options was adjusted in July, 2010. See "Executive and Director Compensation — Indebtedness of Management and Related Parties" for further discussion.

**Outstanding Equity Awards at End of 2009**

The following table provides information about outstanding stock options held by each of our named executive officers at December 31, 2009. All of these options were granted under our 2000 Equity

Incentive Plan. Our named executive officers did not hold any restricted stock or other stock awards at the end of 2009.

Name	Number of Shares Underlying Unexercised Options(1)		Option Exercise Price	Option Expiration Date
	(#) Exercisable	(#) Unexercisable(2)		
Charles J. Link, Jr., M.D.	491,439(3)	491,440	\$ 1.00	5/12/2019
	277,698(3)	277,698	2.00	5/12/2019
		900,000	1.41	12/3/2019
	0(4)	20,000	0.10	1/20/2019
Nicholas N. Vahanian, M.D.	329,357(5)	329,358	1.00	5/12/2019
	18,505(5)	18,505	2.00	5/12/2019
	75,000	0	1.00	7/15/2018
	5,000	0	1.00	7/15/2018
	0	800,000	1.41	12/3/2019
	0(4)	20,000	0.10	1/20/2019
Gordon H. Link, Jr.	70,000(6)	140,000	1.00	8/5/2018
	10,000(4)	20,000	0.10	9/11/2018
Kenneth Lynn	96,250(7)	113,750	1.00	8/5/2018
	8,000(4)	22,000	0.10	1/20/2019
W. Jay Ramsey, M.D., Ph.D.	20,000(8)	20,000	1.00	6/28/2017
	5,000	0	1.00	7/15/2018
	5,000	0	1.00	7/15/2018
	1,866	134	1.00	7/15/2018

- (1) Unless otherwise indicated, these options have a 10-year term and vest over a five-year period, with 20% of the options vesting on the first anniversary of the vesting commencement date and the remaining 80% of the options vesting in equal monthly installments thereafter over the next four years, subject to the recipient's continued employment with the Company through such vesting dates.
- (2) This column shows options that were unvested as of December 31, 2009.
- (3) Dr. Charles Link was granted an option for 1,538,275 shares with a vesting commencement date of June 1, 2007.
- (4) These outstanding stock options are for stock in our subsidiary, BPS, and will be exchanged for options to purchase shares in the Company upon consummation of the merger of BPS with a subsidiary of the Company.
- (5) Dr. Vahanian was granted an option for 695,725 shares with a vesting commencement date of June 1, 2007.
- (6) Mr. Gordon Link was granted an option for 210,000 shares with a vesting commencement date of August 4, 2008, with 25% of the option vesting on the first anniversary of the vesting commencement date and the remaining 75% of the option vesting in equal monthly installments thereafter over the next three years, subject to Mr. Link's continued employment with the Company through such vesting dates.
- (7) Mr. Lynn was granted an option for 210,000 shares with a vesting commencement date of February 25, 2008, with 25% of the option vesting on the first anniversary of the vesting commencement date and the remaining 75% of the option vesting in equal monthly installments thereafter over the next three years, subject to Mr. Lynn's continued employment with the Company through such vesting dates.
- (8) Dr. Ramsey was granted an option for 40,000 shares with a vesting commencement date of June 29, 2007.

**2009 Option Exercises and Stock Vested**

The following table lists exercise of stock options during 2009 for each of the named executive officers:

<u>Name</u>	<u>Option Awards</u>	
	<u>Number of Shares Acquired on Exercise (#)</u>	<u>Value Realized on Exercise (\$)</u>
W. Jay Ramsey, M.D., Ph.D.	50,000	\$ 37,500

**Potential Payments Upon Termination or Change in Control**

Under the terms of employment agreements with our named executive officers, if the Company terminates a named executive officer's employment for "cause" or a named executive officer resigns without "good reason," such named executive officer is entitled to the following: (i) any salary earned but unpaid prior to termination, (ii) any benefits accrued prior to termination, (iii) all accrued but unused vacation and (iv) any business expenses that were incurred but not reimbursed as of the date of termination (collectively, the "Accrued Obligations"). Following such termination, vesting of such named executive officer's then outstanding stock options shall cease on the date of such termination.

Under the terms of employment agreements with the named executive officers, if the Company terminates a named executive officer's employment without just cause or a named executive officer resigns with good reason (other than in connection with a change in control of the Company), and in each case such named executive officer signs a general release and written acknowledgment of his continuing obligations under his confidentiality and inventions assignment agreement with the Company, such named executive officer is entitled to the following: (i) payment of the Accrued Obligations; (ii) depending on the named executive officer and as described in the tables below, the equivalent of 24, 12 or 6 months of such named executive officer's base salary as in effect immediately prior to the termination date, payable on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions; and (iii) depending on the named executive officer and as described in the tables below, payment of such named executive officer's COBRA premiums for 24, 12 or 6 months to be paid in order for such named executive officer to maintain medical insurance coverage that is substantially equivalent to that which such named executive officer received immediately prior to the termination payment of premiums for his group health insurance. In the event that such named executive officer breaches his confidentiality, non-compete or non-solicitation obligations under his confidentiality and inventions assignment agreement with the Company, the payments described above, except for the Accrued Obligations, shall cease, and the Company shall have no further obligations to such named executive officer with respect thereto. The Company's obligation to pay such named executive officer's COBRA premiums ceases upon such named executive officer's eligibility for comparable coverage provided by a new employer.

Under the terms of the employment agreements with the named executive officers, if the Company (or any surviving or acquiring corporation) terminates a named executive officer's employment without cause or a named executive officer resigns with good reason within one (1) month prior to or thirteen (13) months following the effective date of a change in control of the Company (either constituting a "Change of Control Termination"), and in each case such named executive officer signs a general release and written acknowledgment of his continuing obligations under his confidentiality and inventions assignment agreement with the Company, such named executive officer is entitled to the following: (i) payment of the Accrued Obligations; (ii) depending on the named executive officer and as described in the tables below, the equivalent of 24, 12 or 6 months of such named executive officer's base salary as in effect immediately prior to the termination date, payable on the same basis and at the

same time as previously paid and subject to employment tax withholdings and deductions; (iii) depending on the named executive officer and as described in the tables below, payment of such named executive officer's COBRA premiums for 24, 12 or 6 months to be paid in order for such named executive officer to maintain medical insurance coverage that is substantially equivalent to that which such named executive officer received immediately prior to the termination payment of premiums for his group health insurance; and (iv) the Company will vest 100% of the shares subject to such named executive officer's options and such vesting shall occur upon the occurrence of the change of control in the case of a Change of Control Termination occurring prior to the change in control or upon termination in the case of a Change of Control Termination occurring after the change of control. If a named executive officer breaches his confidentiality, non-compete or non-solicitation obligations under his confidentiality and inventions assignment agreement with the Company, the payments described above, except for the Accrued Obligations, shall cease, and the Company shall have no further obligations to such named executive officer with respect thereto. The Company's obligation to pay such named executive officer's COBRA premiums ceases upon such named executive officer's eligibility for comparable coverage provided by a new employer.

The following tables reflect the estimated potential payments that would be payable to each named executive officer upon a termination or change-in-control of the Company under the terms of his employment agreement. The amounts shown reflect only the additional payments or benefits that each named executive officer would have received upon the occurrence of the respective triggering events listed below; they do not include the value of payments or benefits that would have been earned, or any amounts associated with equity awards that would have vested, absent the triggering event. For purposes of calculating the potential payments set forth in the tables below, we have assumed that (i) the date of termination was December 31, 2009 and (ii) the stock price was \$2.02.

	<b>Termination For Just Cause or Resignation Without Good Reason Termination</b>	<b>Termination Without Just Cause or Resignation With Good Reason Termination</b>	<b>Termination Without Just Cause or Resignation With Good Reason (in connection with a Change in Control)</b>
<b>Charles J. Link, Jr., M.D.</b>			
<i>Cash Payments</i>			
Cash Severance	\$ —	\$ 709,790(1)	\$ 709,790(1)
<i>Long-Term Incentives</i>			
Stock Options (Unvested and Accelerated)	—	—	1,055,023(2)
<i>Benefits and Perquisites</i>			
Accrued Obligations	13,649	13,649	13,649
Benefits Continuation	—	25,463(3)	25,463(3)
<b>Total Payments Upon Termination</b>	<b>\$ 13,649</b>	<b>\$ 748,902</b>	<b>\$ 1,804,725</b>

- (1) Amount represents 24 months of his base salary then in effect.
- (2) Amount represents the in-the-money value of unvested NewLink stock options as of December 31, 2009, using the value of the Company's common stock on December 31, 2009 based on the value of our common stock used for purposes of calculating compensation expense under ASC 718. The number of shares underlying such stock options and the exercise price thereof are reflected in the columns entitled "Number of Shares Underlying Unexercised Options — Unexercisable" and "Option Exercise Price," respectively, in the "Outstanding Equity Awards at End of 2009" table set forth on page 134 of this prospectus. Amount excludes the in-the-money value of 20,000 unvested BPS stock options as of December 31, 2009, which equals \$3,000 using the value of BPS's Series B common stock on December 31, 2009 based on the value of BPS's Series B common stock used for purposes of calculating compensation expense under ASC 718.
- (3) Amount represents 24 months of COBRA premiums.

	<b>Termination For Just Cause or Resignation Without Good Reason Termination</b>	<b>Termination Without Just Cause or Resignation With Good Reason Termination</b>	<b>Termination Without Just Cause or Resignation With Good Reason (in connection with a Change in Control)</b>
<b>Nicholas N. Vahanian, M.D.</b>			
<i>Cash Payments</i>			
Cash Severance	\$ —	\$ 256,316(1)	\$ 256,316(1)
<i>Long-Term Incentives</i>			
Stock Options (Unvested and Accelerated)	—	—	824,315(2)
<i>Benefits and Perquisites</i>			
Accrued Obligations	10,578	10,578	10,578
Benefits Continuation	—	10,876(3)	10,876(3)
<b>Total Payments Upon Termination</b>	<b>\$ 10,578</b>	<b>\$ 277,770</b>	<b>\$ 1,102,805</b>

- (1) Amount represents 12 months of his base salary then in effect.
- (2) Amount represents the in-the-money value of unvested NewLink stock options as of December 31, 2009, using the value of the Company's common stock on December 31, 2009 based on the value of our common stock used for purposes of calculating compensation expense under ASC 718. The number of shares underlying such stock options and the exercise price thereof are reflected in the columns entitled "Number of Shares Underlying Unexercised Options — Unexercisable" and "Option Exercise Price," respectively, in the "Outstanding Equity Awards at End of 2009" table set forth on page 134 of this prospectus. Amount excludes the in-the-money value of 20,000 unvested BPS stock options as of December 31, 2009, which equals \$3,000 using the value of BPS's Series B common stock on December 31, 2009 based on the value of BPS's Series B common stock used for purposes of calculating compensation expense under ASC 718.
- (3) Amount represents 12 months of COBRA premiums.

	<b>Termination For Just Cause or Resignation Without Good Reason Termination</b>	<b>Termination Without Just Cause or Resignation With Good Reason Termination</b>	<b>Termination Without Just Cause or Resignation With Good Reason (in connection with a Change in Control)</b>
<b>Gordon H. Link, Jr.</b>			
<i>Cash Payments</i>			
Cash Severance	\$ —	\$ 114,187(1)	\$ 114,187(1)
<i>Long-Term Incentives</i>			
Stock Options (Unvested and Accelerated)	—	—	142,800(2)
<i>Benefits and Perquisites</i>			
Accrued Obligations	6,588	6,588	6,588
Benefits Continuation	—	6,365(3)	6,365(3)
<b>Total Payments Upon Termination</b>	<b>\$ 6,588</b>	<b>\$ 127,140</b>	<b>\$ 269,940</b>

- (1) Amount represents six months of his base salary then in effect.
- (2) Amount represents the in-the-money value of unvested NewLink stock options as of December 31, 2009, using the value of the Company's common stock on December 31, 2009 based on the value

of our common stock used for purposes of calculating compensation expense under ASC 718. The number of shares underlying such stock options and the exercise price thereof are reflected in the columns entitled "Number of Shares Underlying Unexercised Options — Unexercisable" and "Option Exercise Price," respectively, in the "Outstanding Equity Awards at End of 2009" table set forth on page 134 of this prospectus. Amount excludes the in-the-money value of 20,000 unvested BPS stock options as of December 31, 2009, which equals \$3,000 using the value of BPS's Series B common stock on December 31, 2009 based on the value of BPS's Series B common stock used for purposes of calculating compensation expense under ASC 718.

- (3) Amount represents six months of COBRA premiums.

<b>Kenneth Lynn</b>	<b>Termination For Just Cause or Resignation Without Good Reason Termination</b>	<b>Termination Without Just Cause or Resignation With Good Reason Termination</b>	<b>Termination Without Just Cause or Resignation With Good Reason (in connection with a Change in Control)</b>
<i>Cash Payments</i>			
Cash Severance	\$ —	\$ 115,875(1)	\$ 115,875(1)
<i>Long-Term Incentives</i>			
Stock Options (Unvested and Accelerated)	—	—	116,025(2)
<i>Benefits and Perquisites</i>			
Accrued Obligations	8,913	8,913	8,913
Benefits Continuation	—	6,365(3)	6,365(3)
<i>Total Payments Upon Termination</i>	<u>\$ 8,913</u>	<u>\$ 131,153</u>	<u>\$ 247,178</u>

- (1) Amount represents six months of his base salary then in effect.
- (2) Amount represents the in-the-money value of unvested NewLink stock options as of December 31, 2009, using the value of the Company's common stock on December 31, 2009 based on the value of our common stock used for purposes of calculating compensation expense under ASC 718. The number of shares underlying such stock options and the exercise price thereof are reflected in the columns entitled "Number of Shares Underlying Unexercised Options — Unexercisable" and "Option Exercise Price," respectively, in the "Outstanding Equity Awards at End of 2009" table set forth on page 134 of this prospectus. Amount excludes the in-the-money value of 22,000 unvested BPS stock options as of December 31, 2009, which equals \$3,300 using the value of BPS's Series B common stock on December 31, 2009 based on the value of BPS's Series B common stock used for purposes of calculating compensation expense under ASC 718.
- (3) Amount represents six months of COBRA premiums.

<b>W. Jay Ramsey, M.D., Ph.D.</b>	<b>Termination For Just Cause or Resignation Without Good Reason Termination</b>	<b>Termination Without Just Cause or Resignation With Good Reason Termination</b>	<b>Termination Without Just Cause or Resignation With Good Reason (in connection with a Change in Control)</b>
<i>Cash Payments</i>			
Cash Severance	\$ —	\$ 81,112(1)	\$ 81,112(1)
<i>Long-Term Incentives</i>			
Stock Options (Unvested and Accelerated)	—	—	20,537(2)
<i>Benefits and Perquisites</i>			
Accrued Obligations	6,239	6,239	6,239
Benefits Continuation	—	4,281(3)	4,281(3)
<b>Total Payments Upon Termination</b>	<b>\$ 6,239</b>	<b>\$ 91,632</b>	<b>\$ 112,169</b>

- (1) Amount represents six months of his base salary then in effect.
- (2) Amount represents the in-the-money value of unvested NewLink stock options as of December 31, 2009, using the value of the Company's common stock on December 31, 2009 based on the value of our common stock used for purposes of calculating compensation expense under ASC 718. The number of shares underlying such stock options and the exercise price thereof are reflected in the columns entitled "Number of Shares Underlying Unexercised Options — Unexercisable" and "Option Exercise Price," respectively, in the "Outstanding Equity Awards at End of 2009" table set forth on page 134 of this prospectus.
- (3) Amount represents six months of COBRA premiums.

***Option Acceleration Under Equity Incentive Plans***

Under our 2009 Equity Incentive Plan, the vesting of stock options granted to our employees and officers may be accelerated in connection with specified corporate transactions and change in control transactions.

Under the terms of the employment agreements with the named executive officers, if the Company (or any surviving or acquiring corporation) terminates a named executive officer's employment without just cause or a named executive officer resigns with good reason within one month prior to or 13 months following the effective date of a change in control of the Company, the Company will vest 100% of the shares subject to such named executive officer's options.

In addition, in the event of a change in control of the Company, the Company will vest 100% of the shares subject to each Director's options.

Other than as set forth above, none of our other option grants provide for acceleration of vesting of any options in connection with such a transaction, unless the acquirer does not assume outstanding option grants.

***Confidential Information and Inventions Agreement***

Each of our named executive officers has entered into a form agreement with respect to confidential information and inventions. Among other things, this agreement obligates each named executive officer to refrain from disclosing any of our confidential information received during the course of employment and, with some exceptions, to assign to us any inventions conceived or developed during the course of employment.

## **Employee Benefit Plans**

We believe that our ability to grant equity-based awards is a valuable and necessary compensation tool that aligns the long-term financial interests of our employees, consultants and directors with the financial interests of our stockholders. In addition, we believe that our ability to grant options and other equity-based awards helps us to attract, retain and motivate qualified service providers, and encourages them to devote their best efforts to our business and financial success. The material terms of our equity incentive plans are described below.

### ***2000 Equity Incentive Plan***

On April 10, 2000, the stockholders approved the Company's 2000 Equity Incentive Plan, or the 2000 Plan. As of July 15, 2009, no additional stock awards have been granted under the 2000 Plan and the 2000 Plan terminated according to its terms on March 2, 2010. As of September 30, 2010, options to purchase 1,385,053 shares of common stock at a weighted average exercise price per share of \$0.83 were outstanding under the 2000 Plan.

### ***2009 Equity Incentive Plan***

On July 16, 2009, the stockholders approved the Company's 2009 Equity Incentive Plan, or the 2009 Plan, as the successor to and continuation of the 2000 Plan. The options still outstanding under the 2000 Plan will continue to be governed by their existing terms, but any shares subject to outstanding options granted under the 2000 Plan that expire or terminate for any reason prior to exercise or settlement, or are forfeited because of the failure to meet a contingency or condition required to vest such shares, will become available for issuance pursuant to awards granted under the 2009 Plan. In anticipation of our initial public offering, the 2009 Plan was amended by our Board of Directors on October 29, 2010.

*Available Awards.* The 2009 Plan provides for the discretionary grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance stock awards, performance cash awards and other stock awards to our employees, directors and consultants. Incentive stock options may be granted only to employees of the Company or our affiliates.

*Administration.* Our Board of Directors has delegated its authority to administer the 2009 Plan to our Compensation Committee. Subject to the terms of the 2009 Plan, our Board of Directors or an authorized committee, referred to as the "plan administrator," determines: grant recipients, when and how each award will be granted, what type or combination of types of award will be granted, the provisions of each award granted (including the time or times when a person will be permitted to receive cash or common stock pursuant to a stock award), the number of shares of common stock with respect to which a stock award will be granted, and the fair market value applicable to a stock award.

The plan administrator also has the authority, under appropriate circumstances, to engage in any action that is treated as a repricing under United States generally accepted accounting principles, to reduce the exercise price of any outstanding option or the strike price of any outstanding stock appreciation right, and to cancel any outstanding option or stock appreciation right and to grant in exchange one or more of the following: (i) new options or stock appreciation rights covering the same or a different number of shares of common stock; (ii) new stock awards; (iii) cash, and/or (iv) other valuable consideration.

*Amendment and Termination.* The plan administrator has the authority to amend the 2009 Plan, provided that certain changes require the approval of our stockholders. The 2009 Plan is scheduled to terminate on May 12, 2019, unless terminated earlier by the plan administrator.

*Share Reserve.* Subject to the provisions of the 2009 Plan relating to adjustments upon changes in stock, the aggregate number of shares of common stock that are available for issuance pursuant to stock awards (including incentive stock options) under the 2009 Plan is 8,385,000 shares. This amount will be increased pursuant to an "evergreen provision" on January 1 of each year, from 2012 to (and including) 2019, in an amount equal to 4% of the total number of shares of Common Stock outstanding on December 31 of the preceding calendar year. However, our Board of Directors will have the authority to designate a lesser number of shares by which the share reserve will be increased. As of September 30, 2010, options to purchase 4,992,250 shares of common stock at a weighted average exercise price per share of \$1.35 were outstanding under the 2009 Plan. As of October 31, 2010, 1,889,750 shares of common stock remained available for future issuance.

If a stock award (a) granted under the 2009 Plan expires or otherwise terminates without all of the shares covered by such stock award having been issued or (b) granted under the 2009 Plan is settled in cash (i.e., the holder of the stock award receives cash rather than stock), such expiration, termination or settlement will not reduce or otherwise offset the number of shares of the common stock that may be issued pursuant to the 2009 Plan. In addition, if any shares of common stock issued pursuant to a stock award granted under the 2009 Plan are forfeited back to or repurchased by the Company because of the failure to vest, then the shares that are forfeited or repurchased will revert to and again become available for issuance under the 2009 Plan. In addition, if any shares subject to a stock award are not delivered to a participant because the shares are reacquired by the Company to satisfy withholding obligations upon the exercise of an option, or as consideration for the exercise of an option, the number of shares subject to the stock award that are not delivered to the participant will also be available for subsequent issuance under the 2009 Plan. Subject to the provisions of the 2009 Plan relating to capitalization adjustments, the aggregate maximum number of shares of common stock that may be issued pursuant to the exercise of incentive stock options will be 8,385,000 shares of common stock.

The stock issuable under the 2009 Plan may be shares of authorized but unissued or reacquired common stock, including shares repurchased by the Company on the open market.

*Stock Options.* Incentive and nonstatutory stock options are granted pursuant to incentive and nonstatutory stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for a stock option, within the terms and conditions of the 2009 Plan, provided that the exercise price of an incentive stock option and nonstatutory stock option cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2009 Plan vest at the rate specified by the plan administrator.

Generally, the plan administrator determines the term of stock options granted under the 2009 Plan, up to a maximum of 10 years, except in the case of specified incentive stock options, as described below. Unless the terms of an optionee's stock option agreement provide otherwise, if an optionee's service relationship with us, or any of our affiliates, ceases for any reason other than a termination for cause or a termination because of disability or death, the optionee may exercise the vested portion of any options for a period of three months following the cessation of service. If an optionee's service relationship with us, or any of our affiliates, ceases due to disability or death (or an optionee dies within a specified period following cessation of service), the optionee or a beneficiary may exercise the vested portion of any options for a period of 12 months or 18 months, respectively. In the event of a termination of an optionee's services for cause, the unexercised portion of any outstanding stock option held by the optionee will be forfeited and may not be exercised. The option term may be extended in the event that exercise of the option following termination of service is prohibited by applicable securities laws. In no event, however, may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include cash or check, a broker-assisted cashless exercise, the tender of common stock previously owned by the optionee, a net exercise of the option, and other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. An optionee may designate a beneficiary, however, who may exercise the option following the optionee's death.

*Tax Limitations on Incentive Stock Options.* Incentive stock options may be granted only to our employees. The aggregate fair market value, determined at the time of grant, of shares of our common stock with respect to incentive stock options that are exercisable for the first time by an optionee during any calendar year under all of our equity incentive plans may not exceed \$100,000. No incentive stock option may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and the term of the incentive stock option does not exceed five years from the date of grant.

*Restricted Stock Awards.* Restricted stock is stock that is subject to certain restrictions, such as vesting or a holding period. The plan administrator may award restricted stock in consideration for past or future services without the payment of a purchase price, or in consideration for a cash payment or other legal consideration. Even while the restricted stock award is unvested, the award holder will have the same general rights as a stockholder with respect to those shares, including the right to vote those shares in any matter put to our stockholders for a vote.

*Restricted Stock Unit Awards.* A restricted stock unit award represents the right to receive consideration in the future based on the value of our common stock when the shares of common stock subject to the award have vested or are subsequently deliverable. Restricted stock unit awards may be settled by the delivery of shares of our common stock, their cash equivalent, a combination thereof, or any other form of consideration determined by the plan administrator and detailed in the award recipient's restricted stock unit award agreement. Unlike restricted stock, a holder of a restricted stock unit award does not have any rights as a stockholder until shares subject to the award are actually issued. Specifically, award holders do not have rights to vote the shares subject to their awards and will not have rights to receive dividends with respect to the shares subject to their awards, unless and until those shares are actually issued.

*Performance Stock Awards.* The 2009 Plan permits the grant of performance stock awards that may qualify as performance-based compensation that is not subject to the \$1,000,000 limitation on the income tax deductibility of compensation paid per covered executive officer imposed by Section 162(m) of the Code. To assure that the compensation attributable to one or more performance stock awards will so qualify, our Compensation Committee can structure one or more such awards so that stock will be issued or paid pursuant to such award only upon the achievement of certain pre-established performance goals during a designated performance period. The maximum benefit to be received by a participant in any calendar year attributable to performance stock awards may not exceed 500,000 shares of our common stock.

*Other Stock Awards.* The plan administrator may grant other awards based in whole or in part by reference to our common stock. The plan administrator will set the number of shares under the award and all other terms and conditions of such awards.

*Adjustment Provisions.* Transactions not involving our receipt of consideration, such as certain mergers, consolidations, reorganizations, stock dividends, or stock splits, may change the type, class and number of shares of our common stock subject to the 2009 Plan and outstanding awards. In that event,

the 2009 Plan will be appropriately adjusted as to the type, class and the maximum number of shares of our common stock subject to the 2009 Plan, and outstanding awards will be adjusted as to the type, class, number of shares and price per share of common stock subject to such awards.

*Corporate Transactions; Changes in Control.* Unless otherwise determined by the Board of Directors at the time of grant, in the event of (i) a sale or other disposition of all or substantially all of the consolidated assets of our company and our subsidiaries, (ii) a sale or disposition of at least 90% of our outstanding securities, (iii) a merger consolidation or similar transaction after which we are not the surviving corporation, or (iv) a merger, consolidation or similar transaction after which we are the surviving corporation but our shares of common stock immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, any unvested portion of a stock award granted under the 2009 Plan held by those in continuous service as of the effective time of the corporate transaction will become fully vested, unless the surviving or acquiring corporation assumes or continues such outstanding stock award or substitutes a similar stock award for such outstanding stock award.

If a change in control occurs under the 2009 Plan, an individual stock award may provide for accelerated vesting upon the change in control. A change in control includes a transaction or series of related transactions, in each case, where persons who were not our stockholders immediately prior to acquiring our capital stock as part of such transaction become the owners of our capital stock that represents more than 50% of the combined voting power of our outstanding capital stock.

### **2010 Employee Stock Purchase Plan**

On October 29, 2010, our Board of Directors adopted our 2010 Employee Stock Purchase Plan, or the 2010 Purchase Plan, and our stockholders approved the 2010 Purchase Plan on . The 2010 Purchase Plan will become effective upon the closing of the initial public offering.

*Share Reserve.* Subject to the provisions of the 2010 Purchase Plan relating to capitalization adjustments, the shares of common stock that may be sold pursuant to purchase rights shall not exceed in the aggregate 450,000 shares of common stock. If any purchase right granted under the 2010 Purchase Plan will for any reason terminate without having been exercised, the shares of common stock not purchased under such purchase right will again become available for issuance under the 2010 Purchase Plan. The 2010 Purchase Plan is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code.

*Administration.* Our Board of Directors has delegated its authority to administer the 2010 Purchase Plan to our Compensation Committee. Subject to the terms of the 2010 Purchase Plan, our Board of Directors or an authorized Committee, referred to as the "plan administrator," determines the provisions of each offering of rights to purchase our common stock and whether employees of any of our parent or subsidiary companies will be eligible to participate in the 2010 Purchase Plan. The 2010 Purchase Plan will be implemented through a series of offerings of such duration as determined by the plan administrator to eligible employees, provided that in no event may an offering exceed 27 months. Each offering will consist of one or more purchase periods as determined by the plan administrator prior to the commencement of that offering. The plan administrator has the authority to alter the duration of subsequent offerings or change the number of purchase dates within each such offering. The provisions of separate offerings need not be identical. When an eligible employee elects to join an offering, he or she will be granted a purchase right to acquire shares of common stock on each purchase date within the offering. On the purchase date, all payroll deductions collected from the participant are automatically applied to the purchase of common stock, subject to certain limitations. The plan administrator has not yet established the terms of any offering.

*Payroll Deductions.* Generally, all regular employees, including executive officers, employed by us or by any of any of our parent or subsidiary companies designated by the plan administrator may

contribute, normally through payroll deductions, up to 15% of their eligible cash compensation (or such lesser amount set by the plan administrator for a specific offering) for the purchase of common stock under the 2010 Purchase Plan. Amounts deducted and accumulated for a participant are used to purchase shares of our common stock on the purchase dates established by the plan administrator. All payroll deductions made for a participant are credited to his or her account under the 2010 Purchase Plan and deposited with our general funds. A participant may make additional payments into such account only as specifically provided for in the offering and only if the participant has not exceeded certain limitations under the 2010 Purchase Plan or under the terms of such offering. The 2010 Purchase Plan permits common stock to be purchased at a price per share no less than the lower of (i) 85% of the fair market value of a share of our common stock on the offering date, or (ii) 85% of the fair market value of a share of our common stock on the applicable purchase date.

*Purchase of Stock.* An eligible employee must sign and return an agreement in order to participate in the 2010 Purchase Plan. In connection with offerings made under the 2010 Purchase Plan, the plan administrator may specify a maximum number of shares of common stock a participant may purchase and the maximum aggregate number of shares of common stock that may be purchased by all participants in such offering. In addition, in connection with each offering that contains more than one purchase date, the plan administrator may specify a maximum aggregate number of shares of common stock that may be purchased by all participants on any purchase date under the offering. If the aggregate number of shares to be purchased upon exercise of outstanding purchase rights in the offering would exceed the maximum aggregate number of shares of common stock available, the plan administrator will make a pro rata allocation of available shares in a uniform and equitable manner. Unless the employee's participation is discontinued, his or her right to purchase shares is exercised automatically at the next purchase date at the applicable price.

*Withdrawal.* During an offering, a participant may cease making contributions and withdraw from the offering by delivering a notice of withdrawal and terminating his or her payroll deductions in such form as we may require. Such withdrawal may occur at any time prior to the end of an offering except as otherwise provided by the plan administrator. Upon such withdrawal, we will refund accumulated payroll deductions without interest to the employee, and such employee's right to participate in that offering will terminate. However, an employee's withdrawal from an offering does not generally affect such employee's eligibility to participate in subsequent offerings under the 2010 Purchase Plan.

*Reset Feature.* The plan administrator has the authority to provide that if the fair market value of the shares of our common stock on the first day of a new purchase period within a particular offering is less than the fair market value of the shares of common stock on the start date of that offering, then the participants in that offering will automatically be transferred and enrolled in a new offering which will begin on the first day of that purchase period and the participant's purchase rights in the original offering will terminate.

*Limitations.* The plan administrator may limit participation in the 2010 Purchase Plan to those persons who are customarily employed more than 20 hours per week and five months per calendar year by us (or by any of our parent or subsidiary companies designated by the plan administrator) on the first day of an offering. The plan administrator may also provide that a person must have been employed for such continuous period preceding the first day of the offering as the plan administrator may require, but in no event may the required period of continuous employment be greater than two years. In addition, the plan administrator may provide in any offering that certain of our employees who are "highly compensated" as defined in the Code are not eligible to participate in the 2010 Purchase Plan. The plan administrator may also provide that each person who, during the course of an offering, first becomes an eligible employee will, on a date or dates specified in the offering, receive a purchase right under that offering at a price equal to the market price of our common stock at that time, which purchase right will be deemed to be a part of that offering, and such purchase right will generally have the same characteristics as any purchase rights originally granted under that offering. No employee is

eligible to participate in the 2010 Purchase Plan if, immediately after the grant of purchase rights, the employee would own, directly or indirectly, stock possessing 5% or more of the total combined voting power or value of all classes of our stock or of any of our parent or subsidiary companies (including any stock which such employee may purchase under all outstanding purchase rights and stock options). In addition, no employee may purchase more than \$25,000 worth of our common stock (valued at the time each purchase right is granted) for each calendar year during which those purchase rights are outstanding.

*Termination of Employment.* Purchase rights granted pursuant to any offering under the 2010 Purchase Plan terminate upon cessation of employment for any reason, and we will refund all accumulated payroll deductions to the terminated employee without interest.

*Restrictions on Transfer.* A participant may not transfer rights granted under the 2010 Purchase Plan other than by will, the laws of descent and distribution, or by a beneficiary designation as provided in the 2010 Purchase Plan. During a participant's lifetime, purchase rights will be exercisable only by such participant.

*Changes to Capital Structure.* In the event that there is any change to the outstanding common stock (whether by reason of merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or other transaction not involving the receipt of consideration by the Company), appropriate adjustments will be made to (a) the class and maximum number of securities subject to the 2010 Purchase Plan, (b) the class and maximum number of securities by which the share reserve is to increase automatically each year, (c) the class and number of securities subject to outstanding purchase rights, and (d) the class and number of securities imposed by purchase limits under each ongoing offering.

*Corporate Transactions.* In the event of certain significant corporate transactions, any surviving or acquiring corporation may assume, continue or substitute similar purchase rights for those outstanding under the 2010 Purchase Plan. If the surviving or acquiring corporation does not assume or continue such rights or substitute similar rights, then the participants' accumulated payroll deductions will be used to purchase shares of common stock within ten business days prior to the corporate transaction under any ongoing offerings, and such purchase rights will terminate immediately thereafter.

*Termination and Amendment.* The plan administrator may amend, suspend or terminate the 2010 Purchase Plan at any time. Any amendment of the 2010 Purchase Plan must be approved by our shareholders to the extent shareholder approval is necessary for the 2010 Purchase Plan to satisfy Sections 423 of the Code or other applicable laws and regulations. Purchase rights granted before amendment, suspension or termination of the 2010 Purchase Plan generally may not be altered or impaired by any amendment, suspension or termination of the 2010 Purchase Plan without consent of the employee to whom such purchase rights were granted. No purchase rights may be granted under the 2010 Purchase Plan while the 2010 Purchase Plan is suspended or after it is terminated.

#### **2010 Non-Employee Directors' Stock Award Plan**

Our Board of Directors adopted the Non-Employee Directors' Stock Award Plan, or Directors' Plan, on October 29, 2010 and our stockholders approved the Directors' Plan on . The Directors' Plan will become effective immediately upon the execution and delivery of the underwriting agreement for this offering. The Directors' Plan will terminate at the discretion of our Board of Directors. The purpose of the Directors' Plan is to retain the services of new non-employee directors and provide incentives for such persons to exert maximum efforts towards our success by giving them an opportunity to benefit from increases in value of our common stock. The Directors' Plan provides for the automatic grant of nonstatutory stock options to purchase shares of our common stock to our

non-employee directors. The Directors' Plan also provides for the discretionary grant of stock appreciation rights, restricted stock awards, restricted stock unit awards, and other stock awards.

*Share Reserve.* An aggregate of 500,000 shares of our common stock are reserved for issuance under the Directors' Plan. Shares of our common stock subject to stock awards that have expired or otherwise terminated under the Directors' Plan without having been exercised in full will again become available for grant under the Directors' Plan. Shares of our common stock issued under the Directors' Plan may be previously unissued shares or reacquired shares bought on the market or otherwise. If the exercise of any stock option granted under the Directors' Plan is satisfied by tendering shares of our common stock held by the participant, then the number of shares tendered will again become available for the grant of awards under the Directors' Plan. In addition, any shares reacquired to satisfy income or employment withholding taxes will again become available for the grant of awards under the Directors' Plan.

*Administration.* Our Board of Directors has delegated its authority to administer the Directors' Plan to our Compensation Committee. The Compensation Committee must consist of two or more "non-employee directors" pursuant to the Rule 16b-3 of the Securities Exchange Act of 1934, as amended.

*Stock Options.* Stock options will be granted pursuant to stock option agreements. The exercise price of the options granted under the Directors' Plan will be equal to 100% of the fair market value of our common stock on the date of grant.

In general, the term of stock options granted under the Directors' Plan may not exceed ten years. Unless the terms of an optionholder's stock option agreement provide otherwise, if an optionholder's service relationship with us, or any affiliate of ours, ceases due to death or disability, the optionholder or his or her beneficiary may then exercise any vested options for a period of 12 months in the event of disability, or 18 months in the event of death. If an optionholder's service with us or any affiliate ceases for any other reason, the optionholder may exercise the vested options for up to three months following cessation of service.

Acceptable consideration for the purchase of our common stock issued under the Directors' Plan may include cash, a net exercise, common stock previously owned by the optionholder or a program developed under Regulation T as promulgated by the Federal Reserve Board.

Generally, an optionholder may not transfer a stock option other than by will or the laws of descent and distribution. However, an optionholder may transfer an option under certain circumstances with our written consent if a Form S-8 registration statement is available for the exercise of the option and the subsequent resale of the shares. In addition, an optionholder may designate a beneficiary who may exercise the option following the optionholder's death.

#### *Non-discretionary Grants*

- *Initial Grant.* Any person who becomes a non-employee director for the first time after the completion of this offering will automatically receive an initial grant of an option to purchase 25,000 shares of our common stock upon his or her election or appointment, subject to adjustment by our Board of Directors from time to time. Twenty percent of the shares subject to the initial grants will vest on the first anniversary of the date of such person's election or appointment to the Board of Directors and the remainder will vest monthly over four additional years. These initial grants may also be issued in the form of stock appreciation rights, or SARs, restricted stock awards, restricted stock unit awards, or other stock awards if so determined by our Board of Directors.
- *Annual Grant.* In addition, on the date of the annual meeting of our stockholders, commencing with our first annual meeting after the completion of this offering, any person who is a

non-employee director on such date automatically will be granted an option to purchase 15,000 shares of our common stock, plus an additional 7,500 shares of our common stock for service as chair of the Audit, Compensation or Nominating and Corporate Governance Committee, or as Lead Independent Director as of such date, plus 5,000 shares of our common stock for service as a member of the Audit, Compensation or Nominating and Corporate Governance Committee as of such date, subject to adjustment by our Board of Directors from time to time. Fifty percent of the shares subject to the annual grants will vest on the first anniversary of the date of grant and the remainder will vest monthly over one additional year, subject to continued employment. These annual grants may also be issued in the form of SARs, restricted stock awards, restricted stock unit awards, or other stock awards if so determined by our Board of Directors.

#### *Discretionary Grants*

In addition to the non-discretionary grants noted above, our Board of Directors may grant stock awards to one or more non-employee directors in such numbers and subject to such other provisions as it shall determine. These awards may be in the form of stock options, SARs, restricted stock awards, restricted stock units, or other stock awards and will vest pursuant to vesting schedules to be determined by our Board of Directors in its sole discretion.

*Changes to Capital Structure.* In the event there is a specified type of change in our capital structure not involving the receipt of consideration by us, such as a stock split or stock dividend, the number of shares reserved under the Directors' Plan, the maximum number of shares by which the share reserve may increase automatically each year, the number of shares subject to the initial and annual grants and the number of shares and exercise price of all outstanding stock options will be appropriately adjusted.

*Change in Control Transactions.* In the event of a change in control transaction, the vesting of options held by non-employee directors whose service is terminated may be accelerated in full according to the provisions of the award agreement. A change in control is the occurrence of one or more of the following events:

- a transaction in which one person or a group acquires stock that, combined with stock previously owned, controls more than 50% of our value or voting power;
- a merger, consolidation or similar transaction involving us (directly or indirectly) in which the our stockholders immediately before the transaction do not own more than 50% of the outstanding securities following such transaction;
- our complete liquidation or dissolution;
- a sale, lease, license or other disposition of substantially all of our assets; or
- a majority of the Board of Directors is replaced by persons whose appointment or election is not endorsed by a majority of the Board of Directors.

*Plan Amendments.* Our Board of Directors will have the authority to amend, suspend or terminate the Directors' Plan. However, no amendment or termination of the directors' plan will adversely affect any rights under awards already granted to a participant unless agreed to by the affected participant. We will obtain stockholder approval of any amendment to the Directors' Plan that is required by applicable law.

#### **Indebtedness of Management and Related Agreements**

In 2008, in connection with his commencement of employment and relocation to Ames, Iowa, we entered into a loan agreement with Mr. Gordon Link, our Chief Financial Officer. Pursuant to the terms of this agreement, we loaned Mr. Link \$500,000 for the purchase of a principal residence. This note was secured by Mr. Link's residence and had an interest rate of 2.42% per year. In May 2010, Mr. Link repaid the loan in full and we forgave accrued interest of \$10,052.

In 2008, we entered into a loan agreement with Dr. Charles Link, our Chief Executive Officer. Pursuant to this agreement, we loaned Dr. Link \$225,000 for personal purposes. This loan had an interest rate of 6% per year. In January 2009, we granted Dr. Link a bonus of \$78,149, which was applied to the principal due on the loan. In April 2009, Dr. Link repaid the remaining principal and accrued interest on the loan.

In 2009, we entered into another loan agreement with Dr. Link. Pursuant to this agreement, we loaned Dr. Link \$350,000 for personal purposes. This loan had an interest rate of 6% per year. In July 2010, we forgave the loan and accrued interest of \$25,170 and granted Dr. Link a \$180,226 bonus to pay the taxes incurred as a result of such extinguishment. To offset the forgiveness and the bonus payment, the exercise price of options to purchase 555,396 shares of common stock held by Dr. Link from was increased from \$1.00 per share to \$2.00 per share and Dr. Link agreed to exercise the higher priced options prior to exercising any lower priced options to purchase our common stock.

In 2000, we loaned Dr. Vahanian, our President and Chief Medical Officer \$31,500. This loan had an interest rate of 6.71% per year. In July 2010, we forgave the remaining balance of \$25,000 and all accrued interest and granted Dr. Vahanian a \$12,010 bonus to pay the taxes incurred as a result of such extinguishment. To offset the forgiveness and the bonus payment, the exercise price of options to purchase 37,010 shares of common stock held by Dr. Vahanian from was increased from \$1.00 per share to \$2.00 per share and Dr. Vahanian agreed to exercise the higher priced options prior to exercising any lower priced options to purchase our common stock.

In 2008, we entered into another loan agreement with Dr. Vahanian. Pursuant to this agreement, we loaned Dr. Vahanian \$125,000 for personal purposes. This loan had an interest rate of 6% per annum. In January 2009, we granted Dr. Vahanian a bonus of \$55,037, which was applied to the principal due on the loan. In April 2009, Dr. Vahanian repaid the remaining principal and all accrued interest on the loan.

In 2006, BPS entered into a loan agreement with Dr. Charles Link. Pursuant to this agreement, BPS loaned Dr. Link \$75,000 to facilitate the exercise of stock options. The loan had an interest rate of 5.01% per annum. In March 2010 and May 2010, BPS forgave a total of \$30,000 of the principal amount of the loan plus \$13,517 of interest accrued on the loan. In March 2010, BPS paid Dr. Link a cash bonus of \$15,000 to cover related tax liability. In October 2010, BPS paid Dr. Link a bonus of \$50,000 gross, of which \$33,775 was net and was applied to the principal due on the loan. In November 2010, Dr. Link repaid the remaining principal and all accrued interest on the loan.

In 2006, BPS entered into a loan agreement with Dr. Vahanian. Pursuant to this agreement, BPS loaned Dr. Vahanian \$20,000 to facilitate the exercise of stock options. The loan had an interest rate of 5.01%. In March 2010 and May 2010, BPS forgave a total of \$8,000 of the principal amount of the loan plus \$3,604 of interest accrued on the loan and paid Dr. Vahanian a cash bonus, a portion of which was used to cover the related tax liability. In October 2010, Dr. Vahanian repaid the remaining principal and all accrued interest on the loan.

#### **Limitation of Liability and Indemnification**

Our amended and restated bylaws to be in effect upon the closing of this offering require us to indemnify our directors to the fullest extent not prohibited by law and permit us to indemnify our officers, employees and other agents as set forth under Delaware law. We will indemnify any such person in connection with a proceeding initiated by such person only if such indemnification is expressly required by law, the proceeding was authorized by our Board of Directors, the indemnification is provided by us, in our sole discretion, pursuant to the Delaware General Corporation Law or other applicable law or is otherwise expressly required by our amended and restated bylaws. Section 145 of the Delaware General Corporation Law permits indemnification of officers, directors and other agents under specified circumstances and subject to specified limitations. Delaware law also permits a corporation to

not hold its directors personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability for:

- breach of their duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; and
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in this capacity. We have obtained directors' and officers' liability insurance to cover certain liabilities described above.

We have entered into indemnity agreements with each of our directors that require us to indemnify such persons against any and all expenses, including attorneys' fees, witness fees, judgments, fines, settlements and other amounts incurred, including expenses of a derivative action, in connection with any action, suit or proceeding or alternative dispute resolution mechanism, inquiry hearing or investigation, whether threatened, pending or completed, to which any such person may be made a party by reason of the fact that such person is or was a director, an officer or an employee of our company, provided that such person's conduct did not constitute a breach of his or her duty of loyalty to us or our stockholders, and was not an act or omission not in good faith or which involved intentional misconduct or a knowing violation of laws. The indemnity agreements also set forth procedures that will apply in the event of a claim for indemnification thereunder. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors of our company.

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

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

### **Non-Employee Director Compensation**

In December 2009, the Board of Directors adopted our non-employee director compensation policy, pursuant to which non-employee directors are compensated for their services on our Board. This policy was revised by our Board of Directors in October 2010. The Non-Employee Directors Stock Award Plan will supersede the policy described above effective upon closing of the initial public offering. Under the current policy, for service on the Board of Directors each non-employee director receives an initial option grant of 25,000 shares of the company's common stock, of which 20% vests on the first anniversary of the director's election or appointment and the remainder vests on a monthly basis over the subsequent four years. Additionally, each non-employee director receives, during the term of his or her service on the Board of Directors, an annual option grant of 15,000 shares, plus 7,500 shares for service as chair of the Audit, Compensation or Nominating and Corporate Governance Committee, or as Lead Independent Director. In addition, a director receives 5,000 shares for service as a member of (but not as chair of) the Audit, Compensation and/or Nominating and Corporate Governance Committee. For example, a director serving as chair of the Audit Committee and as a member of the Compensation Committee and the Nominating and Corporate Governance Committee would receive, immediately following the date of our annual meeting of stockholders, an annual grant of 32,500 shares

(i.e., 15,000 + 7,500 + 5,000 + 5,000). The annual option grants vest as to 50% of the shares one year after the date of grant and the remainder over the succeeding twelve months.

Historically, we have not provided cash compensation to any directors for serving on our Board of Directors or committees of our Board of Directors. Commencing with the closing of the initial public offering, the Company will pay annual cash retainers to directors (other than executive officers) as follows:

All Directors (other than executive officers)	\$ 50,000
Lead Independent Director	\$ 15,000
Audit Committee Chair	\$ 20,000
Other Audit Committee Members	\$ 13,500
Compensation Committee Chair	\$ 14,000
Other Compensation Committee Members	\$ 7,500
Nominating and Corporate Governance Committee Chair	\$ 7,500
Other Nominating and Corporate Governance Committee Members	\$ 5,000

Payments for service as lead director, committee chair or committee member are in addition to payment for service as a director. Payments will be made quarterly beginning on the first day of the quarter following closing of the initial public offering.

We have reimbursed and will continue to reimburse our non-employee directors for their reasonable expenses incurred in attending meetings of our Board of Directors and committees of our Board of Directors.

No director option grants were made and no cash compensation was paid to directors in 2009.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since our inception to which we have been a party, in which the amount involved in the transaction exceeds \$120,000, and in which any of our directors, executive officers or to our knowledge, beneficial owners of more than 5% of our capital stock had or will have a direct or indirect material interest, other than compensation, termination and change-in-control arrangements, which are described under "Executive Compensation." We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

### Preferred Stock Financings

On August 29, 2000, we entered into a Series A Preferred Stock Purchase Agreement pursuant to which we issued and sold to investors an aggregate of 420,000 shares of Series A preferred stock on August 29, 2000 at a purchase price of \$2.50 per share, for aggregate consideration of \$1.1 million.

On September 26, 2001, we entered into a Series AA Preferred Stock Purchase Agreement pursuant to which we issued and sold to investors an aggregate of 1,224,967 shares of Series AA preferred stock at a purchase price of \$1.80 per share, for aggregate consideration of \$2.2 million.

On January 21, 2002, we entered into a Series AAA Preferred Stock Purchase Agreement pursuant to which we issued and sold to investors an aggregate of 377,410 shares of Series AAA preferred stock at a purchase price of \$2.25 per share, for aggregate consideration of \$850,000.

Between October 7, 2002 and December 12, 2003, we entered into Series B Preferred Stock Purchase Agreements pursuant to which we issued and sold to investors an aggregate of 2,191,193 shares of Series B preferred stock at a purchase price of \$2.50 per share, for aggregate consideration of \$5.5 million.

Between February 8, 2008 and December 17, 2009, we entered into Series C Preferred Stock Purchase Agreements pursuant to which we issued and sold to investors an aggregate of 6,000,000 shares of Series C preferred stock at a purchase price of \$5.00 per share, for aggregate consideration of \$30.0 million.

On July 17, 2009, we entered into a Series D Preferred Stock Purchase Agreement pursuant to which we issued and sold to one investor 1,500,000 shares of Series D preferred stock at a purchase price of \$5.00 per share, for aggregate consideration of \$7.5 million.

Between December 1, 2010 and December 13, 2010, we issued and sold to investors an aggregate of 248,320 shares of our Series E preferred stock, for aggregate consideration of \$7.8 million.

The participants in these preferred stock financings included the following directors, officers and holders of more than 5% of our capital stock or entities affiliated with them. The following table presents the number of shares issued to these related parties in these financings. Upon completion of this offering, Series A, AA, AAA, B, C and D preferred stock in the table below will convert into one share of

our Common Stock, and each share of Series E preferred stock will convert into five shares of Common Stock (subject to adjustment):

Name	Shares of Series A Convertible Preferred Stock	Shares of Series AA Convertible Preferred Stock	Shares of Series AAA Convertible Preferred Stock	Shares of Series B Convertible Preferred Stock	Shares of Series C Convertible Preferred Stock	Shares of Series D Convertible Preferred Stock	Shares of Series E Convertible Preferred Stock
<b>5% or Greater Stockholders</b>							
Stine Seed Farm Inc.(1)	—	—	—	1,760,000	1,000,000	1,500,000	160,000
<b>Executive Officers and Directors</b>							
Sarah Alexander, M.D. F.A.C.P.	—	—	11,112	—	1,000	—	—
David J. Lundquist	—	27,780(2)	—	19,999(2)	20,000(2)	—	—
Nicholas N. Vahanian, M.D.	55,556	—	—	—	—	—	—
Joseph Saluri	—	—	—	—	15,000	—	—

(1) On October 8, 2010, Midwest Oilseeds transferred all of its shares of the Company's stock to Stine Seed Farm Inc.

(2) These shares belong to the David Lundquist Revocable Trust.

### Agreements With Our Stockholders

We have entered into an investor rights agreement with holders of our convertible preferred stock and warrants to purchase shares of our common stock. The investor rights agreement contains a right of first refusal provision that provides that we shall not make certain issuances of our securities unless we first offer such securities to certain holders of preferred stock in accordance with the terms of the investor rights agreement. The right of first refusal provision of the investor rights agreement does not apply to and will terminate upon the closing of this offering. The investor rights agreement also provides that holders of preferred stock and warrants to purchase common stock have the right to (a) demand that we file a registration statement, subject to certain limitations, and (b) request that their shares be covered by a registration statement that we are otherwise filing. See "Description of Capital Stock — Registration Rights" for a further discussion of these registration rights.

We have also entered into a right of first refusal and co-sale agreement with holders of convertible preferred stock and certain other stockholders. This agreement provides the holders of preferred stock a right of purchase and of co-sale in respect of sales of securities by certain holders of common stock. These rights of purchase and co-sale will terminate upon the closing of this offering.

We have also entered into a voting agreement with our equity holders that contains agreements with respect to the election of our Board of Directors and its composition. The voting agreement will terminate upon the closing of this offering.

Each of the transactions noted above were entered into prior to our adoption of a written related party transaction policy, which is described below.

### BPS Preferred Stock Financings

Between December 30, 2005 and February 28, 2006, BPS entered into Series A Preferred Stock Purchase Agreements pursuant to which BPS issued and sold to investors an aggregate of 1,444,721 shares of its Series A preferred stock at a purchase price of \$1.75 per share, for aggregate consideration of \$2.5 million.

Between December 22, 2009 and September 7, 2010, BPS entered into Series B Preferred Stock Purchase Agreements pursuant to which BPS issued and sold to investors an aggregate of 555,930 shares of its Series B preferred stock at a purchase price of \$1.75 per share, for aggregate consideration of \$973,000.

## Acquisition of BioProtection Systems Corporation

On December 1, 2010, we entered into an agreement to acquire all of the minority interest in our majority-owned subsidiary, BPS, by merging a newly-formed subsidiary of ours with BPS, with BPS as the surviving corporation. Upon closing, we will issue an aggregate of 276,304 shares of our Series E preferred stock to the holders of BPS Series B common stock, Series A preferred stock and Series B preferred stock. Upon closing, BPS will become a wholly-owned subsidiary of the Company and our note will be converted into Series B preferred stock of BPS. All options to purchase shares of BPS stock will become options to purchase 106,347 shares of our common stock.

The merger of BPS has been approved by the required vote of BPS's stockholders, as well as a majority of the BPS stockholders other than the Company and officers and directors of the Company. The closing of the merger is subject only to receipt of certain approvals from our stockholders. As of 2010, holders of % of our common stock and % of our preferred stock had approved the transaction.

In this transaction, shares of our Series E preferred stock were issued to our officers and directors as follows:

<u>Name</u>	<u>Shares of Series E Preferred Stock</u>
Charles J. Link, Jr., M.D.	51,960
Nicholas N. Vahanian, M.D.	13,856
Thomas A. Raffin, M.D.	1,732
Ernest J. Talarico, III	1,732

In addition, the following directors and officers of NewLink who are also directors or officers of BPS will exchange their BPS stock options for options to acquire NewLink common stock:

<u>Name</u>	<u>Options to Acquire BPS Series B Common Stock</u>	<u>Options to Acquire NewLink Common Stock</u>
Charles J. Link, Jr., M.D.	20,000	5,385
Nicholas N. Vahanian, M.D.	20,000	5,385
Thomas A. Raffin, M.D.	50,000	13,462
Ernest J. Talarico, III	45,000	12,116

The acquisition of BPS has been recommended by a special committee of our Board of Directors consisting of Dr. Alexander and Messrs. Lundquist and Saluri, none of whom serve as directors of BPS. Dr. Alexander and Mr. Saluri do not own any shares or options in BPS. The David Lundquist Revocable Trust owns shares of Series A Preferred Stock in BPS.

## Executive Compensation and Employment Arrangements

Please see "Executive and Director Compensation" for information on compensation arrangements with our executive officers, including option grants and agreements with executive officers.

### Director Compensation

Please see "Executive and Director Compensation — Non-Employee Director Compensation" for information on compensation arrangements for our directors generally.

### Other Transactions

We have made loans to certain of our executive officers. For a description of these loans, see "Executive and Director Compensation — Indebtedness of Management and Related Agreements."

## **Policies and Procedures for Related Person Transactions**

Our Board of Directors has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which we are a participant, the amount involved exceeds \$120,000 and one of our executive officers, directors, director nominees or 5% stockholders (or their immediate family members), each of whom we refer to as a "related person," has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a "related person transaction," the related person must report the proposed related person transaction to the Audit Committee of our Board of Directors. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by the Audit Committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the Audit Committee will review, and, in its discretion, may ratify the related person transaction. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the committee after full disclosure of the related person's interest in the transaction. As appropriate for the circumstances, the Audit Committee will review and consider:

- the related person's interest in the related person transaction;
- the approximate dollar value of the amount involved in the related person transaction;
- the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of our business;
- whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unaffiliated third party;
- the purpose of, and the potential benefits to us of, the transaction; and
- any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The Audit Committee may approve or ratify the transaction only if the committee determines that, under all of the circumstances, the transaction is in, or is not inconsistent, with our best interests. The committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, our Board of Directors has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

- interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction or (c) the amount involved in the transaction equals less than the greater of \$200,000 or 5% of the annual consolidated gross revenues of the company receiving payment under the transaction; and
- a transaction that is specifically contemplated by provisions of our charter or by-laws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the Compensation Committee in the manner specified in its charter.

## PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of our common stock as of October 31, 2010 by:

- each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of our common stock;
- each of our named executive officers;
- each of our directors; and
- all of our executive officers and directors as a group.

The percentage of shares beneficially owned before the offering shown in the table is based upon 24,158,973 shares of common stock outstanding as of October 31, 2010, after giving effect to (i) the exercise on October 21, 2010 of an outstanding warrant to purchase 375,000 shares of common stock, (ii) the completion on December 13, 2010, of the sale of 248,320 shares of our Series E preferred stock (iii) the issuance of 276,304 shares of our Series E preferred stock in connection with our acquisition of the minority interest in BPS and (iv) the conversion of all of our convertible preferred stock into 16,406,889 shares of common stock, which will occur automatically immediately prior to the closing of this offering. The information relating to numbers and percentages of shares beneficially owned after the offering gives effect to the issuance of shares of common stock in this offering, assuming the initial public offering price in this offering is \$ \_\_\_\_\_ per share, the midpoint of the range set forth on the cover page of this prospectus, and assuming that this offering is closed on \_\_\_\_\_, 2010.

Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends on the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the numbers set forth above.

We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of common stock issuable pursuant to the exercise of stock options or warrants that are either immediately exercisable or exercisable on or before December 30, 2010, which is 60 days after October 31, 2010. These shares are deemed to be outstanding and beneficially owned by the person holding those options or warrants for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Except as otherwise noted below, the address for persons listed in the table is c/o NewLink Genetics Corporation, 2503 South Loop Drive, Ames, Iowa 50010.

<b>Name of Beneficial Owner</b>	<b>Shares Beneficially Owned Before Offering</b>		<b>Shares Beneficially Owned After Offering</b>	
	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
<b>5% Stockholders:</b>				
Stine Seed Farm, Inc**	5,435,000(1)	22.5%		
<b>Named Executive Officers and Directors:</b>				
Charles J. Link, Jr. M.D.	4,133,196(2)	16.2%		
Nicholas N. Vahanian, M.D.	1,245,907(3)	5.0%		
Thomas A. Raffin, M.D.	233,756(4)	1.0%		
Kenneth Lynn	152,519(5)	*		
Ernest J. Talarico, III	209,910(6)	*		
David Lundquist	155,287(7)	*		
Gordon H. Link, Jr.	131,378(8)	*		
W. Jay Ramsey M.D., Ph.D.	90,000(9)	*		
Mario Mautino Ph. D.	44,000(10)	*		
Sarah Alexander, M.D., F.A.C.P.	45,445(11)	*		
Joseph Saluri	15,000	*		
All current directors and executive officers as a group (11 persons)	6,456,398(12)			

\* Represents beneficial ownership of less than 1%.

\*\* Address: 22555 Laredo Trail, Adel, Iowa 50003, Attn: Jerald L Reichling

- (1) Includes 160,000 shares of NewLink Series E preferred stock. Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends on the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the numbers set forth above.
- (2) Includes 1,303,856 shares Dr. Charles Link has the right to acquire through the exercise of stock options within 60 days of October 31, 2010. Includes 51,960 shares of NewLink Series E preferred stock to be issued in connection with our acquisition of BPS in exchange for 1,500,000 shares of BPS Series B common stock currently held by Dr. Link. Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends on the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the numbers set forth above.
- (3) Includes 111,000 shares held by Christina Marie Vahanian, and 869,071 shares Dr. Vahanian has the right to acquire through the exercise of stock options within 60 days of October 31, 2010. Includes 13,856 shares of NewLink Series E preferred stock to be issued in connection with our acquisition of BPS in exchange for 400,000 shares of BPS Series B common stock currently held by Dr. Vahanian. Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends on the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the numbers set forth above.
- (4) Includes 125,096 shares Dr. Raffin has the right to acquire through the exercise of stock options within 60 days of October 31, 2010. Includes 1,732 shares of NewLink Series E preferred stock to be issued in connection with our acquisition of BPS in exchange for 50,000 shares of BPS Series B common stock currently held by Mr. Raffin. Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends on the initial public offering price

per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the numbers set forth above.

- (5) Includes 152,519 shares Mr. Lynn has the right to acquire through the exercise of stock options within 60 days of October 31, 2010.
- (6) Includes 176,250 shares Mr. Talarico has the right to acquire through the exercise of stock options within 60 days of October 31, 2010. Includes 1,732 shares of NewLink Series E preferred stock to be issued in connection with our acquisition of BPS in exchange for 50,000 shares of BPS Series B common stock currently held by Mr. Talarico. Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends on the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the numbers set forth above.
- (7) Includes 116,954 shares held by David Lundquist Revocable Trust, dated November 19, 2002, David J. Lundquist, Trustee, and 38,333 shares Mr. Lundquist has the right to acquire through the exercise of stock options within 60 days of October 31, 2010. Includes 5,257 shares of NewLink Series E preferred stock to be issued in connection with our acquisition of BPS in exchange for 58,000 shares of BPS Series A preferred stock currently held in the David Lundquist Revocable Trust. Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends on the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the numbers set forth above.
- (8) Includes 131,378 shares Mr. Gordon Link has the right to acquire through the exercise of stock options within 60 days of October 31, 2010.
- (9) Includes 40,000 shares Dr. Ramsey has the right to acquire through the exercise of stock options within 60 days of October 31, 2010.
- (10) Includes 38,000 shares Dr. Mautino has the right to acquire through the exercise of stock options within 60 days of October 31, 2010.
- (11) Includes 33,333 shares Dr. Alexander has the right to acquire through the exercise of stock options within 60 days of October 31, 2010.
- (12) Includes 2,907,836 shares issuable upon exercise of stock options by all executive officers and directors exercisable within 60 days of October 31, 2010. See notes (2) through (11) above.

## DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock and provisions of our certificate of incorporation and bylaws are summaries and are qualified by reference to the amended and restated certificate of incorporation and the amended and restated bylaws, each to be in effect upon the completion of this offering. We have filed copies of these documents with the Securities and Exchange Commission, or SEC, as exhibits to our registration statement of which this prospectus forms a part. The description of the capital stock reflects changes to our capital structure that will occur upon the closing of this offering. Upon the closing of this offering and the filing of the amended and restated certificate of incorporation, our authorized capital stock will consist of \_\_\_\_\_ shares of common stock, par value \$0.01 per share, and \_\_\_\_\_ shares of preferred stock, par value \$0.01 per share, all of which preferred stock will be undesignated.

As of October 31, 2010, we had issued and outstanding:

- 7,752,084 shares of our common stock held by 105 stockholders of record;
- 420,000 shares of our Series A preferred stock held by nine stockholders of record that are convertible into an aggregate of 583,333 shares of our common stock;
- 1,224,967 shares of our Series AA preferred stock held by 32 stockholders of record are convertible into shares of our common stock on a one-for-one basis;
- 377,410 shares of our Series AAA preferred stock held by 18 stockholders of record that are convertible into shares of our common stock on a one-for-one basis; and
- 2,191,193 shares of our Series B preferred stock held by 18 stockholders of record that are convertible into shares of our common stock on a one-for-one basis.
- 1,906,866 shares of our Series BB preferred stock held by 92 stockholders of record that are convertible into shares of our common stock on a one-for-one basis;
- 6,000,000 shares of our Series C preferred stock held by 150 stockholders of record that are convertible into shares of our common stock on a one-for-one basis; and
- 1,500,000 shares of our Series D preferred stock held by one stockholder of record that are convertible into shares of our common stock on a one-for-one basis.

As of October 31, 2010, we also had outstanding options to purchase 6,235,322 shares of our common stock at a weighted-average exercise price of \$1.25 per share.

Between December 1, 2010 and December 13, 2010, we issued and sold an aggregate of 248,320 shares of our Series E preferred stock to 38 stockholders of record. Additionally, we plan to issue 276,304 shares of our Series E preferred stock as consideration for our acquisition of the minority interest in BPS.

Upon the closing of this offering, all of the outstanding shares of our preferred stock will automatically convert into a total of 16,406,889 shares of our common stock. Upon the closing of this offering and after giving effect to the automatic conversion of our preferred stock into common stock, no warrants to purchase shares of common stock will remain outstanding.

Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends upon the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the respective number of shares set forth above.

## **Common Stock**

*Voting Rights.* Each holder of common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Our amended and restated certificate of incorporation and amended and restated bylaws do not provide for cumulative voting rights. Because of this, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they should so choose.

*Dividends.* Subject to preferences that may be applicable to any then outstanding preferred stock, holders of common stock are entitled to receive dividends, if any, as may be declared from time to time by our Board of Directors out of legally available funds.

*Liquidation.* In the event of our liquidation, dissolution or winding up, holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then outstanding shares of preferred stock.

*Rights and Preferences.* Holders of common stock have no preemptive, conversion, subscription or other rights, and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of the holders of common stock are subject to and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate in the future.

*Fully paid and Nonassessable.* All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering will be, fully paid and nonassessable.

## **Preferred Stock**

Upon the closing of this offering, all outstanding shares of preferred stock will have been automatically converted into shares of common stock. Following this offering, our certificate of incorporation will be amended and restated to delete all references to such shares of preferred stock.

Under the amended and restated certificate of incorporation, our Board of Directors will have the authority, without further action by the stockholders, to issue up to \_\_\_\_\_ shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding.

Our Board of Directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and may adversely affect the market price of the common stock and the voting and other rights of the holders of common stock. We have no current plans to issue any shares of preferred stock.

## **Registration Rights**

Under an amended and restated investor rights agreement, following the completion of this offering, the holders of an aggregate of \_\_\_\_\_ shares of common stock, or their transferees, will have the right to require us to register their shares with the SEC so that those shares may be publicly resold, or to include their shares in any registration statement we file, subject to specified exemptions, conditions and limitations.

Beginning twelve months after the closing of this offering, subject to specified limitations, these stockholders may require that we register all or part of these securities for sale under the Securities Act on two occasions. In addition, these stockholders may from time to time make demand for registrations on Form S-3, a short form registration statement, when we are eligible to use this form.

If we register any of our common stock, either for our own account or for the account of other security holders, these stockholders are entitled to notice of the registration and to include their shares of common stock in the registration.

Other than in a demand registration, with specified exceptions, a holder's right to include shares in a registration is subject to the right of the underwriters to limit the number of shares included in the offering. All fees, costs and expenses of any demand registrations and any registrations on Form S-3 will be paid by us, and all selling expenses, including underwriting discounts and commissions, will be paid by the holders of the securities being registered.

#### **Delaware Anti-takeover Law and Certain Provisions of Our Amended and Restated Certificate of Incorporation and Bylaws**

*Delaware law.* We are subject to Section 203 of the Delaware General Corporation Law. Section 203 generally prohibits a public Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the date of the transaction, the Board of Directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for this purpose shares owned by persons who are directors and also officers and shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

*Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws.* Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective upon the closing of this offering, may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock.

Among other things, our amended and restated certificate of incorporation and amended and restated bylaws:

- permit our Board of Directors to issue up to \_\_\_\_\_ shares of preferred stock, with any rights, preferences and privileges as they may designate, including the right to approve an acquisition or other change in our control;
- provide that the authorized number of directors may be changed only by resolution of the Board of Directors;
- provide that, subject to the rights of any series of preferred stock to elect directors, directors may only be removed for cause, which removal may be effected subject to any limitation imposed by law, by the holders of at least 66<sup>2</sup>/<sub>3</sub>% of the voting power of our then outstanding capital stock entitled to vote generally at an election of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- divide our Board of Directors into three classes with staggered, three-year terms;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice;
- do not provide for cumulative voting rights, therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose;
- provide that special meetings of our stockholders may be called only by the chairman of the board, our Chief Executive Officer or by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors; and
- provide that stockholders will be permitted to amend our amended and restated bylaws only upon receiving at least 66<sup>2</sup>/<sub>3</sub>% of the votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock will be BNY Mellon.

#### **NASDAQ Global Market**

We have applied to have our common stock listed on the NASDAQ Global Market under the symbol "NLNK".

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, no public market existed for our common stock. Market sales of shares of our common stock after this offering and from time to time, and the availability of shares for future sale, may reduce the market price of our common stock. Sales of substantial amounts of our common stock, or the perception that these sales could occur, could adversely affect prevailing market prices for our common stock and could impair our future ability to obtain capital, especially through an offering of equity securities.

Based on the number of shares of common stock outstanding as of October 31, 2010, upon completion of this offering, \_\_\_\_\_ shares of common stock will be outstanding, assuming no exercise of the underwriters' over-allotment option and no exercise of options prior to the completion of this offering. All of the shares sold in this offering will be freely tradable without restrictions or further registration under the Securities Act, unless held by our affiliates as that term is defined under Rule 144 under the Securities Act. The remaining \_\_\_\_\_ shares of common stock outstanding upon the closing of this offering are restricted securities as defined under Rule 144 of the Securities Act. Restricted securities may be sold in the U.S. public market only if registered or if they qualify for an exemption from registration, including by reason of Rule 144 or 701 under the Securities Act, which rules are summarized below. These remaining shares will generally become available for sale in the public market as follows:

- restricted shares will be eligible for immediate sale upon the completion of this offering;
- approximately \_\_\_\_\_ restricted shares will be eligible for sale in the public market 90 days after the date of this prospectus, subject to the volume, manner of sale and other limitations under Rule 144 and Rule 701; and
- approximately \_\_\_\_\_ restricted shares will be eligible for sale in the public market upon expiration of lock-up agreements 180 days after the date of this prospectus, which date may be extended in specified circumstances, subject in certain circumstances to the volume, manner of sale and other limitations under Rule 144 and Rule 701.

Additionally, of the 6,250,822 shares of common stock issuable upon exercise of options outstanding as of October 31, 2010, approximately 2,597,227 shares will be vested and eligible for sale 180 days after the date of this prospectus.

### Rule 144

In general, under Rule 144 under the Securities Act of 1933, as in effect on the date of this prospectus, beginning 90 days after the date of this prospectus, a person who is not one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned shares of our common stock to be sold for at least six months, would be entitled to sell an unlimited number of shares of our common stock, provided current public information about us is available. In addition, under Rule 144, a person who is not one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned the shares of our common stock to be sold for at least one year, would be entitled to sell an unlimited number of shares immediately upon the closing of this offering without regard to whether current public information about us is available. Beginning 90 days after the date of this prospectus, our affiliates who have beneficially owned shares of our common stock for at least six months are entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately \_\_\_\_\_ shares immediately after this offering; and

- the average weekly trading volume of our common stock on The NASDAQ Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales of restricted shares under Rule 144 by our affiliates are also subject to requirements regarding the manner of sale, notice and the availability of current public information about us. Rule 144 also provides that affiliates relying on Rule 144 to sell shares of our common stock that are not restricted shares must nonetheless comply with the same restrictions applicable to restricted shares, other than the holding period requirement.

Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted shares have entered into lock-up agreements as described below under "Underwriting" and their restricted shares will become eligible for sale at the expiration of the restrictions set forth in those agreements.

#### **Rule 701**

Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits resales of shares in reliance upon Rule 144 but without compliance with some of the restrictions of Rule 144, including the holding period requirement. Most of our employees, executive officers, directors or consultants who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701, but all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling their shares under Rule 701. However, all of the Rule 701 shares are subject to lock-up agreements as described below and under "Underwriting" and will become eligible for sale at the expiration of the restrictions set forth in those agreements.

#### **Lock-up Agreements**

We, along with our directors, executive officers and substantially all of our other stockholders, optionholders and warrant holders, have agreed with the underwriters that, for a period of 180 days following the date of this prospectus, we or they will not offer, sell, assign, transfer, pledge, contract to sell or otherwise dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for shares of common stock, subject to specified exceptions. Wells Fargo Securities, LLC and Cowen and Company, LLC may, in their sole discretion, at any time without prior notice, release all or any portion of the shares from the restrictions in any such agreement.

The 180-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 180-day restricted period we issue an earnings release or material news or a material event relating to us occurs and is publicly announced; or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day restricted period.

In this case, the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the release of the material news or the occurrence of the material event.

The lock-up agreements signed by our securityholders generally permit them, among other customary exceptions, to make bona fide gifts to their immediate family, to transfer securities to trusts for their or their immediate family's benefit and, if the securityholder is a partnership, limited liability company or corporation, to transfer securities to its partners, members or stockholders. However, the recipients of these transfers must agree to be bound by the lock-up agreement for the remainder of the lock-up period.

## Registration Rights

Upon the closing of this offering, the holders of an aggregate of \_\_\_\_\_ shares of our common stock will have the right to require us to register their shares for resale under the Securities Act, beginning six months after the date of this prospectus. Registration of these shares for resale under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of such registration. Any sales of securities by these stockholders could adversely affect the trading price of our common stock. These registration rights are described in more detail under the caption "Description of Capital Stock — Registration Rights."

## Equity Incentive Plans

As of October 31, 2010, options to purchase an aggregate of 6,235,322 shares of our common stock were outstanding, of which 2,597,227 were vested and exercisable. Substantially all of the shares issuable upon the exercise of options are subject to the terms of the lock-up agreements with the underwriters. On October 29, 2010, 1,500,000 additional shares of common stock were added to the shares reserved for future issuance under our 2009 plan. This amount will be increased pursuant to an "evergreen provision" on January 1 of each year, from 2012 to (and including) 2019, in an amount equal to 4% of the total number of shares of Common Stock outstanding on December 31 of the preceding calendar year. However, our Board of Directors will have the authority to designate a lesser number of shares by which the share reserve will be increased.

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of common stock subject to outstanding stock options and common stock issued or issuable under our 2000 Equity Incentive Plan, 2009 Equity Incentive Plan, 2010 Non-Employee Directors' Stock Award Plan and 2010 Employee Stock Purchase Plan. We expect to file the registration statement covering shares offered pursuant to our stock plans shortly after the date of this prospectus, permitting the resale of such shares by nonaffiliates in the public market without restriction under the Securities Act and the sale by affiliates in the public market, subject to compliance with the resale provisions of Rule 144.

**CERTAIN U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO  
NON-U.S. HOLDERS OF OUR COMMON STOCK**

The following is a summary of the U.S. federal income and estate tax consequences to a non-U.S. holder (as defined below) of the purchase, ownership and disposition of our common stock issued pursuant to this offering. This discussion is not a complete analysis of all potential U.S. federal income and estate tax consequences and does not address any tax consequences arising under any state, local or foreign tax laws or under other U.S. federal tax laws (such as gift tax laws). This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as in effect on the date of this offering. These authorities are subject to change, possibly retroactively, resulting in tax consequences different from those discussed below. No rulings have been or will be sought from the IRS with respect to the matters discussed below, and there can be no assurance that the IRS will not take a different position concerning the tax consequences of a non-U.S. holder's purchase, ownership or disposition of our common stock or that any such position would not be sustained by a court.

This discussion is limited to non-U.S. holders who purchase our common stock in this offering and who hold shares of our common stock as "capital assets" within the meaning of Code Section 1221 (generally, property held for investment). This discussion does not address all U.S. federal income tax or estate tax consequences that may be relevant to a non-U.S. holder in light of the holder's particular circumstances or to holders subject to special rules under the U.S. federal income tax laws, such as banks, financial institutions, U.S. expatriates, insurance companies, regulated investment companies, real estate investment trusts, "controlled foreign corporations," "passive foreign investment companies," dealers in securities or currencies, traders in securities, partnerships or other pass-through entities (or investors in such entities), persons subject to the alternative minimum tax, tax-exempt organizations and persons holding our common stock as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction.

**WE RECOMMEND THAT PROSPECTIVE INVESTORS CONSULT THEIR OWN TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS, ANY OTHER U.S. FEDERAL TAX LAWS (INCLUDING GIFT TAX LAWS), AND ANY APPLICABLE TAX TREATIES.**

For U.S. federal income tax purposes, a "non-U.S. holder" is a beneficial owner of our common stock who is an individual, corporation, estate or trust for U.S. federal income tax purposes and who is not treated for U.S. federal income tax purposes as:

- an individual who is a citizen or resident of the United States;
- an entity treated as a corporation for U.S. federal income tax purposes that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a U.S. court is able to exercise primary supervision over its administration and one or more U.S. persons have authority to control all its substantial decisions or (ii) the trust was in existence on August 20, 1996, was treated as a U.S. person prior to that date, and validly elected to continue to be so treated.

A modified definition of non-U.S. holder applies for U.S. federal estate tax purposes.

If any entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner generally will depend on the status of the partner and the activities of the

partnership. Partnerships and their partners should consult their tax advisors as to the tax consequences to them of the purchase, ownership and disposition of our common stock.

This discussion assumes that a non-U.S. holder will not hold our common stock in a manner that would subject the non-U.S. holder to the newly-enacted withholding tax discussed below under "New legislation relating to foreign accounts."

### **Distributions on our Common Stock**

Payments on our common stock will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a non-U.S. holder's adjusted tax basis in the common stock (determined on a share-by-share basis), but not below zero. Any remaining excess will be treated as capital gain from the sale of property as described below under " — Gain on Disposition of our common stock."

Dividends paid to a non-U.S. holder of our common stock that are not effectively connected with the holder's conduct of a U.S. trade or business generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends, or a lower rate specified by an applicable tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish to us or our paying agent a valid IRS Form W-8BEN (or applicable successor form) certifying the holder's qualification for the reduced rate. This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder's behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, who then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. Non-U.S. holders that do not timely provide us or our paying agent with the required certification, but which qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. holders should consult their own tax advisors regarding their possible entitlement to benefits under a relevant tax treaty.

If dividends paid on our common stock are effectively connected with a non-U.S. holder's U.S. trade or business, the non-U.S. holder will be exempt from U.S. federal withholding tax. To claim the exemption, the non-U.S. holder must furnish to us or our paying agent a properly executed IRS Form W-8ECI or IRS Form W-8BEN, as applicable (or an applicable successor form) prior to the payment of the dividends.

Any dividends paid on our common stock that are effectively connected with a non-U.S. holder's U.S. trade or business generally will be subject to U.S. federal income tax on a net income basis in the same manner as if the holder were a resident of the United States. A non-U.S. holder that is a foreign corporation also may be subject to a branch profits tax equal to 30% (or a lower rate specified by an applicable tax treaty) of its effectively connected earnings and profits for the taxable year. Non-U.S. holders should consult their own tax advisors regarding any applicable tax treaties that may provide for different rules.

### **Gain on Disposition of our Common Stock**

Subject to the discussion below regarding backup withholding, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States;

- the non-U.S. holder is an individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitutes a U.S. real property interest by reason of our status as a U.S. real property holding corporation ("USRPHC") at any time within the shorter of the five-year period preceding the disposition or the non-U.S. holder's holding period for our common stock (the "applicable period").

Unless an applicable tax treaty provides otherwise, gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis in the same manner as if the holder were a resident of the United States. Non-U.S. holders that are foreign corporations also may be subject to a branch profits tax equal to 30% (or a lower rate specified by an applicable tax treaty) of their effectively connected earnings and profits. Non-U.S. holders should consult any applicable tax treaties that may provide for different rules.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate (or a lower rate specified by an applicable tax treaty), but may be offset by U.S. source capital losses, provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and we do not anticipate becoming, a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our other trade or business assets and our foreign real property interests, there can be no assurance that we are not currently or will not become a USRPHC in the future. In the event we are or become a USRPHC, as long as our common stock is regularly traded on an established securities market, our common stock will constitute a U.S. real property interest only with respect to a non-U.S. holder that actually or constructively holds more than 5% of our common stock at some time during the applicable period. Any taxable gain generally will be taxed in the same manner as gain that is effectively connected with the conduct of a U.S. trade or business, except that the branch profits tax will not apply.

### **Information Reporting and Backup Withholding**

We must report annually to the IRS and to each non-U.S. holder the amount of dividends on our common stock paid to such holder and the amount, if any, of tax withheld with respect to those dividends. These information reporting requirements apply even if no withholding was required because the dividends were effectively connected with the holder's conduct of a U.S. trade or business, or withholding was reduced or eliminated by an applicable tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established.

Backup withholding, currently at a rate of 28% (and scheduled to increase to 31% in 2011), generally will not apply to payments of dividends to a non-U.S. holder of our common stock provided the non-U.S. holder furnishes to us or our paying agent the required certification as to its non-U.S. status (typically, by providing a valid IRS Form W-8BEN or W-8ECI) or an exemption is otherwise established.

Payment of the proceeds from a non-U.S. holder's disposition of our common stock made by or through a non-U.S. office of a broker will not be subject to information reporting or backup withholding, except that information reporting (but generally not backup withholding) may apply to those payments if the broker does not have documentary evidence that the beneficial owner is a non-U.S. holder, an exemption is not otherwise established, and the broker is:

- a U.S. person;
- a controlled foreign corporation for U.S. federal income tax purposes;

- a foreign person 50% or more of whose gross income is effectively connected with a U.S. trade or business for a specified three-year period; or
- a foreign partnership if at any time during its tax year (1) one or more of its partners are U.S. persons who hold in the aggregate more than 50% of the income or capital interest in the partnership or (2) it is engaged in the conduct of a U.S. trade or business.

Payment of the proceeds from a non-U.S. holder's disposition of our common stock made by or through the U.S. office of a broker generally will be subject to information reporting and backup withholding unless the non-U.S. holder certifies as to its non-U.S. status (such as by providing a valid IRS Form W-8BEN or W-8ECI) or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. Taxpayers may use amounts withheld as a credit against their U.S. federal income tax liability or may claim a refund if they timely provide certain information to the IRS.

### **New Legislation Relating to Foreign Accounts**

Newly enacted legislation may impose withholding taxes on certain types of payments made to or through "foreign financial institutions" and certain other non-U.S. entities after December 31, 2012. The legislation imposes a 30% withholding tax on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a foreign financial institution (whether holding stock for its own account or on behalf of its account holders/investors) unless the foreign financial institution enters into an agreement with the U.S. Treasury to among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. In addition, the legislation imposes a 30% withholding tax on the same types of payments to a foreign non-financial entity unless the entity certifies that it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner and satisfies certain other requirements. Prospective investors should consult their own tax advisors regarding this legislation.

### **Estate Tax**

Common stock owned or treated as owned by an individual who is not a citizen or resident of the United States (as specifically defined for U.S. federal estate tax purposes) at the time of death is considered a U.S. situs asset includible in the individual's gross estate for U.S. federal estate tax purposes and therefore may be subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise. The United States federal estate tax was automatically repealed effective January 1, 2010, for the estates of decedents dying in the year 2010. Accordingly, at present, there is no United States federal estate tax. However, Congress could pass a law reinstating the estate tax that has retroactive effect. In addition, unless Congress acts to make the current repeal permanent, the estate tax will be reinstated with respect to decedents who die after December 31, 2010. In view of the continuing uncertainty regarding the federal estate tax law, prospective investors are urged to consult their tax advisors regarding the U.S. federal estate tax considerations of acquiring, holding, and disposing of common stock. The test for whether an individual is a resident of the United States for federal estate tax purposes differs from the test used for U.S. federal income tax purposes. Some individuals, therefore, may be "non-U.S. holders" for U.S. federal income tax purposes, but not for U.S. federal estate tax purposes, and vice versa.

## UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement, we have agreed to sell to the underwriters named below, and the underwriters, for whom Wells Fargo Securities, LLC and Cowen and Company, LLC are acting as joint-book running managers and representatives, have severally agreed to purchase, the respective numbers of shares of common stock appearing opposite their names below:

<u>Underwriter</u>	<u>Number of Shares</u>
Wells Fargo Securities, LLC	
Cowen and Company, LLC	
Robert W. Baird & Co. Incorporated	
Canaccord Genuity Inc.	
Needham & Company, LLC	
Total	

All of the shares to be purchased by the underwriters will be purchased from us.

The underwriting agreement provides that the obligations of the several underwriters are subject to various conditions, including approval of legal matters by counsel. The shares of common stock are offered by the underwriters, subject to prior sale, when, as and if issued to and accepted by them. The underwriters reserve the right to withdraw, cancel or modify the offer and to reject orders in whole or in part.

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock offered by this prospectus if any are purchased, other than those shares covered by the over-allotment option described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

### Over-Allotment Option

We have granted a 30-day option to the underwriters to purchase up to a total of \_\_\_\_\_ additional shares of our common stock from us at the initial public offering price per share less the underwriting discounts and commissions per share, as set forth on the cover page of this prospectus, and less any dividends or distributions declared, paid or payable on the shares that the underwriters have agreed to purchase from us but that are not payable on such additional shares, to cover over-allotment, if any. If the underwriters exercise this option in whole or in part, then the underwriters will be severally committed, subject to the conditions described in the underwriting agreement, to purchase the additional shares of our common stock in proportion to their respective commitments set forth in the prior table.

### Discounts and Commissions

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus and to certain dealers at that price less a concession of not more than \$ \_\_\_\_\_ per share, of which up to \$ \_\_\_\_\_ per share may be reallocated to other dealers. After the initial offering, the public offering price, concession and reallocation to dealers may be changed.

The following table summarizes the underwriting discounts and commissions and the proceeds, before expenses, payable to us, both on a per share basis and in total, assuming either no exercise or full exercise by the underwriters of their overallotment option:

	Per Share	Total	
		Without Option	With Option
Public offering price			
Underwriting discounts and commissions			
Proceeds, before expenses, to us			

We estimate that the expenses of this offering payable by us, not including underwriting discounts and commissions, will be approximately \$ .

### Indemnification of Underwriters

The underwriting agreement provides that we will indemnify the underwriters against specified liabilities, including liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in respect of those liabilities.

### Lock-Up Agreements

We, all of our directors and officers, the holders of substantially all of the other shares of our common stock outstanding prior to this offering, and the holders of all of our warrants and substantially all of our options outstanding prior to this offering, have agreed, subject to certain exceptions, that, without the prior written consent of Wells Fargo Securities, LLC and Cowen and Company, LLC, we and they will not, during the period beginning on and including the date of this prospectus through and including the date that is the 180th day after the date of this prospectus, directly or indirectly:

- issue (in the case of us), offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any shares of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock;
- in the case of us, file or cause the filing of any registration statement under the Securities Act with respect to any shares of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock; or
- enter into any swap or other agreement, arrangement, hedge or transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of our common stock or other capital stock or any securities convertible into or exercisable or exchangeable for our common stock or other capital stock,

whether any transaction described in any of the foregoing bullet points is to be settled by delivery of our common stock or other capital stock, other securities, in cash or otherwise, or publicly announce an intention to do any of the foregoing. Moreover, if:

- during the last 17 days of the lock-up period, we issue an earnings release or material news or a material event relating to us occurs; or
- prior to the expiration of the lock-up period, we announce that we will release earnings results or become aware that material news on a material event relating to us will occur during the 16-day period beginning on the last day of the lock-up period,

the restrictions described in the immediately preceding sentence will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of

the material news or material event, as the case may be, unless Wells Fargo Securities, LLC and Cowen and Company, LLC waive, in writing, that extension.

Wells Fargo Securities, LLC and Cowen and Company, LLC may, in their sole discretion and at any time or from time to time, without notice, release all or any portion of the shares or other securities subject to the lock-up agreements. Any determination to release any shares or other securities subject to the lock-up agreements would be based on a number of factors at the time of determination, which may include the market price of the common stock, the liquidity of the trading market for the common stock, general market conditions, the number of shares or other securities proposed to be sold or otherwise transferred and the timing, purpose and terms of the proposed sale or other transfer.

### **NASDAQ Global Market Listing**

We have applied to have our common stock listed on the NASDAQ Global Market under the symbol "NLNK."

### **Stabilization**

In order to facilitate this offering of our common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of our common stock. Specifically, the underwriters may sell more shares of common stock than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares of common stock available for purchase by the underwriters under the over-allotment option. The underwriters may close out a covered short sale by exercising the over-allotment option or purchasing common stock in the open market. In determining the source of common stock to close out a covered short sale, the underwriters may consider, among other things, the market price of common stock compared to the price payable under the over-allotment option. The underwriters may also sell shares of common stock in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after the date of pricing of this offering that could adversely affect investors who purchase in this offering.

As an additional means of facilitating this offering, the underwriters may bid for, and purchase, common stock in the open market to stabilize the price of our common stock, so long as stabilizing bids do not exceed a specified maximum. The underwriting syndicate may also reclaim selling concessions allowed to an underwriter or a dealer for distributing common stock in this offering if the underwriting syndicate repurchases previously distributed common stock to cover syndicate short positions or to stabilize the price of the common stock.

The foregoing transactions, if commenced, may raise or maintain the market price of our common stock above independent market levels or prevent or retard a decline in the market price of the common stock.

The foregoing transactions, if commenced, may be effected on the Nasdaq Global Market or otherwise. Neither we nor any of the underwriters makes any representation that the underwriters will engage in any of these transactions and these transactions, if commenced, may be discontinued at any time without notice. Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of the effect that the transactions described above, if commenced, may have on the market price of our common stock.

## **Discretionary Accounts**

The underwriters have informed us that they do not intend to confirm sales to accounts over which they exercise discretionary authority in excess of 5% of the total number of shares of common stock offered by them.

## **Pricing of this Offering**

Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for our common stock was determined between us and the representative of the underwriters. The factors considered in determining the initial public offering price included:

- prevailing market conditions;
- our results of operations and financial condition;
- financial and operating information and market valuations with respect to other companies that we and the representative of the underwriters believe to be comparable or similar to us;
- the present state of our development; and
- our future prospects.

An active trading market for our common stock may not develop. It is possible that the market price of our common stock after this offering will be less than the initial public offering price. In addition, the estimated initial public offering price range appearing on the cover of this preliminary prospectus is subject to change as a result of market conditions or other factors.

## **Relationships**

The underwriters and/or their respective affiliates may in the future provide various financial advisory, investment banking, commercial banking and other financial services to us, for which they may receive compensation.

## **Sales Outside the United States**

No action has been or will be taken in any jurisdiction (except in the United States) that would permit a public offering of the common stock, or the possession, circulation or distribution of this prospectus or any other material relating to us or the common stock in any jurisdiction where action for that purpose is required. Accordingly, the common stock may not be offered or sold, directly or indirectly, and neither of this prospectus nor any other offering material or advertisements in connection with the common stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each of the underwriters may arrange to sell common stock offered by this prospectus in certain jurisdictions outside the United States, either directly or through affiliates, where they are permitted to do so. In that regard, Wells Fargo Securities, LLC may arrange to sell shares in certain jurisdictions through an affiliate, Wells Fargo Securities International Limited, or WFSIL. WFSIL is a wholly-owned indirect subsidiary of Wells Fargo & Company and an affiliate of Wells Fargo Securities, LLC. WFSIL is a U.K. incorporated investment firm regulated by the Financial Services Authority. Wells Fargo Securities is the trade name for certain corporate and investment banking services of Wells Fargo & Company and its affiliates, including Wells Fargo Securities, LLC and WFSIL.

## **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares of common stock which are the subject of the offering contemplated by this prospectus (the "Shares") may not be

made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives of the underwriters; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **United Kingdom**

This prospectus and any other material in relation to the shares described herein is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospective Directive ("qualified investors") that also (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, (ii) who fall within Article 49(2)(a) to (d) of the Order or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). The shares are only available to, and any invitation, offer or agreement to purchase or otherwise acquire such shares will be engaged in only with, relevant persons. This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus or any of its contents.

The distribution of this prospectus in the United Kingdom to anyone not falling within the above categories is not permitted and may contravene the Financial Services and Markets Act of 2000. No person falling outside those categories should treat this prospectus as constituting a promotion to him, or act on it for any purposes whatever. Recipients of this prospectus are advised that we, the underwriters and any other person that communicates this prospectus are not, as a result solely of communicating this prospectus, acting for or advising them and are not responsible for providing recipients of this prospectus with the protections which would be given to those who are clients of any aforementioned entities that is subject to the Financial Services Authority Rules.

### **France**

The prospectus supplement and the accompanying prospectus (including any amendment, supplement or replacement thereto) have not been approved either by the *Autorité des marchés financiers* or by the competent authority of another State that is a contracting party to the Agreement

on the European Economic Area and notified to the *Autorité des marchés financiers*; no security has been offered or sold and will be offered or sold, directly or indirectly, to the public in France within the meaning of Article L. 411-1 of the French *Code Monétaire et Financier* except to permitted investors, or Permitted Investors, consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or a limited circle of investors (*cercle restreint d'investisseurs*) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Articles L. 411-2, D. 411-1, D. 411-2, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French *Code Monétaire et Financier*; none of this prospectus supplement and the accompanying Prospectus or any other materials related to the offer or information contained therein relating to our securities has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any securities acquired by any Permitted Investors may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code Monétaire et Financier* and applicable regulations thereunder.

#### **Notice to the Residents of Germany**

This document has not been prepared in accordance with the requirements for a securities or sales prospectus under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), the German Sales Prospectus Act (*Verkaufprospektgesetz*), or the German Investment Act (*Investmentgesetz*). Neither the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht — BaFin*) nor any other German authority has been notified of the intention to distribute the securities in Germany. Consequently, the securities may not be distributed in Germany by way of public offering, public advertisement or in any similar manner AND THIS DOCUMENT AND ANY OTHER DOCUMENT RELATING TO THE OFFERING, AS WELL AS INFORMATION OR STATEMENTS CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN GERMANY OR USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OF THE SECURITIES TO THE PUBLIC IN GERMANY OR ANY OTHER MEANS OF PUBLIC MARKETING. The securities are being offered and sold in Germany only to qualified investors which are referred to in Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act. This document is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

#### **Switzerland**

This document does not constitute a prospectus within the meaning of Art. 652a of the Swiss Code of Obligations. The shares of common stock may not be sold directly or indirectly in or into Switzerland except in a manner which will not result in a public offering within the meaning of the Swiss Code of Obligations. Neither this document nor any other offering materials relating to the shares of common stock may be distributed, published or otherwise made available in Switzerland except in a manner which will not constitute a public offer of the shares of common stock in Switzerland.

## LEGAL MATTERS

The validity of the shares of common stock being offered by this prospectus will be passed upon for us by Cooley LLP, Broomfield, Colorado. The underwriters are being represented by Cahill Gordon & Reindel LLP, New York, New York.

## EXPERTS

The consolidated financial statements of NewLink Genetics Corporation as of December 31, 2009 and 2008, and for each of the years in the three-year period ended December 31, 2009, and for the period from June 4, 1999 (inception), through December 31, 2009, have been included herein in reliance upon the report of KPMG LLP, an independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing. The audit report covering the December 31, 2009, financial statements refers to the adoption of new guidance on the presentation and disclosure of noncontrolling interests.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, with respect to the shares of common stock being offered by this prospectus. This prospectus does not contain all of the information in the registration statement and its exhibits. For further information with respect to NewLink Genetics Inc. and the common stock offered by this prospectus, we refer you to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You can read our SEC filings, including the registration statement, over the Internet at the SEC's website at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

Upon completion of this offering, we will be subject to the information reporting requirements of the Exchange Act, and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for inspection and copying at the public reference room and web site of the SEC referred to above. We also maintain a website at [www.linkp.com](http://www.linkp.com), at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information contained in, or that can be accessed through, our website is not part of, and is not incorporated into, this prospectus.

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors

NewLink Genetics Corporation and Subsidiary:

We have audited the accompanying consolidated balance sheets of NewLink Genetics Corporation and subsidiary (a development stage enterprise) (the Company) as of December 31, 2008 and 2009, and the related consolidated statements of operations, equity (deficit), and cash flows for each of the years in the three year period ended December 31, 2009 and for the period from June 4, 1999 (inception) through December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NewLink Genetics Corporation and subsidiary (a development stage enterprise) as of December 31, 2008 and 2009, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2009, and for the period from June 4, 1999 (inception) through December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, the Company has adopted guidance on the presentation and disclosure of noncontrolling interests.

/s/ KPMG LLP

July 21, 2010  
Des Moines, Iowa

**NewLink Genetics Corporation and Subsidiary**  
**(A Development Stage Enterprise)**  
**Consolidated Balance Sheets**  
**(In thousands, except share and per share data)**

	<u>December 31,</u>		<u>September 30,</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>
			<u>(unaudited)</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 6,276	\$ 15,217	\$ 5,809
Certificates of deposit	1,850	1,992	1,992
Prepaid expenses	50	110	440
State research and development credit receivable	549	170	225
Interest receivable	46	68	8
Other receivables	—	1,341	343
Total current assets	<u>8,771</u>	<u>18,898</u>	<u>8,817</u>
Leasehold improvements and equipment:			
Leasehold improvements	252	2,293	3,804
Computer equipment	407	430	682
Lab equipment	1,562	1,765	3,137
Total leasehold improvements and equipment	2,221	4,488	7,623
Less accumulated depreciation and amortization	<u>(1,266)</u>	<u>(1,569)</u>	<u>(1,990)</u>
Leasehold improvements and equipment, net	955	2,919	5,633
Notes receivable from related parties	850	850	—
Total assets	<u>\$ 10,576</u>	<u>\$ 22,667</u>	<u>\$ 14,450</u>

See accompanying notes to consolidated financial statements.

**NewLink Genetics Corporation and Subsidiary**  
**(A Development Stage Enterprise)**  
**Consolidated Balance Sheets**  
**(In thousands, except share and per share data)**

	<u>December 31,</u>		<u>September 30,</u>	<u>Pro forma</u>	<u>Pro forma</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Equity at</u>	<u>as adjusted</u>
			(unaudited)	<u>September 30,</u>	<u>Equity at</u>
				<u>2010</u>	<u>September 30,</u>
				(unaudited)	<u>2010</u>
				(Note 2)	(unaudited)
					(Note 2)
<b>Liabilities and Equity</b>					
Current liabilities:					
Accounts payable	\$ 601	\$ 1,080	\$ 379		
Accrued expenses	1,237	1,176	1,518		
Deferred rent	—	947	947		
Notes payable to Iowa Department of Economic Development	—	—	6,000		
Obligations under capital leases	4	35	117		
Current portion of long term debt	—	—	91		
Deposits on restricted shares	6	3	1		
Total current liabilities	<u>1,848</u>	<u>3,241</u>	<u>9,053</u>		
Long term liabilities:					
Notes payable to Iowa Department of Economic Development	6,000	6,000	—		
Notes payable to Iowa State University Research Park	—	—	665		
Notes payable to City of Ames	—	—	300		
Obligations under capital leases	4	78	173		
Total long-term liabilities	<u>6,004</u>	<u>6,078</u>	<u>1,138</u>		
Total liabilities	<u>7,852</u>	<u>9,319</u>	<u>10,191</u>		
Redeemable preferred stock, \$0.01 par value:					
Authorized shares — 11,827,777 at December 31, 2008, 14,327,777 at December 31, 2009 and September 30, 2010 and September 30, 2010 pro forma; issued and outstanding shares — 9,287,057 at December 31, 2008, 13,200,436 at December 31, 2009 and September 30, 2010 and 13,725,060 at September 30, 2010 pro forma; liquidation preference — \$34,569 at December 31, 2008, \$54,136 at December 31, 2009 and September 30, 2010 and \$70,089 at September 30, 2010 pro forma	34,554	54,134	54,134	70,528	—
Equity:					
Blank check preferred stock, \$0.01 par value: Authorized shares — 0 at December 31, 2008, 1,388,889 at December 31, 2009, September 30, 2010 and September 30, 2010 pro forma; issued and outstanding shares — 0 at December 31, 2008 and 2009, September 30, 2010 and September 30, 2010 pro forma	—	—	—	—	—
Series A preferred stock, \$0.01 par value: Authorized shares — 450,000 at December 31, 2008 and 2009 and September 30, 2010 and 0 at September 30, 2010 pro forma; issued and outstanding shares — 420,000 at December 31, 2008 and 2009 and September 30, 2010 and 0 at September 30, 2010 pro forma; liquidation preference — \$1,050 at December 31, 2008 and 2009 and September 30, 2010 and September 30, 2010 pro forma	1,030	1,030	1,030	1,030	—
Common stock, \$0.01 par value: Authorized shares — 32,000,000 at December 31, 2008 and 2009, September 30, 2010 and September 30, 2010 pro forma; issued and outstanding shares — 6,612,316 at December 31, 2008, 6,671,401 at December 31, 2009, 7,264,103 at September 30, 2010 and 7,639,103 at September 30, 2010 pro forma	66	67	73	76	—
Additional paid-in capital	2,090	2,765	4,034	540	—
Notes receivable for common stock	(38)	(38)	(13)	(13)	—
Deficit accumulated during the development stage	(37,520)	(46,962)	(58,143)	(58,143)	—
Total NewLink Genetics shareholders' (deficit) equity	<u>(34,372)</u>	<u>(43,138)</u>	<u>(53,019)</u>	<u>(56,510)</u>	<u>—</u>
Equity attributable to noncontrolling interests	2,542	2,352	3,144	—	—
Total (deficit) equity	<u>(31,830)</u>	<u>(40,786)</u>	<u>(49,875)</u>	<u>\$ (56,510)</u>	<u>\$ —</u>
Total liabilities and deficit	<u>\$ 10,576</u>	<u>\$ 22,667</u>	<u>\$ 14,450</u>		

See accompanying notes to consolidated financial statements.

**NewLink Genetics Corporation and Subsidiary**  
**(A Development Stage Enterprise)**  
**Consolidated Statements of Operations**  
**(In thousands, except share and per share data)**

	<u>Year Ended December 31,</u>			<b>Cumulative from</b>
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>June 4, 1999</b>
				<b>(inception)</b>
				<b>through</b>
				<b>December 31,</b>
				<b>2009</b>
Grant revenue	\$ —	\$ 633	\$ 934	\$ 1,766
Operating expenses:				
Research and development	4,767	5,451	5,559	29,391
General and administrative	3,353	4,597	5,192	21,873
Total operating expenses	<u>8,120</u>	<u>10,048</u>	<u>10,751</u>	<u>51,264</u>
Loss from operations	(8,120)	(9,415)	(9,817)	(49,498)
Other income and expense:				
Miscellaneous income	87	42	19	282
Forgiveness of debt	—	—	—	449
Interest income	454	213	132	1,667
Interest expense	(1)	(2)	(9)	(54)
Other income (expense), net	<u>540</u>	<u>253</u>	<u>142</u>	<u>2,344</u>
Net loss	<u>(7,580)</u>	<u>(9,162)</u>	<u>(9,675)</u>	<u>(47,154)</u>
Less net loss attributable to noncontrolling interest	—	—	233	233
Net loss attributable to NewLink	<u>\$ (7,580)</u>	<u>\$ (9,162)</u>	<u>\$ (9,442)</u>	<u>\$ (46,921)</u>
Net loss attributable to common stockholders	<u>\$ (7,580)</u>	<u>\$ (9,162)</u>	<u>\$ (9,442)</u>	
Net loss per share, basic and diluted	<u>\$ (1.17)</u>	<u>\$ (1.40)</u>	<u>\$ (1.42)</u>	
Weighted-average shares outstanding, basic and diluted	<u>6,460,126</u>	<u>6,541,520</u>	<u>6,635,986</u>	
Pro forma as adjusted net loss per share, basic and diluted (unaudited) (note 2)				
Weighted-average pro forma as adjusted shares outstanding, basic and diluted (unaudited) (note 2)				

See accompanying notes to consolidated financial statements.

**NewLink Genetics Corporation and Subsidiary**  
**(A Development Stage Enterprise)**  
**Consolidated Statements of Operations**  
**(In thousands, except share and per share data)**  
**(Unaudited)**

	<b>Nine Months Ended</b>		<b>Cumulative from</b>
	<b>September 30,</b>		<b>June 4, 1999</b>
	<b>2009</b>	<b>2010</b>	<b>(inception)</b>
			<b>through</b>
			<b>September 30,</b>
			<b>2010</b>
Grant revenue	\$ 268	\$ 1,105	\$ 2,871
Operating expenses:			
Research and development	4,120	6,921	36,312
General and administrative	3,875	5,610	27,483
Total operating expenses	7,995	12,531	63,795
Loss from operations	(7,727)	(11,426)	(60,924)
Other income and expense:			
Miscellaneous income	17	71	353
Forgiveness of debt	—	—	449
Interest income	93	22	1,689
Interest expense	(6)	(34)	(88)
Other income (expense), net	104	59	2,403
Net loss	(7,623)	(11,367)	(58,521)
Less net loss attributable to noncontrolling interest	256	186	419
Net loss attributable to NewLink	\$ (7,367)	\$ (11,181)	\$ (58,102)
Net loss attributable to common stockholders	\$ (7,367)	\$ (11,181)	
Net loss per share, basic and diluted	\$ (1.11)	\$ (1.64)	
Weighted-average shares outstanding, basic and diluted	6,614,841	6,835,019	
Pro forma as adjusted net loss per share, basic and diluted			
Weighted-average pro forma as adjusted shares outstanding, basic and diluted			

See accompanying notes to consolidated financial statements.

**NewLink Genetics Corporation and Subsidiary**  
**(A Development Stage Enterprise)**  
**Consolidated Statements of Equity (Deficit)**  
(In thousands, except share and per share data)

	Preferred Stock Series A	Common Stock					Deficit Accumulated During the Development Stage	Total NewLink Genetics Shareholders' Equity	Non-Controlling Interest	Total Equity (Deficit)
		Number of Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Notes Receivable For Common Stock	Treasury Stock				
Balance at June 4, 1999	\$ —	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Initial stock issuance (November 11, 1999)	—	4,000,000	40	—	(13)	—	—	27	—	
Net loss	—	—	—	—	—	—	(64)	(64)	—	
Balance at December 31, 1999	—	4,000,000	40	—	(13)	—	(64)	(37)	—	
Loan payment	—	—	—	—	13	—	—	13	—	
Common stock issuance (April 18, 2000)	—	1,389,200	12	125	(92)	—	—	45	—	
Common stock issuance (June 13, 2000)	—	53,000	1	13	(12)	—	—	2	—	
Issuance of 420,000 shares of Series A preferred stock (net of offering costs) (August 29, 2000)	989	—	—	—	—	—	—	989	—	
Net loss	—	—	—	—	—	—	(236)	(236)	—	
Balance at December 31, 2000	989	5,442,200	53	138	(104)	—	(300)	776	—	
Repurchase of common stock and settlement of notes receivable (January 29, 2001)	—	(276,793)	—	—	18	(33)	—	(15)	—	
Issuance of common stock (August 2, 2001)	—	200,000	2	48	—	—	—	50	—	
Deemed dividend due to sale of Series AA preferred shares (September 26, 2001) (note 3)	41	—	—	—	—	—	(41)	—	—	
Net loss	—	—	—	—	—	—	(1,448)	(1,448)	—	
Balance at December 31, 2001	1,030	5,365,407	55	186	(86)	(33)	(1,789)	(637)	—	
Receipt of payment on note receivable (April 5 and October 5, 2002)	—	—	—	—	2	—	—	2	—	
Issuance of common stock from exercise of stock options (July 26, 2002)	—	50,000	1	12	—	—	—	13	—	
Receipt of payment on note receivable (September 4, 2002)	—	—	—	—	31	—	—	31	—	
Issuance of dividend paid in common stock (October 18, 2002)	—	44,097	1	(1)	—	—	—	—	—	
Issuance of stock options to nonemployees	—	—	—	14	—	—	—	14	—	
Accretion of redemption feature of preferred stock	—	—	—	(6)	—	—	—	(6)	—	
Net loss	—	—	—	—	—	—	(2,253)	(2,253)	—	
Balance at December 31, 2002	1,030	5,459,504	57	205	(53)	(33)	(4,042)	(2,836)	—	
Issuance of common stock for compensation (March 20, 2003)	—	20,000	1	45	—	—	—	46	—	
Receipt of payment on note receivable (January 1, April 4, July 9, and September 29, 2003)	—	—	—	—	7	—	—	7	—	
Issuance of common stock from exercise of warrants (various dates through March 2003)	—	494,628	4	1,108	—	—	—	1,112	—	
Issuance of dividend paid in common stock	—	44,097	1	(1)	—	—	—	—	—	
Issuance of stock options	—	—	—	15	—	—	—	15	—	
Accretion of redemption feature of preferred stock	—	—	—	(5)	—	—	—	(5)	—	
Net loss	—	—	—	—	—	—	(2,979)	(2,979)	—	
Balance at December 31, 2003	1,030	6,018,229	63	1,367	(46)	(33)	(7,021)	(4,640)	—	

Receipt of payment on note receivable (February 25, 2004 and July 15, 2004)	—	—	—	—	5	—	—	5	—	5
Issuance of stock options	—	—	—	57	—	—	—	57	—	57
Accretion of redemption feature of preferred stock	—	—	—	(5)	—	—	—	(5)	—	(5)
Net loss	—	—	—	—	—	—	(3,669)	(3,669)	—	(3,669)
Balance at December 31, 2004	\$ 1,030	6,018,229	\$ 63	\$ 1,419	\$ (41)	\$ (33)	(10,690)	\$ (8,252)	—	\$ (8,252)

**NewLink Genetics Corporation and Subsidiary**  
**(A Development Stage Enterprise)**  
**Consolidated Statements of Equity (Deficit) — (Continued)**  
**(In thousands, except share and per share data)**

	Preferred Stock Series A	Common Stock				Notes Receivable For Common Stock	Treasury Stock	Deficit Accumulated During the Development Stage	Total NewLink Genetics Shareholders' Equity	Non- Controlling Interest	Total Equity (Deficit)
		Number of Common Shares Outstanding	Common Stock	Additional Paid-in Capital							
Balance at December 31, 2004 (brought forward)	\$ 1,030	6,018,229	\$ 63	\$ 1,419	\$ (41)	\$ (33)	(10,690)	\$ (8,252)	\$ —	\$ (8,252)	
Receipt of payment on note receivable	—	—	—	—	1	—	—	1	—	1	
Issuance of stock options	—	—	—	2	—	—	—	2	—	2	
Issuance of dividend paid in common stock (September 23, 2005)	—	88,190	1	(1)	—	—	—	—	—	—	
Issuance of common stock for OncoRx acquisition (June 21, 2005)	—	130,102	1	353	—	—	—	354	—	354	
Issuance of common stock to consultants (April 4 and June 1, 2005)	—	18,787	—	51	—	—	—	51	—	51	
Issuance of 593,247 shares of Series BB preferred stock (net of offering costs of \$36,114) (January and February 2005)	—	—	—	—	—	—	—	—	—	—	
Accretion of redemption feature of preferred stock	—	—	—	(82)	—	—	—	(82)	—	(82)	
Issuance of subsidiary preferred stock	—	—	—	—	—	—	—	—	2,278	2,278	
Net loss	—	—	—	—	—	—	(4,770)	(4,770)	—	(4,770)	
<b>Balance at December 31, 2005</b>	<b>1,030</b>	<b>6,255,308</b>	<b>65</b>	<b>1,742</b>	<b>(40)</b>	<b>(33)</b>	<b>(15,460)</b>	<b>(12,696)</b>	<b>2,278</b>	<b>(10,418)</b>	
Stock compensation	—	—	—	22	—	—	—	22	—	22	
Issuance of common stock for OncoRx acquisition (March 22, 2006)	—	130,102	1	129	—	—	—	130	—	130	
Issuance of dividend paid in common stock (September 25, 2006)	—	44,091	1	(1)	—	—	—	—	—	—	
Issuance of subsidiary preferred stock	—	—	—	—	—	—	—	—	250	250	
Issuance of subsidiary common stock, net of deposits	—	—	—	—	—	—	—	—	7	7	
Accretion of redemption feature of preferred stock	—	—	—	(4)	—	—	—	(4)	—	(4)	
Net loss	—	—	—	—	—	—	(5,318)	(5,318)	—	(5,318)	
<b>Balance at December 31, 2006</b>	<b>1,030</b>	<b>6,429,501</b>	<b>67</b>	<b>1,888</b>	<b>(40)</b>	<b>(33)</b>	<b>(20,778)</b>	<b>(17,866)</b>	<b>2,535</b>	<b>(15,331)</b>	
Stock compensation	—	—	—	56	—	—	—	56	—	56	
Exercise of stock options	—	32,500	—	12	—	—	—	12	—	12	
Receipt of payment on note receivable	—	—	—	—	2	—	—	2	—	2	
Issuance of common stock for license milestone (August 2, 2007)	—	25,000	—	—	—	—	—	—	—	—	
Issuance of dividend paid in common stock	—	44,091	1	(1)	—	—	—	—	—	—	
Retire treasury stock	—	—	(3)	(30)	—	33	—	—	—	—	
Issuance of subsidiary common stock, net of deposits	—	—	—	—	—	—	—	—	8	8	
Net loss	—	—	—	—	—	—	(7,580)	(7,580)	—	(7,580)	
<b>Balance at December 31, 2007</b>	<b>1,030</b>	<b>6,531,092</b>	<b>65</b>	<b>1,925</b>	<b>(38)</b>	<b>—</b>	<b>(28,358)</b>	<b>(25,376)</b>	<b>2,543</b>	<b>(22,833)</b>	
Stock compensation	—	—	—	142	—	—	—	142	—	142	
Exercise of stock options	—	32,125	—	19	—	—	—	19	—	19	
Issuance of common stock for license milestone (September 8, 2008)	—	5,000	—	5	—	—	—	5	—	5	
Issuance of dividend paid in common stock	—	44,099	1	(1)	—	—	—	—	—	—	
Issuance of subsidiary common	—	—	—	—	—	—	—	—	(1)	(1)	

stock, net of deposits																			
Net loss		—	—	—	—	—	—	(9,162)	(9,162)	—	(9,162)								
Balance at																			
December 31, 2008	\$	1,030	6,612,316	\$	66	\$	2,090	\$	(38)	\$	—	\$	(37,520)	\$	(34,372)	\$	2,542	\$	(31,830)

**NewLink Genetics Corporation and Subsidiary**  
**(A Development Stage Enterprise)**  
**Consolidated Statements of Equity (Deficit) — (Continued)**  
**(In thousands, except share and per share data)**

	Preferred Stock Series A	Common Stock				Notes Receivable For Common Stock	Treasury Stock	Deficit Accumulated During the Development Stage	Total NewLink Genetics Shareholders' Equity	Non- Controlling Interest	Total Equity (Deficit)
		Number of Common Shares Outstanding	Common Stock	Additional Paid-in Capital							
Balance at December 31, 2008 (brought forward)	\$ 1,030	6,612,316	\$ 66	\$ 2,090	\$ (38)	\$ —	\$ (37,520)	\$ (34,372)	\$ 2,542	\$ (31,830)	
Stock compensation	—	—	—	661	—	—	—	661	—	661	
Exercise of stock options	—	14,990	—	15	—	—	—	15	—	15	
Issuance of dividend paid in common stock	—	44,095	1	(1)	—	—	—	—	—	—	
Issuance of subsidiary common stock net of deposits	—	—	—	—	—	—	—	—	3	3	
Issuance of 30,000 shares of subsidiary Series B preferred stock (November 16, 2009)	—	—	—	—	—	—	—	—	40	40	
Net loss	—	—	—	—	—	—	(9,442)	(9,442)	(233)	(9,675)	
Balance at December 31, 2009	1,030	6,671,401	67	2,765	(38)	—	(46,962)	(43,138)	2,352	(40,786)	
Stock compensation	—	—	—	311	—	—	—	311	—	311	
Exercise of stock options	—	134,322	1	31	—	—	—	32	—	32	
Receipt of payment on note receivable	—	—	—	—	25	—	—	25	64	89	
Issuance of common stock for OncoRx acquisition (July 29, 2010)	—	364,285	3	816	—	—	—	819	—	819	
Issuance of common stock for Reconstitute, LLC (September 3, 2010)	—	50,000	1	112	—	—	—	113	—	113	
Issuance of dividend paid in common stock	—	44,095	1	(1)	—	—	—	—	—	—	
Issuance of subsidiary common stock net of deposits	—	—	—	—	—	—	—	—	2	2	
Issuance of 555,930 shares of subsidiary Series B Preferred Stock	—	—	—	—	—	—	—	—	912	912	
Net loss	—	—	—	—	—	—	(11,181)	(11,181)	(186)	(11,367)	
Balance at September 30, 2010	\$ 1,030	7,264,103	\$ 73	\$ 4,034	\$ (13)	\$ —	\$ (58,143)	\$ (53,019)	\$ 3,144	\$ (49,875)	

See accompanying notes to consolidated financial statements.

**NewLink Genetics Corporation and Subsidiary**  
**(A Development Stage Enterprise)**  
**Consolidated Statements of Cash Flows**  
**(In thousands, except share and per share data)**

	<u>Year Ended December 31,</u>			<b>Cumulative</b>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<b>from</b> <b>June 4, 1999</b> <b>(inception)</b> <b>through</b> <b>December 31,</b> <b>2009</b>
<b>Cash Flows From Development Activities</b>				
Net loss	\$ (7,580)	\$ (9,162)	\$ (9,675)	\$ (47,154)
Adjustments to reconcile net loss to net cash used in development activities:				
Share-based compensation	57	141	661	1,064
Depreciation and amortization	235	294	303	1,619
In-process research and development expenses — OncoRx	—	5	—	609
Forgiveness of debt	—	—	—	(449)
Changes in operating assets and liabilities:				
Prepaid expenses	23	(38)	(60)	(110)
State research and development credit receivable	7	(272)	379	(170)
Interest due on notes receivable	6	(25)	(23)	(68)
Other receivables	—	—	(1,341)	(1,341)
Accounts payable	463	(361)	(271)	331
Accrued expenses and deferred rent	248	533	887	2,123
Net cash used in development activities	<u>(6,541)</u>	<u>(8,885)</u>	<u>(9,140)</u>	<u>(43,546)</u>
<b>Cash Flows From Investing Activities</b>				
Purchase of investments	—	(1,850)	(142)	(8,523)
Sale of investments	1,324	—	—	6,531
Notes receivable from related parties	—	(850)	—	(850)
Purchase of equipment	(182)	(427)	(1,403)	(3,556)
Cash paid for OncoRx	—	—	—	(120)
Net cash provided by (used in) investing activities	<u>1,142</u>	<u>(3,127)</u>	<u>(1,545)</u>	<u>(6,518)</u>
<b>Cash Flows From Financing Activities</b>				
Cash received from noncontrolling interest investment	—	—	40	2,568
Issuance of common stock	—	—	—	192
Issuance of common stock from exercise of stock options	12	19	15	58
Issuance of common stock from exercise of warrants	—	—	—	1,113
Repurchase of common stock	—	—	—	(33)
Repayments (advances) of notes receivable for common stock	2	—	—	(38)
Proceeds (repurchases) from subsidiary common stock option exercise	—	(4)	—	20
Proceeds from preferred stock (including deposits)	13,123	2,039	19,580	55,020
Transfer (to) from restricted cash	(13,101)	15,880	—	—
Proceeds from notes payable	1,000	—	—	6,659
Principal payments on debt	(1)	—	—	(210)
Payments under capital lease obligations	—	(4)	(9)	(68)
Net cash provided by financing activities	<u>1,035</u>	<u>17,930</u>	<u>19,626</u>	<u>65,281</u>
Net (decrease) increase in cash and cash equivalents	<u>(4,364)</u>	<u>5,918</u>	<u>8,941</u>	<u>15,217</u>
Cash and cash equivalents at beginning of period	4,722	358	6,276	—
Cash and cash equivalents at end of period	<u>\$ 358</u>	<u>\$ 6,276</u>	<u>\$ 15,217</u>	<u>\$ 15,217</u>
Supplemental disclosure of cash flows information:				
Cash paid for interest	\$ 1	\$ 2	\$ 9	\$ 18
Noncash financing and investing activities:				
Accretion on redeemable preferred stock	—	—	—	103
Purchased leasehold improvements and equipment in accounts payable	—	—	749	769
Common stock issued to shareholders of OncoRx as part of acquisition	—	5	—	609
Issuance of common stock dividend to Series AA preferred shareholders	1	1	1	4
Assets acquired under capital lease	—	12	114	180

See accompanying notes to consolidated financial statements.

**NewLink Genetics Corporation and Subsidiary**  
**(A Development Stage Enterprise)**  
**Consolidated Statements of Cash Flows**  
**(In thousands, except share and per share data)**  
**(Unaudited)**

	<b>Nine Months Ended</b>		<b>Cumulative</b>
	<b>September 30,</b>		<b>from</b>
	<b>2009</b>	<b>2010</b>	<b>June 4, 1999</b>
			<b>(inception)</b>
			<b>through</b>
			<b>September 30,</b>
			<b>2010</b>
<b>Cash Flows From Development Activities</b>			
Net loss	\$ (7,623)	\$ (11,367)	\$ (58,521)
Adjustments to reconcile net loss to net cash used in development activities:			
Share-based compensation	560	311	1,375
Depreciation and amortization	225	421	2,040
In-process research and development expenses — OncoRx	—	819	1,428
In-process research and development expenses — Reconstitute, LLC	—	113	113
Forgiveness of debt	—	—	(449)
Changes in operating assets and liabilities:			
Prepaid expenses	17	(451)	(561)
State research and development credit receivable	58	(55)	(225)
Interest due on notes receivable	(12)	60	(8)
Other receivables	—	1,118	(223)
Accounts payable	(326)	(700)	(369)
Accrued expenses and deferred rent	(152)	343	2,466
Net cash used in development activities	<u>(7,253)</u>	<u>(9,388)</u>	<u>(52,934)</u>
<b>Cash Flows From Investing Activities</b>			
Purchase of investments	—	—	(8,523)
Sale of investments	1,850	—	6,531
Notes receivable from related parties	—	850	0
Purchase of equipment	(250)	(2,893)	(6,449)
Cash paid for OncoRx	—	—	(120)
Net cash provided by (used in) investing activities	<u>1,600</u>	<u>(2,043)</u>	<u>(8,561)</u>
<b>Cash Flows From Financing Activities</b>			
Cash received from noncontrolling interest investment	—	912	3,480
Issuance of common stock	—	—	192
Issuance of common stock from exercise of stock options	15	32	90
Issuance of common stock from exercise of warrants	—	—	1,113
Repurchase of common stock	—	—	(33)
Repayments (advances) of notes receivable for common stock	—	25	(13)
Proceeds from subsidiary common stock option exercise	—	64	84
Proceeds from preferred stock (including deposits)	19,031	—	55,020
Proceeds from notes payable	—	1,100	7,759
Principal payments on debt	—	(45)	(255)
Payments under capital lease obligations	2	(65)	(133)
Net cash provided by financing activities	<u>19,048</u>	<u>2,023</u>	<u>67,304</u>
Net (decrease) increase in cash and cash equivalents	<u>13,395</u>	<u>(9,408)</u>	<u>5,809</u>
Cash and cash equivalents at beginning of period	6,276	15,217	—
Cash and cash equivalents at end of period	<u>\$ 19,671</u>	<u>\$ 5,809</u>	<u>\$ 5,809</u>
Supplemental disclosure of cash flows information:			
Cash paid for interest	\$ 6	\$ 34	\$ 52
Noncash financing and investing activities:			
Accretion on redeemable preferred stock	—	—	103
Purchased leasehold improvements and equipment in accounts payable	—	—	769
Common stock issued to shareholders of OncoRx as part of acquisition	—	—	609
Issuance of common stock dividend to Series AA preferred shareholders	—	—	4
Assets acquired under capital lease	114	242	421

See accompanying notes to consolidated financial statements.

**NewLink Genetics Corporation and Subsidiary  
(A Development Stage Enterprise)  
Notes to Consolidated Financial Statements**

**(Information for periods after December 31, 2009, including information as of September 30, 2010, for the nine-month periods ended September 30, 2010 and 2009, and for the cumulative period June 4, 1999 (inception) through September 30, 2010 is unaudited)**

**1. Description of Business and Development Stage Activities**

On June 4, 1999, NewLink Genetics Corporation (NewLink) was incorporated as a Delaware corporation. NewLink was formed for the purpose of developing treatments for cancer and other diseases. NewLink initiated operations in April of 2000, which primarily consist of research and development.

In 2005, NewLink created a wholly owned subsidiary, BioProtection Systems Corporation (BPS). NewLink contributed certain licensing agreements and other intangible assets for BPS to create vaccines against potential biological terror threats. During 2006, BPS granted options to the founders of NewLink and employees and consultants of BPS to acquire shares of BPS common stock. A portion of these options were exercised during 2009 and 2008, which diluted NewLink's ownership. At December 31, 2009, NewLink owned 72% of BPS and on an as-if-converted-to-common-stock basis, NewLink's ownership of BPS would be 63%. At September 30, 2010, NewLink owned 70% of BPS and on an as-if-converted-to-common-stock basis, NewLink's ownership of BPS would be 59%.

NewLink and its subsidiary (the Company) are development stage enterprises and are devoting substantially all of their efforts toward research and development.

The Company has never earned revenue from sales of its drugs under development. The Company has, from June 4, 1999 (inception) through December 31, 2009 and from inception through September 30, 2010, generated cumulative deficits of \$47.0 million and \$58.1 million respectively. The accompanying financial statements for the nine months ended September 30, 2010 and the year ended December 31, 2009 have been prepared assuming the Company will continue as a going concern. The generation of additional financing will be necessary for the Company to continue operations in the future. During the years ending December 31, 2009 and 2008, the Company received financing of \$19.6 million and \$2.0 million, respectively. During the nine months ending September 30, 2010, BPS received financing of \$900,000.

Subsequent to September 30, 2010, NewLink and BPS entered into an agreement pursuant to which NewLink will acquire the minority interest in BPS. The Company's Board of Directors has approved the filing of a registration statement on Form S-1 with respect to a proposed initial public offering (IPO) of its common stock. Subsequent to September 30, 2010, the Company received additional equity financing totaling \$7.8 million (unaudited) from the issuance of 248,320 (unaudited) shares of Series E preferred stock. There is no assurance that additional financing will be consummated or obtained in sufficient amounts or on acceptable terms to meet the Company's needs.

**2. Significant Accounting Policies**

**(a) Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NewLink Genetics Corporation and Subsidiary**  
**(A Development Stage Enterprise)**  
**Notes to Consolidated Financial Statements — (Continued)**

**(b) Principles of Consolidation**

The consolidated financial statements include the financial statements of NewLink and its majority-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

**(c) Cash, Cash Equivalents, and Restricted Cash**

For the purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. Cash equivalents of \$5.8 million, \$15.2 million and \$6.3 million at September 30, 2010, December 31, 2009 and 2008, respectively, consist of money market accounts. Cash received for deposits on sales of equity securities is classified as restricted cash until the shares are issued. No cash is restricted at September 30, 2010, December 31, 2009 and December 31, 2008.

**(d) Prepaid Expenses**

Prepaid Expenses includes costs directly attributable to the Company's offering of its equity securities. In accordance with FASB ASC 340-10, *Other Assets and Deferred Costs*, these costs are deferred and capitalized as part of prepaid expenses. Costs attributable to the equity offerings will be charged against the proceeds of the offering once completed.

**(e) Certificates of Deposit**

Certificates of deposit have original maturities of greater than three months. Certificates of deposit are classified as held-to-maturity with due dates through 2011 and are presented at amortized cost, which approximates fair value.

**(f) Leasehold Improvements and Equipment**

Leasehold improvements and equipment are stated at cost. Equipment under capital leases is stated at the present value of minimum lease payments.

Depreciation on all leasehold improvements and equipment is calculated on the straight-line method over the shorter of the lease term or estimated useful life of the asset. Computer equipment has useful lives of three to five years and lab equipment has useful lives of three to seven years.

During 2009, the Company added leasehold improvements to a new facility under an operating lease. As part of the lease, the lessor approved a tenant improvement allowance of \$943,000 for improvements made to the facility. This amount was receivable from the lessor at December 31, 2009 and is recorded in other receivables. The receivable was subsequently collected from lessor in January 2010. The offsetting amount is recorded as deferred rent on the financial statements and will reduce rent expense over the remaining term of the lease. The Company incurred costs in excess of the tenant improvement allowance during 2009.

**(g) Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future net undiscounted cash flows expected to be generated by the asset group, primarily relating to proceeds for selling the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the

**NewLink Genetics Corporation and Subsidiary**  
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**Notes to Consolidated Financial Statements — (Continued)**

amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**(h) Revenue Recognition**

Grants are recognized as revenues when the Company has met all performance or outcome requirements, which may be in advance of when the cash is received.

**(i) Expenses Accrued Under Contractual Arrangements with Third Parties; Accrued Clinical Expenses**

The Company estimates its accrued expenses through a process of reviewing open contracts and purchase orders, communicating with personnel to identify services that have been performed and estimating the level of service performed and the associated cost incurred for the service that may not be invoiced from the provider. The estimates of accrued expenses as of each balance sheet date are based on facts and circumstances known at that time. Such estimates are periodically confirmed with the service providers to verify accuracy.

The Company bases its expenses related to clinical trials on estimates of the services received and efforts expended pursuant to contracts with multiple research institutions and contract research organizations that conduct and manage clinical trials on behalf of the Company. The Company does not expect its estimates to be materially different from amounts actually incurred.

**(j) Unaudited Interim Financial Data**

The accompanying balance sheet as of September 30, 2010, statements of operations and of cash flows for the nine months ended September 30, 2009 and 2010 and for the period from June 4, 1999 (inception) through September 30, 2010 and the statements of equity (deficit) for the nine months ended September 30, 2010 and for the period from June 4, 1999 (inception) through September 30, 2010 are unaudited. The unaudited interim financial statements have been prepared on a basis consistent with the audited financial statements and, in the opinion of management, reflect all adjustments (consisting of normal recurring adjustments) considered necessary to state fairly the Company's financial position as of September 30, 2010 and the results of operations and cash flows for the nine months ended September 30, 2009 and 2010 and for the period from June 4, 1999 (inception) through September 30, 2010. The financial data and other information disclosed in these notes to the financial statements related to the nine-month periods ended September 30, 2009 and 2010 and for the period from June 4, 1999 (inception) through September 30, 2010 are unaudited. The results for the nine months ended September 30, 2010 are not necessarily indicative of the results to be expected for the year ending December 31, 2010 or for any other interim period.

**(k) Unaudited Pro Forma and Pro Forma as Adjusted Stockholders' Equity**

In October 2010, the Company's Board of Directors authorized the filing of a registration statement with the Securities and Exchange Commission (SEC) to sell shares of its common stock to the public in an IPO. The Company filed its initial S-1 registration statement with the SEC on December 21, 2010. All of the Company's redeemable preferred stock outstanding at September 30, 2010 will convert into 16,406,889 shares of common stock upon completion of the IPO. The Company's Series A, AAA, B, BB, C and D convertible preferred stock have a current conversion ratio of one share of common stock for every share of convertible preferred stock. The Company's Series A convertible preferred stock has a current conversion ratio of 1.389 shares of common stock for every share of convertible preferred stock.

**NewLink Genetics Corporation and Subsidiary**  
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**Notes to Consolidated Financial Statements — (Continued)**

Because the number of common shares that will be issued upon conversion of the Series E preferred stock depends upon the initial public offering price per share in this offering, the actual number of common shares issuable upon such conversion will likely differ from the respective number of shares set forth above. Unaudited pro forma stockholders' equity includes (i) the exercise on October 21, 2010 of an outstanding warrant to purchase 375,000 shares of common stock for an aggregate exercise price of \$2.0 million, (ii) the completion on December 13, 2010 of the sale of 248,320 shares of Series E preferred stock for an aggregate purchase price of \$7.8 million, and (iii) the issuance of 276,304 shares of Series E preferred stock in connection with our acquisition of the minority interest in our majority owned subsidiary, BPS.

Unaudited pro forma as adjusted stockholders' equity includes the effect of all the changes noted for unaudited pro forma stockholders' equity and (i) the effect of the conversion of all of the Company's convertible preferred stock, and (ii) the issuance and sale of shares of common stock in the IPO with assumed aggregate proceeds of \$ .

***(l) Research and Development***

Research and development costs are expensed as incurred. Certain research and development expenses are refundable from the state of Iowa without regard to income. State research and development credits of \$75,000, \$170,000, \$272,000, \$276,000, and \$1.5 million at September 30, 2010, December 31, 2009, 2008, 2007, and since inception through September 30, 2010, respectively, are reflected as a reduction of research and development expenses on the accompanying consolidated statements of operations.

***(m) Patents***

The Company generally applies for patent protection on processes and products. Patent application costs are expensed as incurred as a component of general and administrative expense, as recoverability of such expenditures is uncertain.

***(n) Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operating results in the period that includes the enactment date.

During 2009, the Company adopted guidance over the accounting for unrecognized tax benefits. There was no impact to the financial statements as a result of this adoption.

***(o) Stock Option Plan***

Effective January 1, 2006, the Company adopted changes in accounting for stock-based compensation using the prospective transition method. Under this transition method, compensation cost is recognized for new stock option award grants occurring after adoption, or as a result of award modification, on a straight-line basis over the period for which the required service has not yet been rendered, and the remaining portion of service under previously granted unvested awards, based on the grant-date fair value of those awards.

**NewLink Genetics Corporation and Subsidiary**  
**(A Development Stage Enterprise)**  
**Notes to Consolidated Financial Statements — (Continued)**

All nonemployee grants are required to use the fair value method.

**Stock Option Valuation**

The Company is required to estimate the grant-date fair value of stock options issued to employees and recognize this cost over the period these awards vest. The Company estimates the fair value of each option granted using the Black-Scholes option pricing model. Generally, the Company has issued employee awards that vest over time. For these awards, the Company records compensation cost on a straight-line basis over the vesting period.

The Company has issued awards to nonemployee consultants and advisors. The compensation cost recognized on these awards is determined on the later of the vesting of the award or completion of services by the nonemployee.

Following is a description of the inputs for the Black-Scholes model:

*Share Price*

The Company's stock options are granted with an exercise price as determined by the Board of Directors.

*Expected Term (in Years)*

The expected term of a stock option is the period of time for which the option is expected to be outstanding. The Company has a large number of options outstanding and has no secondary market. Therefore, the Company used the simplified method under current SEC guidance to estimate the expected term. The simplified method uses the midpoint between the fully vested date and the forfeiture date as the expected term for the employee and nonemployee director grants. For nonemployee grants, the contractual life of the option is used.

*Risk-Free Interest Rate*

The Company uses the average yield on current U.S. Treasury instruments with terms that approximate the expected term of the stock options being valued.

*Expected Dividend Yield*

The expected dividend yield for all of the Company's stock option grants is 0%, as the Company has not declared a cash dividend since inception and has no plans to declare a dividend.

*Expected Volatility*

Since the Company is a privately held firm, the estimated future expected volatility for each stock option valuation utilizes volatility rates of similar publicly traded companies considered to be in the same peer group.

*Forfeitures*

The share-based compensation expense has been reduced for estimated forfeitures. The estimated forfeiture rate is based on historical experience of the Company's option plan, which we expect to continue at the current level, and any adjustments in the forfeiture rate in the future will result in a cumulative adjustment in the period that this estimate is changed. Ultimately, the total compensation

**NewLink Genetics Corporation and Subsidiary**  
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**Notes to Consolidated Financial Statements — (Continued)**

expense recognized for any given stock-based award over its vesting period will only be for those shares that actually vest.

***(p) Noncontrolling Interest***

The Company has included 100% of the assets, liabilities, and income from subsidiaries for which the Company has a majority voting interest. The Company has recorded a noncontrolling interest in subsidiaries on the consolidated balance sheets and noncontrolling interest in net loss of subsidiaries on the consolidated statements of operations representing the noncontrolling interest's equity and their proportionate share of net loss.

In December 2007, the Financial Accounting Standards Board (FASB) issued new authoritative guidance on the presentation and disclosures of noncontrolling interests in consolidated financial statements to improve the relevance, comparability, and transparency. The Company has adopted the authoritative guidance on noncontrolling interests in 2009. As a result of the adoption, the Company now allocates a portion of the loss from its subsidiary to the noncontrolling interest. This creates a deficit balance from operations, which was not allowed under previous accounting literature. The amount allocated to the noncontrolling interest was \$186,000 and \$233,000 during the nine months ended September 30, 2010 and the year ended December 31, 2009, respectively. Had the Company continued to apply previous accounting literature, the loss for September 30, 2010 and December 31, 2009 would be \$11.4 million and \$9.7 million respectively, as none of the loss would be allocated to the noncontrolling interest as it would create a deficit balance. Noncontrolling interest was eliminated on \_\_\_\_\_, see Note 19.

***(q) Segments***

The Company operates in one segment. NewLink and its majority-owned subsidiary BPS conduct research and development activities based from facilities located in Ames, Iowa. The Ames location also includes corporate headquarters for NewLink and BPS. The companies conduct preclinical and clinical research in the biopharmaceutical industry. Management uses cash flow as the primary measure to manage its business and does not segment its business for internal reporting or decision-making.

***(r) Financial Instruments and Concentrations of Credit Risk***

The fair values of cash and cash equivalents, certificates of deposit, prepaid expenses, receivables, accounts payable, and accrued liabilities, which are recorded at cost, approximate fair value based on the short-term nature of these financial instruments. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, and certificates of deposit. Cash and cash equivalents are held by financial institutions and are federally insured up to certain limits. At times, the Company's cash and cash equivalents balance exceeds the federally insured limits. To limit the credit risk, the Company invests its excess cash primarily in high quality securities such as money market funds. The fair value of notes payable and capital lease obligations was \$6.0 million, \$6.1 million, and \$7.3 million as of December 31, 2008 and 2009, and September 30, 2010, respectively.

***(s) Recent Accounting Pronouncements***

Effective January 1, 2009, we adopted new accounting guidance related to accounting for uncertainty in income taxes. This accounting standard clarifies the recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken

**NewLink Genetics Corporation and Subsidiary**  
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**Notes to Consolidated Financial Statements — (Continued)**

or expected to be taken in a tax return. This accounting standard also provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. We have not identified any material uncertain tax positions for which accruals would be required and the adoption of this accounting standard did not have an effect on its consolidated financial statements.

In April 2009, FASB issued guidance that expands the fair value disclosures required for financial instruments to interim reporting periods for publicly traded companies, including disclosure of the significant assumptions used to estimate the fair value of financial instruments. We adopted this guidance effective June 30, 2010. The adoption did not impact our financial position or results of operations.

In May 2009, the FASB established general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for selecting that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. Our adoption of this standard had no material impact on our financial position, results of operations and cash flows.

In June 2009, the FASB issued Accounting Standards Codification (ASC) 105, which established the FASB ASC as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of ASC 105, we have updated references to U.S. GAAP in our financial statements issued for the period ended December 31, 2009. The adoption of ASC 105 did not impact our financial position or results of operations.

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The amended guidance requires disclosure of transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of the assets and liabilities measured under Level 3 of the fair value measurement hierarchy. The Company adopted the new disclosure requirements on January 1, 2010, except for the requirement concerning gross presentation of Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. The adoption of the Level 1 and Level 2 disclosure guidance did not have an impact on the Company's consolidated financial position or results of operations.

In December 2007, the FASB revised the authoritative guidance for business combinations, which establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company adopted this revised business combinations guidance on January 1, 2009. This guidance did not have any impact on the Company's consolidated financial statements upon adoption. The Company expects the guidance to have an impact on its accounting for future business combinations, but the effect will be dependent upon the acquisitions that are made in the future.

In June 2008, the FASB issued authoritative guidance on determining whether instruments granted in share-based payment transactions are participating securities. Under the guidance, unvested share-based payment awards that contain rights to receive nonforfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing EPS. The

**NewLink Genetics Corporation and Subsidiary**  
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**Notes to Consolidated Financial Statements — (Continued)**

Company adopted this authoritative guidance effective January 1, 2009. Its adoption did not have an impact on the consolidated financial statements.

**3. Acquisition of OncoRx Corporation**

On June 21, 2005, NewLink acquired all of the outstanding shares of OncoRx Corporation (OncoRx) in order to gain access to certain small molecule technologies. NewLink exchanged the following consideration to the OncoRx shareholders:

- 780,611 shares of NewLink common stock payable in four installments. The first installment was 130,102 shares at closing. The second, third, and fourth installments result in the delivery of 130,102, 260,204, and 260,203 shares, respectively, conditional upon the achievement of certain development milestones as described in the purchase agreement.
- Cash consideration of \$120,000 at closing.

During 2005, the cash and first installment of shares noted above were delivered to OncoRx. During 2006, NewLink issued the second installment of 130,102 shares of common stock with a fair value of \$130,000. All cash and stock consideration paid to the OncoRx shareholders has been recorded as research and development expense at fair value when delivered as there is no alternative use for the acquired research and development activities. There were no other assets or liabilities of OncoRx at the date of acquisition. Upon the achievement of the development milestones, the Company will record the fair value of the third and fourth installments of common stock issued as research and development expense.

**4. Notes Receivable for Common Stock**

Notes receivable for common stock at September 30, 2010 and December 31, 2009 and 2008 were \$13,000, \$38,000 and \$38,000, respectively. The notes were issued in connection with the sale of common stock to officers of the Company and, accordingly, are shown as a reduction of shareholders' equity (deficit). All of the notes are secured by the common stock and are guaranteed by the officer's personal assets. The outstanding notes for NewLink common stock were due in April 2005 and were subsequently extended for an additional five years through April 2010. Subsequent to April 2010, a decision was made to forgive a portion of these notes, subject to Board approval. All of the notes for NewLink common stock bear interest at rates from 5.00% to 6.71%, payable annually in arrears. Effective as of July 2, 2010, \$25,000 of the notes and accrued interest of \$10,000 were forgiven and a bonus of \$12,000 was granted to cover the resulting tax liability. To offset the forgiveness and the bonus payment, outstanding options to purchase Company common stock were modified to increase the aggregate exercise price by an amount equal to the amount of the forgiveness plus the bonus paid.

**NewLink Genetics Corporation and Subsidiary**  
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**Notes to Consolidated Financial Statements — (Continued)**

**5. Leases**

**(a) Capital Leases**

The following is an analysis of the leased property under capital leases by major class (in thousands):

<u>Class of property</u>	<b>Asset balances at</b>		
	<b>December 31</b>		<b>September 30</b>
	<b>2008</b>	<b>2009</b>	<b>2010</b>
Lab equipment	\$ 12	\$ 126	\$ 409
Leasehold improvements	—	27	27
Total property under capital leases	12	153	436
Less accumulated depreciation and amortization	2	72	52
Capital leases, net	<u>\$ 10</u>	<u>\$ 81</u>	<u>\$ 384</u>

The depreciation and amortization reflected above has been recorded as depreciation expense in these consolidated financial statements.

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2009 (in thousands):

<b><u>Year ending December 31:</u></b>	
2010	\$ 53
2011	40
2012	19
2013	10
Total minimum lease payments	122
Less amount representing interest	10
Present value of net minimum lease payments	<u>\$ 112</u>

The present value of net minimum lease payments as of December 31, 2009 is reflected in the balance sheet as current and long-term obligations under capital leases of \$35,000 and \$78,000, respectively. The present value of net minimum lease payments as of September 30, 2010 is reflected in the balance sheet as current and long-term obligations under capital leases of \$117,000 and \$173,000, respectively.

**(b) Operating Leases**

The Company has noncancelable facilities operating leases that expired at various times between February 2009 and June 2009, which are now being leased on a month-to-month basis. In addition, the Company entered into a new lease for additional space in October 2009 expiring in 2015. The Company also leases laboratory space from one of its licensors. Lease expense is recognized on a straight-line basis. Rental expense for operating leases during the nine month period ending September 30, 2010 and the years ending December 31, 2009, 2008, 2007 and since inception through September 30, 2010 was \$482,000, \$294,000, \$306,000, \$286,000, and \$2.3 million respectively.

**NewLink Genetics Corporation and Subsidiary**  
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**Notes to Consolidated Financial Statements — (Continued)**

Future minimum lease payments under the noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2009 are as follows (in thousands):

<u>Year ending December 31:</u>	
2010	\$ 271
2011	259
2012	269
2013	271
2014	271
2015	23
	<u>\$ 1,364</u>

## 6. Long-Term Debt

### *March 2005 Iowa Department of Economic Development Loan*

In March 2005, we entered into a \$6.0 million forgivable loan agreement with the Iowa Department of Economic Development (IDED). Under the agreement, in the absence of default, there will be no principal or interest payments due until the completion date for the project, which is March 18, 2011, under the current one-year extension granted by the IDED. The project is to provide assistance to the Company for research and product development activities at its Iowa State University Research Park facility. The project calls for the creation of 315 positions and retention of 35 positions with total project expenditures of \$189.9 million for clinical trials, research and development activities, building construction, equipment purchases, and other working capital needs.

If, as of March 18, 2011, which is the current project completion date under the agreement, the IDED determines we have fulfilled all the job creation and maintenance terms and project expenditure requirements of the loan agreement, the loan will be forgiven. However, on the project completion date we will be required to repay the greater of approximately \$17,000 for each of the 350 jobs we fail to create and maintain as of that date or a percentage of the \$6.0 million advanced under the agreement equal to the percentage of any shortfall in our obligation to expend \$189.9 million of project expenditures. Five years following the project completion date, we will be required to repay approximately \$17,000 for each of the 350 jobs the IDED determines we fail to maintain as of that date. In the event of default, including failure to repay any amounts under the loan when due, we will be required to repay the note including 6% interest per annum beginning at the date of default.

Under the agreement, we are obligated to pay a minimum of 0.25% royalties on all gross revenues of our products with a cumulative maximum royalty amount due of \$3.2 million. Royalties we pay will first offset amounts we are required to repay for amounts of the loan not forgiven and then go toward reducing the total cumulative royalty to be paid. We are also obligated to maintain our business in the State of Iowa while amounts remain outstanding under the loan. Substantially all of our assets are pledged against this loan and we are required to submit audited financial statements within 90 days of year-end. We have failed to meet this covenant each year and have obtained a waiver from the IDED each year.

The original project completion date for the project was March 18, 2010 and was extended to March 18, 2011 by an amendment to the agreement approved by the IDED.

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*2009 Iowa State University Research Park Loan*

In 2009, we executed a promissory note in favor of Iowa State University Research Park, or ISURP, in an original principal amount of \$800,000. The note represents amounts owed by us to ISURP for certain improvements that were made to facilities we lease from ISURP. The principal and interest owed under the note is amortized over an eight-year period. Interest is payable monthly under this promissory note, initially at a rate of 3.0% per annum and increasing to 5.0% per annum after five years from the date the improvements were completed. ISURP may accelerate all amounts owed under the note upon an event of default, including our uncured material breach of the terms of the note or the lease or upon early termination of the lease. In the event of a default under the note, amounts owed under the note will bear interest at 8.0% per annum. No amounts were outstanding under this note as of December 31, 2009.

*March 2010 City of Ames Forgivable Loan*

In March 2010, we entered into a \$400,000 forgivable loan agreement with the City of Ames, Iowa and the Ames Chamber of Commerce, jointly, as lenders. The project provides us with financial assistance to construct new facilities within the Ames city limits. In the absence of a default, there are no principal or interest payments due until the expected completion date for the project, which is March 10, 2015.

The project calls for our creating or retaining at least 70 full-time jobs located in Ames, Iowa as of March 10, 2012 and the creating or maintaining at least 150 full-time positions located in Ames, Iowa as of March 10, 2015. The agreement also calls for our entering into a five-year building lease with the option for extension for an additional five years of not less than 20,000 square feet within the corporate limits of the City of Ames by March 10, 2015. If, as of March 10, 2015, we have fulfilled the terms of the loan agreement, the loan will be forgiven. If on March 10, 2012 and March 10, 2015, we have failed to create or retain at least 70 full-time jobs and 150 full-time jobs in Ames, Iowa, respectively, we will be required to repay approximately \$3,100 per job not created or retained following the respective date. As of September 30, 2010, \$300,000 of the total \$400,000 forgivable loan was advanced to us with the final \$100,000 pending certification to the City of Ames regarding the creation of a threshold level of jobs. In the event of default, including failure to repay any amounts under the loan when due, we will be required to repay the note, including 6.5% interest per annum, beginning at the date of default.

**7. Common Stock**

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the NewLink stockholders. Subject to preferences applicable to outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the NewLink Board of Directors.

NewLink and its major investors have a right of first refusal with respect to certain sales of shares by existing stockholders. NewLink's major investors have a right of first refusal to acquire certain equity securities issued by NewLink. These rights expire with an IPO.

In the event of liquidation, dissolution, or winding up of NewLink, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities subject to prior distribution rights of the preferred stock.

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**8. Subsidiary Common Stock and Common Stock Preferences**

Subject to preferences applicable to outstanding preferred stock, the holders of BPS common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the BPS Board of Directors. BPS has issued two classes of common stock: Series A common stock and Series B common stock. All shares of Series A common stock are held by NewLink. The holders of BPS Series A and Series B common stock are entitled to one vote per share on all BPS matters to be voted upon by BPS's stockholders.

In the event of any liquidation, dissolution, or winding up of BPS, whether voluntary or involuntary, the holders of Series A common stock will be entitled to receive \$0.10 per share, plus any declared and unpaid dividends out of the assets of BPS available for distribution, before any payment of any amount to holders of the Series B common stock. In the event of liquidation, dissolution, or winding up of BPS, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities subject to prior distribution rights of the preferred stock.

**9. Preferred Stock**

NewLink's Amended and Restated Certificate of Incorporation authorizes the issuance of 16,166,666 shares of preferred stock, \$0.01 par value. The NewLink Board of Directors has the authority to issue the preferred stock in one or more series and to fix the voting power and such designations, preferences, and rights subject to approval of outstanding preferred series shareholders. The following is a summary of all preferred stock issued by NewLink and outstanding at September 30, 2010 and December 31, 2009 and 2008:

<b>as of September 30, 2010 and December 31, 2009</b>						
<b>(in thousands, except share and per share data)</b>						
	<b>Issue Price per Share</b>	<b>Shares Authorized</b>	<b>Issued and Outstanding Shares</b>	<b>Liquidation Preference</b>	<b>Carrying Value</b>	
Series A	\$ 2.50	450,000	420,000	\$ 1,050	\$ 1,030	
Series AA	1.80	1,250,000	1,224,967	2,205	2,205	
Series AAA	2.25	377,777	377,410	849	847	
Series B	2.50	3,200,000	2,191,193	5,478	5,478	
Series BB	4.25	2,000,000	1,906,866	8,104	8,104	
Series C	5.00	6,000,000	6,000,000	30,000	30,000	
Series D	5.00	1,500,000	1,500,000	7,500	7,500	
Blank Check Preferred	—	1,388,889	—	—	—	
<b>Total</b>			<b>13,620,436</b>	<b>\$ 55,186</b>	<b>\$ 55,164</b>	

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	as of December 31, 2008 (in thousands, except share and per share data)				
	Issue Price per Share	Shares Authorized	Issued and Outstanding Shares	Liquidation Preference	Carrying Value
Series A	\$ 2.50	450,000	420,000	\$ 1,050	\$ 1,030
Series AA	1.80	1,250,000	1,224,967	2,205	2,205
Series AAA	2.25	377,777	377,410	849	847
Series B	2.50	3,200,000	2,191,193	5,478	5,478
Series BB	4.25	2,000,000	1,906,866	8,104	8,104
Series C	5.00	5,000,000	3,586,621	17,933	17,920
Authorized But Not Designated	—	222,223	—	—	—
Total			9,707,057	\$ 35,619	\$ 35,583

On July 17, 2009, NewLink issued 1,500,000 shares of Series D convertible preferred stock at \$5.00 per share for net proceeds of \$7.5 million. NewLink also issued warrants to purchase 375,000 shares of common stock at \$7.20 per share in conjunction with the issuance of Series D shares.

During 2008 and 2007, NewLink collected deposits of \$2.0 million and \$13.1 million, respectively, for the sale of NewLink Series C preferred stock. All deposits received were restricted until the total escrowed funds exceeded \$15.0 million at which time shares of Series C preferred stock could then be issued. In January 2008, the funds were released from escrow and the Series C preferred shares were issued. As of December 31, 2009 and 2008, NewLink reflected no restricted cash pertaining to NewLink Series C preferred stock. During 2009, NewLink collected \$12.1 million for the sale of 2,413,379 shares of NewLink Series C preferred stock and \$7.5 million for the sale of 1,500,000 shares of NewLink Series D preferred stock. The shares of Series D preferred stock were subsequently issued in 2009. The related offering costs were not significant and were charged to expense.

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Following is a summary of all redeemable preferred stock issuances through September 30, 2010:

	Redeemable Preferred Stock					
	Series AA	Series AAA	Series B	Series BB	Series C	Series D
Balance at June 4, 1999	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
No activity in 1999	—	—	—	—	—	—
Balance at December 31, 1999	—	—	—	—	—	—
No activity in 2000	—	—	—	—	—	—
Balance at December 31, 2000	—	—	—	—	—	—
Issuance of 1,224,967 shares of Series AA preferred stock (net of offering costs) (September 26, 2001)	2,179	—	—	—	—	—
Balance at December 31, 2001	2,179	—	—	—	—	—
Issuance of 377,410 shares of Series AAA preferred stock (net of offering costs) (January 21, 2002)	—	847	—	—	—	—
Accretion of redemption feature of preferred stock	6	—	—	—	—	—
Balance at December 31, 2002	2,185	847	—	—	—	—
Issuance of 2,191,193 shares of Series B preferred stock (net of offering costs) (February 7, 2003)	—	—	5,436	—	—	—
Accretion of redemption feature of preferred stock	6	—	—	—	—	—
Balance at December 31, 2003	2,191	847	5,436	—	—	—
Issuance of 1,313,619 shares of Series BB preferred stock (net of offering costs and receivables of \$706,005) (December 27, 2004)	—	—	—	4,877	—	—
Accretion of redemption feature of preferred stock	5	—	—	—	—	—
Balance at December 31, 2004	2,196	847	5,436	4,877	—	—
Issuance of 593,247 shares of Series BB preferred stock (net of offering costs of \$36,114) (January and February 2005)	—	—	—	3,192	—	—
Accretion of redemption feature of preferred stock	5	—	42	35	—	—
Balance at December 31, 2005	2,201	847	5,478	8,104	—	—
Accretion of redemption feature of preferred stock	4	—	—	—	—	—
Balance at December 31, 2006	2,205	847	5,478	8,104	—	—
No activity in 2007	—	—	—	—	—	—
Balance at December 31, 2007	2,205	847	5,478	8,104	—	—
Issuance of 3,586,621 shares of Series C preferred stock (net of offering costs of \$13,530) (February through October 2008)	—	—	—	—	17,920	—
Balance at December 31, 2008	2,205	847	5,478	8,104	17,920	—
Issuance of 2,413,379 shares of Series C preferred stock (July through October 2009)	—	—	—	—	12,080	—
Issuance of 1,500,000 shares of Series D preferred stock (July 17, 2009)	—	—	—	—	—	7,500
Balance at December 31, 2009	2,205	847	5,478	8,104	30,000	7,500
No activity in 2010 (unaudited)	—	—	—	—	—	—
Balance at September 30, 2010 (unaudited)	<u>\$ 2,205</u>	<u>\$ 847</u>	<u>\$ 5,478</u>	<u>\$ 8,104</u>	<u>\$ 30,000</u>	<u>\$ 7,500</u>

Prior to the acquisition by NewLink of the minority interest in BPS described in note 19, BPS had authority to issue stand-alone preferred stock to outside investors as discussed in note 11. The following is a summary of all preferred stock issued by BPS and outstanding at December 31, 2009:

Original issue	Date(s) issued	Shares issued	Offering price
Series A	January-February 2006	1,444,721	\$ 1.75
Series B	December 2009	30,000	\$ 1.75

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**10. Preferred Stock Preferences**

Following is a summary of the preferences relating to the various series of NewLink preferred stock:

**(a) Voting Rights**

The Series A, AA, AAA, B, BB, C and D (collectively, the Series Preferred) vote on an as-if-converted-to-common-stock basis (one vote per share, except for Series A, which receives 1.389 votes per share pursuant to the conversion rights discussed below). Any action taken by the Board of Directors or others that would impact the holders of Series AA, B, BB, C or D shares must be approved by a majority of the outstanding shares held by Series AA, B, BB, C or D shareholders.

**(b) Dividend Rights**

Series A, AAA, B, BB, C and D stockholders, in preference to holders of common stock, are entitled to receive a noncumulative cash dividend of 8% of the original issue price per annum, payable only when, as, and if declared by the Board of Directors.

Series AA stockholders, in preference to holders of common stock, are entitled to receive a cumulative stock dividend of 0.036 shares of common stock for each outstanding share of Series AA. The dividend is paid at least annually. Dividends shall accrue monthly, and unpaid dividends shall be paid upon conversion of the Series AA to common stock. A total of 0 and 14,683 shares of common stock are accrued for dividends on the Series AA stock as of September 30, 2010 and December 31, 2009, respectively.

**(c) Conversion Rights**

The Series Preferred will automatically convert into common stock immediately upon the closing of an IPO of common stock, pursuant to an effective registration statement filed by NewLink under the Securities Act of 1933 that generates aggregate gross proceeds of not less than \$7.00 per common share and \$20.0 million in aggregate. The Series Preferred may also convert to common stock upon a vote of action by a majority of the holders of the Series Preferred voting together as a single class on an as-if converted basis, or at the option of the holders. Persons holding 20% of NewLink's common stock on an as-if converted basis can request NewLink file a registration statement.

Each share of the Series Preferred was initially convertible at the holder's option into one common share. The Series Preferred are subject to weighted average ratchet antidilutive protection if NewLink issues shares at a price below the offering price for each series. In addition, these securities are subject to proportional adjustments for stock splits, stock dividends, recapitalizations, and other distributions of common stock of NewLink. The Series A preferred stock receive 1.389 shares of common stock for each share of preferred stock upon conversion.

**(d) Liquidation Preferences**

In the event of any liquidation, dissolution, or winding up of NewLink, whether voluntary or involuntary, the holders of Series C and Series D will be entitled to receive \$5.00 per share, plus any declared and unpaid dividends out of the assets of NewLink available for distribution before any payment of any amount to holders of the Series A, AA, AAA, B, BB (collectively, the Junior Preferred), or holders of common stock. If the assets available for distribution are insufficient to pay the holders of Series C and Series D preferred stock, then such holders will share ratably in any distribution of the

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assets of NewLink in proportion to the amounts that would have been payable with respect to their shares if all amounts payable with respect to such shares were paid in full.

After payment of the full liquidation to the Series C and Series D holders, the holders of the Junior Preferred will be entitled to receive \$2.50, \$1.80, \$2.25, \$2.50, \$4.25, respectively, per share plus any declared and unpaid dividends out of the assets of NewLink available for distribution before any payment of any amount to holders of NewLink common stock. If the assets available for distribution are insufficient to pay the holders of Junior Preferred, then such holders will share ratably in any distribution of the assets of NewLink in proportion to the amounts that would have been payable with respect to their shares if all amounts payable with respect to such shares were paid in full.

After the payment of the full liquidation preference of the Series Preferred, the assets of NewLink legally available for distribution, if any, shall be distributed ratably to the holders of the common stock and Series Preferred on an as-if-converted-to-common-stock basis until such time as the holders of Series A, AA, AAA, and B have received an aggregate amount equal to three times the original issue price (\$28,746,287 at September 30, 2010 and December 31, 2009), the holders of the Series BB have received an aggregate amount equal to two times the original issue price (\$16,208,361 at September 30, 2010 and December 31, 2009). Thereafter, the remaining assets of NewLink legally available for distribution, if any, shall be distributed ratably to the holders of the common stock.

**(e) Additional Preferences**

**Redemption**

If a majority of the outstanding shares of Series AA, B, BB, C and D vote to have NewLink redeem its stock, it must do so in three equal installments beginning on September 30, 2014, provided that NewLink receives 60 days' notice. Redemption price shall equal original sale price plus any declared and unpaid dividends on Series Preferred. NewLink is required on or prior to the redemption date to deposit the funds in trust with a bank or trust company.

**Warrants**

Warrants to purchase 375,000 shares of common stock at \$7.20 per share were issued to Series D Preferred stockholders in conjunction with the purchase of NewLink preferred stock in July of 2009. The warrants can be exercised at any time and expire June 30, 2012. NewLink computed the fair value of the warrants using the Black-Scholes model and determined the fair value of the warrants was *de minimis*.

**Right of First Refusal**

NewLink's major investors have a right of first refusal to acquire certain equity securities issued by NewLink. These rights expire with an IPO.

**Registration Rights**

Under an amended and restated investor rights agreement, following an IPO, certain holders of NewLink common stock will have the right to require NewLink to register their shares with the SEC so that those shares may be publicly resold, or to include those shares in any registration statement NewLink files, subject to specified exemptions, conditions and limitations.

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**11. Subsidiary Preferred Stock Preferences**

During 2006, BPS issued 1,444,721 shares of Series A preferred stock. All deposits received prior to issuance of the shares were considered restricted until the shares of Series A preferred stock were issued. In July 2009, shareholders authorized the issuance of an additional 3,055,279 shares of BPS Series B preferred stock. Prior to the acquisition, BPS's amended Certificate of Incorporation authorized the issuance of 4,500,000 shares of preferred stock at \$0.01 par value. The Board of Directors of BPS has the authority to issue the preferred stock in one or more series and to fix the voting power and such designations, preferences, and rights subject to approval of outstanding preferred series shareholders. The following preferences are in place related to the BPS Series A and B preferred stock:

**(a) Voting Rights**

The BPS Series A and B vote on an as-if-converted-to-common-stock basis (one vote per share). Any action taken by the Board of Directors of BPS or others that would impact the holders of BPS Series A and B must be approved by a majority of the outstanding shares held by BPS Series A and B shareholders.

**(b) Conversion Rights**

The BPS Series A and B will automatically convert into BPS common stock immediately upon the closing of an IPO of BPS common stock, pursuant to an effective registration statement filed by BPS under the Securities Act of 1933 that generates aggregate gross proceeds of not less than \$4.00 per common share and \$10.0 million in aggregate. BPS Series A and B may automatically convert upon a vote of action by the class or at the option of the holder.

**(c) Liquidation Preferences**

In the event of any liquidation, dissolution, or winding up of BPS, whether voluntary or involuntary, the holders of BPS Series B preferred stock will be entitled to receive \$1.75 per share, plus any declared and unpaid dividends out of the assets of BPS available for distribution before any payment of any amount to holders of BPS Series A preferred stock or BPS common stock. If the assets available for distribution are insufficient to pay the holders of BPS Series B preferred stock, then such holders will share ratably in any distribution of the assets of BPS in proportion to the amounts that would have been payable with respect to their shares if all amounts payable with respect to such shares were paid in full.

After payment of the full liquidation to the holders of Series B preferred stock, the holders of Series A preferred stock will be entitled to receive \$1.75 per share, plus any declared and unpaid dividends out of the assets of BPS available for distribution before any payment of any amount to holders of BPS common stock. If the assets available for distribution are insufficient to pay the holders of Series A preferred stock, then such holders will share ratably in any distribution of the assets of BPS in proportion to the amounts that would have been payable with respect to their shares if all amounts payable with respect to such shares were paid in full.

After payment of the full liquidation to the holders of Series A and B preferred stock, the holders of the Series A common stock will be entitled to receive \$0.10 per share (\$700,000 at September 30, 2010) out of the assets of BPS available for distribution before any payment of any amount to holders of the Series B common stock. If the assets available for distribution are insufficient to pay the holders of Series A common stock, then such holders will share ratably in any distribution of the assets of BPS in

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proportion to the amounts that would have been payable with respect to their shares if all amounts payable with respect to such shares were paid in full.

After the payment of the full liquidation preference of the Series A and B preferred stock and Series A common stock, the assets of BPS legally available for distribution, if any, shall be distributed ratably to the holders of the Series A common stock and Series A and B preferred stock on an as-if-converted-to-common-stock basis until such time as the holders of Series A preferred stock have received an aggregate amount equal to two times the original issue price (\$5.1 million at September 30, 2010) and the holders of Series B preferred stock have received an aggregate amount equal to one and one-half times the original issue price (\$1.5 million at September 30, 2010). Thereafter, the remaining assets of BPS legally available for distribution, if any, shall be distributed ratably to the holders of the Series A and B common stock.

**(d) Registration Rights.**

Prior to the acquisition by NewLink of the minority interest in BPS, under an amended and restated investor rights agreement, following an IPO, certain holders of BPS common stock had the right to require BPS to register their shares with the SEC so that those shares could be publicly resold, or to include those shares in any registration statement BPS filed, subject to specified exemptions, conditions and limitations.

**12. Common Stock Equity Incentive Plan**

In April 2000, the stockholders approved NewLink's 2000 Equity Incentive Plan (the "2000 Plan"), and in July 2009, the stockholders approved NewLink's 2009 Equity Incentive Plan (the "2009 Plan"). Following the approval of the 2009 Plan, all options outstanding under the 2000 Plan are effectively included under the 2009 Plan. Under the provisions of the 2009 Plan, NewLink may grant the following types of common stock awards:

- Incentive Stock Options
- Nonstatutory Stock Options
- Restricted Stock Awards
- Stock Appreciation Rights

Awards under the 2009 Plan, as amended, may be made to officers, employees, Board of Directors, advisors, and consultants to NewLink. As of September 30, 2010 and December 31, 2009, an aggregate of 6,885,000 and 5,505,500 shares of common stock, respectively, were reserved for issuance under the 2009 Plan. In May 2010, stockholders authorized an increase of 2,600,000 shares of common stock available for issuance under the plan.

**Stock Options**

The fair value of the awards shall be determined by the Board of Directors in good faith until such time as NewLink's common stock is traded on an established exchange at which time the fair value will be the quoted market price as listed on the public exchange. The estimated fair value of the common stock has been determined by management with the assistance of a third-party appraisal report and an evaluation of milestones achieved. Under provisions of the 2009 Plan, if Incentive Stock Options (ISO) are granted to a 10% stockholder in NewLink, the exercise price shall not be less than 110% of the common stock's fair market value on the date of grant.

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In 2008, all options were granted at an exercise price of \$1.00 per share. Additionally, during 2008, NewLink revised the exercise price for 364,000 options under the Plan. The options were previously issued with exercise prices of \$1.75, \$2.00, or \$3.40 per share and were modified to an exercise price of \$1.00 per share. The result of this change was an increase in compensation expense of \$34,000 and \$46,000 for the years ending December 31, 2009 and 2008, respectively. In January 2009, options were issued at an exercise price of \$1.00 per share. In March 2010, options were issued at an exercise price of \$1.41 per share for grants dated in December 2009, which were subject to pricing based on finalizing NewLink's valuation as of December 31, 2009. In June 2010, options were issued at an exercise price of \$1.46 per share for grants dated in December 2009 and March 2010, which were subject to pricing based on finalizing NewLink's valuation as of March 31, 2010.

The life of the options is 10 years under the 2009 Plan unless an ISO is granted to a stockholder who owns more than 10% of NewLink's outstanding stock, in which case the life may not exceed five years.

The NewLink Board of Directors determines the vesting period for each stock option award. Generally, stock options awarded to date under the 2009 Plan vest 20% or 25% on the first anniversary date of issuance with the remaining options vesting ratably over the next 36 to 48 months, though some options have effective vesting periods that begin prior to the date of grant. The stock options may include provisions for early exercise of options. The shares acquired are invested and are subject to repurchase at NewLink's discretion.

Share-based employee compensation expense for the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008, 2007, and since inception was \$308,000, \$641,108, \$103,198, \$21,902, and \$1.1 million, respectively, and is included as general and administrative wages and salaries expense within the consolidated statements of operations, giving rise to a related tax benefit of \$0. As of September 30, 2010, the total compensation cost related to nonvested option awards not yet recognized was \$3.8 million and the weighted average period over which it is expected to be recognized was 1.8 years. As of December 31, 2009, the total compensation cost related to nonvested option awards not yet recognized was \$667,000 and the weighted average period over which it is expected to be recognized was 1.8 years.

The following table summarizes stock option activity for the nine months ended September 30, 2010:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at beginning of period	3,748,500	\$ 0.92	
Options granted	2,712,250	1.43	
Options exercised	(96,447)	0.33	
Options forfeited	—	—	
Options expired	—	—	
Outstanding at end of period	<u>6,364,303</u>	<u>\$ 1.24</u>	8.0
Options exercisable at end of period	<u>2,657,039</u>	<u>\$ 1.07</u>	7.3

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The following table summarizes stock option activity for the year ended December 31, 2009:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at beginning of period	1,545,500	\$ 0.79	
Options granted	2,267,000	1.00	
Options exercised	(52,865)	0.28	
Options forfeited	(11,135)	1.00	
Options expired	—	—	
Outstanding at end of period	<u>3,748,500</u>	<u>\$ 0.92</u>	8.1
Options exercisable at end of period	<u>2,208,241</u>	<u>\$ 0.87</u>	7.5

The following table summarizes options that were granted during the nine months ended September 30, 2010 and the assumptions used to estimate the fair value of those stock options using a Black-Scholes valuation model:

Number of options granted	2,712,250
Risk-free interest rate	0.1-2.2%
Expected dividend yield	—
Expected volatility	57.4-62.5%
Expected term (in years)	5.0-7.5
Weighted average grant-date fair value per share	\$ 1.21-1.42

The intrinsic value of option exercised during the nine months ending September 30, 2010 was \$32,000. The fair value of awards vested during the nine months ending September 30, 2010 was \$1,103,000.

The following table summarizes options that were granted during the years ended December 31, 2009 and 2008, and the assumptions used to estimate the fair value of those stock options using a Black-Scholes valuation model:

	Year Ended	
	2009	2008
Number of options granted	2,267,500	963,500
Risk-free interest rate	1.6%	1.5%-3.3%
Expected dividend yield	—	—
Expected volatility	44.7%	52.0%-52.1%
Expected term (in years)	7.5	5.5-7.5
Weighted average grant-date fair value per share	\$0.49	\$0.49-0.58

The intrinsic value of options exercised during the year ended December 31, 2009 was \$14,990. The fair value of awards vested during the year ended December 31, 2009 was \$1,707,928.

Although NewLink does not have a formal policy regarding the source of shares issued upon exercise of stock options, these shares were generally issued from treasury stock. As all treasury shares

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were retired in 2007, NewLink expects shares issued upon future stock option exercises to be new shares.

During the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008, 2007, and since inception 320,000, 0, 251,000, 86,000, and 912,000 stock options were granted to nonemployees, respectively. As a result of the issuance of these options, \$33,000, \$63,000, \$29,000, \$9,000, and \$317,000 of expense was recorded in the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008, 2007, and since inception, respectively.

**13. Subsidiary Common Stock Equity Incentive Plan**

In September 2006, the BPS stockholders approved BPS's 2006 Equity Incentive Plan (the "BPS Plan"). Under the provisions of the BPS Plan, prior to the merger described in note 19, BPS could have granted the following types of common stock awards:

- Incentive Stock Options
- Nonstatutory Stock Options
- Restricted Stock Awards
- Stock Appreciation Rights

Awards under the BPS Plan, as amended, could have been made to officers, employees, Board of Directors, advisors, and consultants to BPS. During 2007, BPS authorized up to 3,000,000 shares of BPS's common stock to be awarded under the BPS Plan. During 2008, BPS authorized an increase in the number of shares of BPS's common stock available under the BPS Plan to 3,253,341. During 2009, BPS authorized an increase in the number of shares of BPS's common stock available under the BPS Plan to 3,453,341.

**Stock Options**

The fair value of the awards was determined by the BPS Board of Directors in good faith. The estimated fair value of the common stock was determined by management based on BPS milestones achieved, which provided additional value and the issuance price of preferred stock, discounted for preference items for the Series A and B Preferred, sold to third-party investors. Under provisions of the BPS Plan, if ISOs were granted to a 10% stockholder in BPS, the exercise price could not be less than 110% of the BPS common stock's fair market value on the date of grant. All stock options granted in 2009 and 2008 had an exercise price of \$0.10 per share.

The life of the options is 10 years under the BPS Plan unless an ISO is granted to a stockholder who owns more than 10% of BPS's outstanding stock, in which case the life may not exceed five years.

The BPS Board of Directors determined the vesting period for each stock option award. Generally, stock options awarded to date under the BPS Plan vest 25% on the first anniversary date of issuance with the remaining options vesting ratably over the next 24 to 48 months.

Share-based employee compensation expense for the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008, 2007, and since inception was \$3,000, \$19,000, \$35,000, \$34,000, and \$109,000, respectively, and is included as an expense within the consolidated statements of operations, giving rise to a related tax benefit of \$0. As of September 30, 2010, the total compensation cost related to nonvested option awards not yet recognized was \$10,000 and the weighted average period over which it is expected to be recognized was 2.2 years. As of December 31, 2009, the total

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compensation cost related to nonvested option awards not yet recognized was \$15,000 and the weighted average period over which it is expected to be recognized was 2.4 years.

The following table summarizes stock option activity for the nine months ended September 30, 2010:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at beginning of period	227,500	\$ 0.10	
Options granted	—	—	
Options exercised	—	—	
Options forfeited	—	—	
Options expired	—	—	
Outstanding at end of period	227,500	\$ 0.10	8.2
Options exercisable at end of period	86,491	\$ 0.10	8.0

The following table summarizes stock option activity for the year ended December 31, 2009:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at beginning of period	40,000	\$ 0.09	
Option granted	189,000	0.10	
Options exercised	—	—	
Options forfeited	(1,500)	0.10	
Options expired	—	—	
Outstanding at end of period	227,500	\$ 0.10	8.9
Options exercisable at end of period	56,025	\$ 0.09	8.9

The fair value of awards vested during the nine months ending September 30, 2010 was \$58,000.

The following table summarizes options that were granted during the years ended December 31, 2009 and 2008 and the assumptions used to estimate the fair value of those stock options using a Black-Scholes valuation model:

	Year Ended	
	2008	2009
Number of options granted	31,200	189,000
Risk-free interest rate	1.7%-2.7%	1.6%-2.3%
Expected dividend yield	—	—
Expected volatility	75.2%-75.5%	62.5%-64.2%
Expected term (in years)	7.0-7.5	7.5
Weighted average grant date fair value per share	\$ 0.07	\$0.06-0.07

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The fair value of awards vested during 2009 was \$70,446.

BPS common stock bonuses during the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008, 2007, and from inception totaled 0, 0, 1,200, 0, and 58,343 shares, respectively. To date, there have been no issues of rights to acquire restricted common stock.

During the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008, 2007, and since inception, 0, 30,000, 0, 0, and 200,000 in stock options were granted to nonemployees, respectively. As a result of the issuance of these options, \$169, \$3,000, \$2,000, \$2,000, and \$8,000 of expense was recorded in the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008, and 2007, and since inception, respectively.

#### 14. Income Taxes

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and the deferred tax liability at September 30, 2010 are presented below (in thousands):

Deferred tax assets:	
Net operating loss carryforwards	\$ 12,137
Federal research credits	1,946
Gross deferred tax assets	14,083
Less valuation allowance	(13,977)
Net deferred tax assets	106
Deferred tax liability:	
Equipment	(106)
Total net deferred tax assets	\$ —

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and the deferred tax liability at December 31, 2009 and 2008 are presented below (in thousands):

	Year Ended	
	2008	2009
Deferred tax assets:		
Net operating loss carryforwards	\$ 7,802	\$ 9,786
Federal research credits	1,787	1,888
Accruals	468	—
Gross deferred tax assets	10,057	11,674
Less valuation allowance	(9,989)	(11,581)
Net deferred tax assets	68	93
Deferred tax liability:		
Equipment	(68)	(93)
Total net deferred tax assets	\$ —	\$ —

The valuation allowance for deferred tax assets as of September 30, 2010 and December 31, 2009 and 2008 was \$14.0 million, \$11.6 million and \$10.0 million, respectively. The net change in the total valuation allowance for the nine months ended September 30, 2010 and the years ended December 31,

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2009 and 2008 was an increase of \$2.4 million, \$1.6 million and \$2.5 million, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected taxable income, and tax planning strategies in making this assessment. Valuation allowances have been established for the entire amount of the net deferred tax assets as of September 30, 2010 and December 31, 2009 and 2008, due to the uncertainty of future recoverability.

Net operating loss carryforwards as of December 31, 2009 for approximately \$46.6 million and federal research credit carryforwards of approximately \$1.9 million expire at various dates from 2020 through 2029. The Company's ability to utilize its tax loss carryforwards is subject to limitations by Section 382 of the Internal Revenue Code, which can limit taxpayers' ability to utilize their tax loss carryforwards when they have significant shifts in their ownership. Based on a preliminary analysis, management believes that one or more ownership changes may have already occurred. Moreover, it is possible that this IPO may cause an additional ownership change to occur. The Company is in the process of analyzing the extent to which Section 382 will limit the future utilization of its tax attributes as a result of any such ownership changes.

The Company incurred no income tax expense for the nine months ended September 30, 2010 and the years ended December 31, 2009 and 2008 and 2007, respectively. Income tax expense differs from the amount that would be expected after applying the statutory U.S. federal income tax rate primarily due to changes in the valuation allowance for deferred taxes.

**15. Net Loss per Common Share**

Basic net loss per share is calculated by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period, without consideration of common stock equivalents. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted average number of common share equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, preferred stock, stock options and warrants are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

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**Notes to Consolidated Financial Statements — (Continued)**

The following table presents the computation of basic and diluted net loss per common share (in thousands, except per share data):

	<b>Years Ended December 31,</b>			<b>Nine Months Ended</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>September 30,</b>	
	<b>2009</b>	<b>2010</b>			
<b>Historical net loss per share</b>					
Numerator					
Net loss attributable to common stockholders	\$ (7,580)	\$ (9,162)	\$ (9,442)	\$ (7,367)	\$ (11,181)
Denominator					
Weighted-average common shares outstanding	6,460	6,542	6,636	6,615	6,835
Denominator for basic and diluted net loss per share	6,460	6,542	6,636	6,615	6,835
Basic and diluted net loss per share	<u>\$ (1.17)</u>	<u>\$ (1.40)</u>	<u>\$ (1.42)</u>	<u>\$ (1.11)</u>	<u>\$ (1.64)</u>
<b>Pro forma as adjusted net loss per common share</b>					
<b>(unaudited)</b>					
Numerator					
Net loss attributable to common stockholders			\$ (9,442)		\$ (11,181)
Net loss used to compute pro forma as adjusted net loss per share			<u>\$ (9,442)</u>		<u>\$ (11,181)</u>
Denominator					
Basic and diluted weighted-average common shares, as used above			6,636		6,835
Weighted-average shares used in computing pro forma as adjusted basic and diluted net loss per common share					
Pro forma as adjusted basic and diluted net loss per common share			<u>\$</u>		<u>\$</u>

The numerator was not adjusted for the stock dividend paid on the Series AA preferred stock as the impact is not material. Potentially dilutive securities not included in the calculation of diluted net loss per common share because to do so would be anti-dilutive are as follows (in common equivalent shares):

	<b>As of December 31,</b>			<b>Nine Months Ended</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>September 30,</b>	
	<b>2009</b>	<b>2010</b>			
Preferred stock	6,283,769	9,870,390	13,783,769	13,676,590	13,783,769
Common stock warrants	—	—	375,000	375,000	375,000
Common stock options	1,013,500	1,545,500	3,748,500	3,749,500	6,364,303
	<u>7,297,269</u>	<u>11,415,890</u>	<u>17,907,269</u>	<u>17,801,090</u>	<u>20,523,072</u>

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**16. Licensing Agreements**

We are subject to a number of licensing agreements with respect to certain of the technologies that underlie our intellectual property. Unless otherwise noted, these agreements typically provide that we have exclusive rights to the use and sublicensing of the technologies in question for the duration of the intellectual property patent protection in question, subject to our meeting of our financial and other contractual obligations under the agreements. Certain of the key licensing agreements include the following:

*Central Iowa Health Systems.* We are a party to a license agreement, or the CIHS Agreement, dated August 2, 2001, with the Central Iowa Health System, or CIHS. The CIHS Agreement grants to us an exclusive, worldwide license to make, have made, use, import, sell and offer for sale products that are covered by certain CIHS patent rights, proprietary information and know-how relating to our HyperAcute immunotherapy technology. In partial consideration of the license under the CIHS Agreement, we entered into a stock purchase agreement with CIHS, under which we issued to CIHS shares of our common stock and granted CIHS certain rights related to ownership of such shares.

In addition, we must reimburse CIHS for out-of-pocket costs incurred for patent prosecution and maintenance. If we commercialize a licensed product, we also have the obligation to pay CIHS royalties as a percentage of net sales of the licensed product, subject to annual minimum royalties and a reduction for any royalty payments we must make to third parties. If we grant a sublicense under the licenses granted by CIHS, we must pay to CIHS a percentage of certain consideration paid by the sublicensee to us. Under the CIHS Agreement, we must use commercially reasonable efforts to develop and commercialize licensed products, to obtain necessary regulatory approvals and to launch and market such products in specified markets.

*Drexel University.* We are party to a license agreement, or the Drexel Agreement, dated October 13, 2004 with Drexel University, or Drexel. The Drexel Agreement grants us, and our affiliates, an exclusive, worldwide license, under specified Drexel patent rights relating to compositions and methods for vaccines based on alpha-galactosyl epitopes, to make, have made, use, import, sell and offer for sale vaccine products that are covered by such patent rights, or that use related Drexel technical information, for use in the diagnosis and treatment of cancer, viral and other infectious disease.

In consideration of our license under the Drexel Agreement, we have paid and are obligated to continue to pay specified license fees, milestone payments, annual license maintenance fees, reimbursement of patent prosecution costs, and royalty payments as a percentage of "net sales" of any licensed product that is commercialized, subject to minimum royalty payments. Royalty rates vary depending on the type of licensed product, the territory where it is sold and whether the licensed product is combined with other technologies. In addition, if we grant a sublicense under the license granted by Drexel, we must pay Drexel a percentage of the consideration paid by the sublicensee to us. In accordance with a development plan included in the Drexel Agreement, we are obligated to use commercially reasonable efforts to develop and market products covered by the license as soon as practicable.

*Lankenau Institute for Medical Research — IDO-1.* We are a party to a license agreement dated July 7, 2005, as amended May 22, 2006 and September 11, 2007, or the IDO-1 Agreement, with Lankenau Institute for Medical Research, or LIMR. The IDO-1 Agreement grants us an exclusive, worldwide license, under specified LIMR patent rights relating to inhibitors of indoleamine 2,3-dioxygenase, or IDO-1, and related LIMR technology, to make, have made, use, import, sell and offer for sale products

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Notes to Consolidated Financial Statements — (Continued)**

that are covered by such patent rights for use in the field of animal and human therapeutics and diagnostics.

In consideration of the license grant, we are obligated to pay to LIMR specified license fees, annual license maintenance fees, reimbursement of past patent prosecution costs, milestone payments if certain development milestones are met, and royalties as a percentage of net sales of the licensed products if a licensed product is commercialized. In addition, if we grant a sublicense under the IDO-1 Agreement, we must to pay to LIMR a percentage of the consideration received by us from the sublicensee. Under the IDO-1 Agreement, we are obligated to use commercially reasonable efforts to develop and market the licensed products, and to achieve certain specific development milestones by agreed-upon deadlines.

*Medical College of Georgia.* We are a party to a License Agreement dated September 13, 2005, or the MCGRI Agreement, with Medical College of Georgia Research Institute, or MCGRI which was amended on April 27, 2006 and February 13, 2007. The MCGRI Agreement grants us, including our affiliates, an exclusive, worldwide license, under specified MCGRI patent rights and related technology to make, have made, use, import, sell and offer for sale products that are covered by licensed patent rights or incorporates or uses licensed technology in all medical applications.

In consideration of such license grant, we are obligated to pay to MCGRI specified license fees (including issuing shares of our common stock), annual license maintenance fees, reimbursement of patent prosecution costs, milestone payments, and royalties as a percentage of net sales of the licensed products, subject to minimum royalty payments and royalty rates depending on the type of license product. In addition, if we grant a sublicense under the license granted by MCGRI, we must pay to MCGRI a percentage of the consideration we receive from the sublicensee. Under the agreement, we are obligated to make certain investments toward the further development of licensed products within specified time periods.

*University of British Columbia.* We are a party to a license agreement dated February 1, 2007, or the UBC License, with the University of British Columbia, or UBC. The UBC License grants us an exclusive, worldwide license, under specified UBC patent rights relating to IDO-1 inhibitors and related technology, to make, have made, use, import, sell and offer for sale products that are covered by licensed patent rights or incorporates or uses licensed technology. In addition, the UBC License grants us an option to obtain an exclusive, worldwide license to new IDO-1 inhibitors related technology developed during the term of the agreement.

In consideration of the license grant, we must pay to UBC specified license fees, annual payment and license maintenance fees, reimbursement of patent prosecution costs, milestone payments, and royalties as a percentage of net revenue of the licensed product if a licensed product is commercialized, which royalty rate varies depending on the type of license product and field of use. In addition, if we grant a sublicense under the licenses granted by UBC, we may be required to pay to UBC a percentage of certain consideration we receive from the sublicensee. We are obligated to use our commercially reasonable efforts to develop and market the licensed products, and to achieve certain specific development milestones by agreed-upon deadlines.

*LIMR — IDO-2.* We are a party to a license agreement, or the LIMR IDO-2 Agreement, executed December 21, 2007 with LIMR. The LIMR IDO-2 Agreement grants us an exclusive, worldwide license, under specified LIMR patent rights relating to inhibitors of the target Indoleamine 2,3 Dioxygenase-2, or IDO-2, and under related LIMR know-how or technology, to make, have made, use, import, sell and offer for sale products and services that are covered by such patent rights, for all uses.

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In consideration of the license grant, we have paid to LIMR an upfront license fee and annual license maintenance fees, and are obligated to pay LIMR annual license maintenance fees, additional milestone payments and, if a licensed product is commercialized, royalties as a percentage of "net sales" of the licensed product, subject to reduction for our royalty payments to third parties. In addition, if we grant a sublicense under the licenses granted by LIMR, we must pay to LIMR a percentage of the consideration paid by the sublicensee to us. Under the LIMR IDO-2 Agreement, we have agreed to use our commercially reasonable efforts to develop and exploit products covered by the license.

*2009 LIMR Exclusive License Agreement.* We are a party to a license agreement, or the 2009 LIMR Agreement, dated April 23, 2009 with LIMR. The 2009 LIMR Agreement grants us an exclusive, worldwide license, under specified LIMR patent rights relating to IDO inhibitors, and under related LIMR know-how or technology, to make, have made, use, import, sell and offer for sale products and services that are covered by such patent rights, for all uses. In consideration of such license grant, we are obligated to pay LIMR milestone payments and royalties as a percentage of "net sales" of the licensed product, subject to reduction for our royalty payments to third parties and to LIMR under the IDO-1 Agreement or LIMR IDO-2 Agreement. In addition, if we grant a sublicense under the licenses granted by LIMR, we must pay to LIMR a percentage of the consideration paid by the sublicensee to us.

*Bresagen Patent License Agreement.* We are a party to a license agreement, or the Bresagen Agreement, dated March 1, 2006 with Bresagen Xenograft Marketing Ltd, or Bresagen. The Bresagen Agreement grants us a non-exclusive, non-sublicensable license to specified Bresagen patent rights for use in testing microbial and cancer vaccines. In consideration of such license grant, we are obligated to pay Bresagen an up front license fee and an annual license fee.

**17. Employee Benefit Plans**

The Company sponsors a 401(k) plan, which includes a defined contribution feature. The Company contributed \$104,000, \$90,000, \$120,000, \$107,000, and \$475,000 for the nine months ended September 30, 2010, the years ended December 31, 2009, 2008, 2007, and since inception, respectively.

**18. Related-Party Transactions**

On May 7, 2010, the Board of Directors voted to forgive notes receivable and related outstanding interest from two officers. Bonuses of \$192,236 were paid to cover the resulting tax liabilities for these individuals. To offset the forgiveness, the options for the officers were modified in July 1, 2010, to increase the intrinsic value equal to the amount of loan forgiveness. As of December 31, 2009, the Company was owed \$850,000 in various notes receivable by its executive management team. The notes carry interest rates ranging from 2.42% to 6.00% and will mature within the next 16 months. Certain purchasing activities are outsourced to a company owned by an immediate family member of the Company's controller. Total purchases through this related party were \$29,000, \$30,000, \$78,000, \$77,000, and \$260,000 for the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008, 2007, and since inception, respectively. The Company paid fees to this related party for consulting services of approximately \$0, \$0, \$0, \$7,000, and \$7,000 for the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008, 2007, and since inception, respectively.

**19. Subsequent Events (Unaudited as to events after July 21, 2010)**

In May 2009, the FASB issued new authoritative guidance on the accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued. Events that

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**Notes to Consolidated Financial Statements — (Continued)**

occurred subsequent to September 30, 2010 have been evaluated by management through the filing date of this registration statement.

Between December 2009 and September 2010, BPS sold 555,930 shares of its Series B preferred stock.

On July 29, 2010 the Company entered into an amendment of the stock purchase agreement with OncoRx to reduce the remaining shares payable under the third and fourth installments by accelerating the payment of such installments to the effective date. In consideration for accelerated stock payment, the Company received a 30% discount on the remaining shares payable, reducing total shares payable under the agreement by 156,122 shares.

On October 8, 2010, the Company reserved 5,000,000 shares of common stock for issuance upon conversion of any shares of Series E preferred stock.

On October 8, 2010, the Company granted options to purchase 26,500 shares of common stock under its 2009 Equity Incentive Plan.

On October 21, 2010, a stockholder exercised a warrant for 375,000 shares of common stock at an aggregate purchase price of \$2.0 million. The warrant had initially been issued in connection with the Series D preferred stock financing with an exercise price of \$7.20 per share. The exercise price of the warrant was reduced in 2010 in exchange for the holder's agreement to exercise the warrant at that time.

On October 29, 2010, the Company approved employment agreements for certain executives which provide for the payment of 24, 12 or 6 months of base salary upon termination of the executive in certain circumstances and group health insurance premiums plus accrued obligations. The agreements include provisions to accelerate the vesting of stock options subject to certain events including those related to a change in control.

On October 29, 2010, the Company adopted an Employee Stock Purchase Plan and a Director Stock Option Plan and reserved 950,000 shares of common stock for issuance under the plans.

On November 23, 2010, the Company filed a Restated Certificate of Incorporation that increased the authorized shares of common stock to 38,833,334 shares, increased the authorized shares of preferred stock to 17,166,666 shares, and designated 1,000,000 share of preferred stock as Series E preferred stock.

Between December 1, 2010 and December 13, 2010, the Company issued and sold to investors an aggregate of 248,320 shares of Series E preferred stock at a purchase price of \$31.25 per share, for aggregate consideration of \$7.8 million. The Series E preferred stock has similar preferences to the Series Preferred described in note 10, except that the Series E preferred stock converts to common at a 15% discount to any IPO price with a floor of \$6.25 per share.

On December 1, 2010, NewLink entered into an agreement to acquire all of the minority interest in BPS, by merging a newly-formed subsidiary of NewLink with BPS, with BPS as the surviving corporation. Upon closing, NewLink will issue an aggregate of 276,304 shares of our Series E preferred stock with a value of \$8.6 million to the holders of BPS Series B common stock, Series A preferred stock and Series E preferred stock. As NewLink and BPS are under common control, the acquisition is treated as an equity transaction. Upon closing, BPS will be a wholly-owned subsidiary of NewLink. All options to purchase shares of BPS stock will become options to purchase NewLink's common stock.

On December 9, 2010, the Company granted options to purchase 25,000 shares of common stock under its 2009 Equity Incentive Plan.

Shares



**Common Stock**

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PRELIMINARY PROSPECTUS

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, 2010

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**Wells Fargo Securities**

**Cowen and Company**

**Baird**

**Canaccord Genuity**

**Needham & Company, LLC**

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Until \_\_\_\_\_, 2010, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions.

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 13. Other expenses of issuance and distribution.**

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, paid or payable by us in connection with the sale of the common stock being registered. All amounts shown are estimates except for the Securities Exchange Commission, or SEC, registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the listing fee for the NASDAQ Global Market.

	<b>Amount Paid or to be Paid</b>
SEC registration fee	\$ 6,150
FINRA filing fee	9,125
The NASDAQ Global Market listing fee	25,000
Blue sky qualification fees and expenses	*
Printing expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous expenses	*
Total	<u>\$ *</u>

**Item 14. Indemnification of directors and officers.**

We are incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law provides that a Delaware corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was an officer, director, employee or agent of such corporation, or is or was serving at the request of such person as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. A Delaware corporation may indemnify any persons who are, or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses which such officer or director has actually and reasonably incurred. Our amended and restated certificate of incorporation and amended and restated bylaws, each of which will become effective upon the completion of this offering, provide for the indemnification of our directors and officers to the fullest extent permitted under the Delaware General Corporation Law.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

- transaction from which the director derives an improper personal benefit;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or redemption of shares; or
- breach of a director's duty of loyalty to the corporation or its stockholders.

Our amended and restated certificate of incorporation and amended and restated bylaws include such a provision. Expenses incurred by any officer or director in defending any such action, suit or proceeding in advance of its final disposition shall be paid by us upon delivery to us of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified by us.

Section 174 of the Delaware General Corporation Law provides, among other things, that a director who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption may be held liable for such actions. A director who was either absent when the unlawful actions were approved, or dissented at the time, may avoid liability by causing his or her dissent to such actions to be entered in the books containing minutes of the meetings of the Board of Directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

As permitted by the Delaware General Corporation Law, we have entered into indemnity agreements with each of our directors and executive officers, that require us to indemnify such persons against any and all expenses (including attorneys' fees), witness fees, damages, judgments, fines, settlements and other amounts incurred (including expenses of a derivative action) in connection with any action, suit or proceeding, whether actual or threatened, to which any such person may be made a party by reason of the fact that such person is or was a director, an officer or an employee of NewLink or any of its affiliated enterprises, provided that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to our best interests and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The indemnification agreements also set forth certain procedures that will apply in the event of a claim for indemnification thereunder.

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

We have an insurance policy covering our officers and directors with respect to certain liabilities, including liabilities arising under the Securities Act of 1933, as amended, or the Securities Act, or otherwise.

We have entered into an underwriting agreement which provides that the underwriters are obligated, under some circumstances, to indemnify our directors, officers and controlling persons against specified liabilities, including liabilities under the Securities Act.

Reference is made to the following documents filed as exhibits to this registration statement regarding relevant indemnification provisions described above and elsewhere herein:

<u>Exhibit Document</u>	<u>Number</u>
Form of Underwriting Agreement	1.1
Form of Amended and Restated Certificate of Incorporation to be effective upon completion of this offering	3.2
Form of Amended and Restated Bylaws to be effective upon completion of this offering	3.4
Form of Indemnity Agreement	10.50

**Item 15. Recent sales of unregistered securities.**

The following list sets forth information regarding all securities sold by us in the three years preceding the filing of this Registration Statement:

- (1) Between February 8, 2008 and December 17, 2009, in connection with our Series C preferred stock financing, we issued and sold an aggregate of 6,000,000 shares of Series C preferred stock to 142 accredited investors at 33 closings, at a purchase price of \$5.00 per share, for aggregate consideration of \$30.0 million. Upon completion of this offering, these shares will convert into 6,000,000 shares of common stock.
- (2) On July 17, 2009, in connection with our Series D preferred stock financing, we issued and sold an aggregate of 1,500,000 shares of Series D preferred stock to one accredited investor at one closing, at a purchase price of \$5.00 per share, for aggregate consideration of \$7.5 million. Upon completion of this offering, these shares will convert into 1,500,000 shares of common stock.
- (3) Between December 1, 2010 and December 13, 2010, in connection with our Series E preferred stock financing, we issued and sold an aggregate of 248,320 shares of Series E preferred stock to 39 accredited investors at two closings, at a purchase price of \$31.25 per share, for aggregate consideration of \$7.8 million. Upon completion of this offering, these shares will convert into 1,241,600 shares of common stock.
- (4) On July 17, 2009, we issued a warrant to Midwest Oilseeds, Inc. to purchase an aggregate of 375,000 shares of our common stock, with an initial exercise price of \$7.20 per share. On October 7, 2010, this warrant was amended and on October 21, 2010 the warrant was exercised for 375,000 shares of common stock at an aggregate exercise price of \$2.0 million.
- (5) From October 30, 2000 to August 6, 2008, we granted stock options under our 2000 Equity Incentive Plan to purchase 1,697,152 shares of common stock (net of expirations and cancellations) to our employees, directors and consultants, having exercise prices ranging from \$0.25 to \$1.00 per share. Of these, options to purchase 312,099 shares of common stock have been exercised through September 30, 2010, for aggregate consideration of \$91,062, at exercise prices ranging from \$0.25 to \$1.00 per share. In addition, we granted stock awards for 38,787 shares of our common stock in exchange for services rendered.
- (6) From May 13, 2009 to June 2, 2010, we granted stock options under our 2009 Equity Incentive Plan to purchase 4,992,250 shares of common stock (net of expirations and cancellations) to our employees, directors and consultants, having exercise prices ranging from \$1.00 to \$1.91 per share. Of these, none of the options to purchase shares of common stock have been exercised through September 30, 2010.
- (7) From May 13, 2009 to December 4, 2009, we granted stock options under our 2009 Equity Incentive Plan to purchase 2,438,275 shares of common stock (net of expirations and cancellations) to Dr. Charles Link, having exercise prices ranging from \$1.00 to \$2.00 per

share. Of these, none of the options to purchase shares of common stock have been exercised through September 30, 2010.

- (8) On September 3, 2010, we issued 50,000 shares of our common stock to Reconstitute, LLC, pursuant to the terms of a Termination Agreement by which we terminated a license agreement with Reconstitute. The stock was issued in consideration of Reconstitute's performance of certain provisions of the license agreement prior to termination and Reconstitute's agreement to terminate the license agreement.
- (9) On July 29, 2010, we issued 364,285 shares of our common stock to nine accredited investors pursuant to the July 21, 2005 purchase agreement with the shareholders of OncoRx Corporation. This issuance was the third and final installment of shares payable under the July 21, 2005 purchase agreement.

The offers, sales and issuances of the securities described in paragraphs (1), (2), (3), (4), (7), (8) and (9) were deemed to be exempt from registration under the Securities Act in reliance on Rule 506 of Regulation D in that the issuance of securities to the accredited investors did not involve a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited investor under Rule 501 of Regulation D.

The offers, sales and issuances of the securities described in paragraphs (5) and (6) were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 in that the transactions were under compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of such securities were our employees, directors or bona fide consultants and received the securities under our 2000 Equity Incentive Plan or 2009 Equity Incentive Plan. Appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions had adequate access, through employment, business or other relationships, to information about us.

## Item 16. Exhibits and Financial Statement Schedules

### EXHIBIT INDEX

Exhibit Number	Description
1.1#	Form of Underwriting Agreement
3.1	Restated Certificate of Incorporation filed on November 23, 2010
3.2#	Form of Amended and Restated Certificate of Incorporation to be effective upon completion of this offering
3.3	Bylaws, as currently in effect
3.4#	Form of Amended and Restated Bylaws to be effective upon completion of this offering
4.1#	Form of the Registrant's Common Stock Certificate
4.2	Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4
5.1#	Opinion of Cooley LLP
10.1#	Form of Lock-up Agreement
10.2†	2000 Equity Incentive Plan
10.3†	Form of Stock Option Agreement under 2000 Equity Incentive Plan
10.4†	Form of Stock Option Grant Notice under 2000 Equity Incentive Plan
10.5†	Form of Stock Bonus Agreement under 2000 Equity Incentive Plan
10.6†	Amended and Restated 2009 Equity Incentive Plan
10.7†	Form of Stock Option Agreement under 2009 Equity Incentive Plan

<b>Exhibit Number</b>	<b>Description</b>
10.8†	Form of Stock Option Grant Notice under 2009 Equity Incentive Plan
10.9†	2010 Employee Stock Purchase Plan
10.10†	2010 Non-Employee Directors' Stock Award Plan
10.11†#	Form of Indemnity Agreement by and between Registrant and its directors and executive officers
10.12†	Employment Agreement, dated as of December 6, 2010, by and between Registrant and Charles J. Link, Jr.
10.13†	Employment Agreement, dated as of November 22, 2010, by and between Registrant and Nicholas N. Vahanian
10.14†	Employment Agreement, dated as of June 26, 2008, by and between Registrant and Gordon H. Link, Jr.
10.15†	Employment Agreement, dated as of November 22, 2010, by and between Registrant and Gordon H. Link, Jr.
10.16†	Employment Agreement, dated as of November 22, 2010, by and between Registrant and Kenneth Lynn
10.17†	Employment Agreement, dated as of November 22, 2010, by and between Registrant and W. Jay Ramsey
10.18†	Form of Employee Proprietary Information and Inventions Agreement.
10.19*	License Agreement dated July 7, 2005 by and between Registrant and Lankenau Institute for Medical Research
10.20*	First Amendment to License Agreement dated May 22, 2006 by and between Registrant and Lankenau Institute for Medical Research
10.21*	Second Amendment to License Agreement September 11, 2007 by and between Registrant and Lankenau Institute for Medical Research
10.22*	Exclusive License Agreement executed December 21, 2007 by and between Registrant and Lankenau Institute for Medical Research
10.23*	Exclusive License Agreement effective April 23, 2009 by and between Registrant and Lankenau Institute for Medical Research
10.24*	License Agreement dated February 27, 2007 by and between Registrant and University of British Columbia
10.25*	License Agreement dated October 13, 2004 by and between Registrant and Drexel University
10.26*	License Agreement dated August 2, 2001 by and between Registrant and Central Iowa Health System
10.27*	Cooperative Research and Development Agreement (CRADA #1901) dated January 5, 2004 by and between Registrant and National Cancer Institute
10.28*	Amendment No. 1 to CRADA #1901 dated October 20, 2004 by and between Registrant and National Cancer Institute
10.29*	Amendment No. 2 to CRADA #1901 dated August 5, 2008 by and between Registrant and National Cancer Institute
10.30*	Letter of Intent for Cooperative Research and Development Agreement (CRADA #2166) dated May 7, 2007 by and between Registrant and National Cancer Institute
10.31*	Amendment No. 1 to Letter of Intent for CRADA #2166 dated January 17, 2008 by and between Registrant and National Cancer Institute
10.32*	Amendment No. 2 to Letter of Intent for CRADA #2166 dated July 7, 2008 by and between Registrant and National Cancer Institute
10.33*	Amendment No. 3 to Letter of Intent for CRADA #2166 dated March 24, 2009 by and between Registrant and National Cancer Institute
10.34*	Amendment No. 4 to Letter of Intent for CRADA #2166 dated October 28, 2009 by and between Registrant and National Cancer Institute

<b>Exhibit Number</b>	<b>Description</b>
10.35*	Amendment No. 5 to Letter of Intent for CRADA #2166 dated December 16, 2009 by and between Registrant and National Cancer Institute
10.36*	Amendment No. 6 to Letter of Intent for CRADA #2166 dated June 29, 2010 by and between Registrant and National Cancer Institute
10.37*	License Agreement dated September 13, 2005 by and between Registrant and Medical College of Georgia Research Institute, Inc.
10.38*	First Amendment to License Agreement dated April 27, 2006 by and between Registrant and Medical College of Georgia Research Institute, Inc.
10.39*	Second Amendment to License Agreement dated April 27, 2006 by and between Registrant and Medical College of Georgia Research Institute, Inc.
10.40*	Third Amendment to License Agreement dated February 13, 2007 by and between Registrant and Medical College of Georgia Research Institute, Inc.
10.41*	Patent License Agreement dated March 1, 2006 by and between Registrant and Bresagen Xenograft Marketing Ltd.
10.42*	Research Agreement effective September 5, 2006 by and between Registrant and Medical College of Georgia Research Institute, Inc.
10.43*	First Amendment to Research Agreement dated August 21, 2007 by and between Registrant and Medical College of Georgia Research Institute, Inc.
10.44*	Second Amendment to Research Agreement dated March 12, 2009 by and between Registrant and Medical College of Georgia Research Institute, Inc.
10.45*	Research Agreement effective February 17, 2009 by and between Registrant and Medical College of Georgia Research Institute, Inc.
10.46	Lease dated September 1, 2000 by and between Registrant and Iowa State University Research Park Corporation
10.47	Sublease Agreement effective February 1, 2001 by and between Registrant and Iowa State Innovation System
10.48	Memorandum of Agreement dated December 6, 2005 by and between Registrant and Iowa State University Research Park Corporation
10.49	Memorandum of Agreement dated April 13, 2006 by and between Registrant and Iowa State University Research Park Corporation
10.50	Memorandum of Agreement dated February 20, 2008 by and between Registrant and Iowa State University Research Park Corporation
10.51	Memorandum of Agreement dated May 1, 2009 by and between Registrant and Iowa State University Research Park Corporation
10.52	Memorandum of Agreement dated March 24, 2010 by and between Registrant and Iowa State University Research Park Corporation
10.53	Lease dated September 30, 2009 by and between Registrant and Iowa State University Research Park Corporation
10.54	Promissory Note executed in 2009 by and between Registrant and Iowa State University Research Park Corporation
10.55	Forgivable Loan Agreement dated March 10, 2010 by and between Registrant and City of Ames, Iowa
10.56	Iowa Values Fund Agreement dated March 18, 2005 by and between Registrant and Iowa Department of Economic Development
10.57	Contract Amendment dated August 19, 2010 between Registrant and Iowa Department of Economic Development
10.58	Master Contract dated December 29, 2005 by and between Registrant and Iowa Department of Economic Development
10.59	Contract Amendment dated April 21, 2009 between Registrant and Iowa Department of Economic Development

<b>Exhibit Number</b>	<b>Description</b>
10.60	Contract Amendment dated August 19, 2010 between Registrant and Iowa Department of Economic Development
10.61*	Exclusive License Agreement dated July 29, 2008 by and between the Regents of the University of California and BioProtection Systems Corporation
10.62*	Sole License Agreement executed May 4, 2010 by and between Her Majesty the Queen in Right of Canada and BioProtection Systems Corporation
21.1	Subsidiary Information
23.1	Consent of KPMG LLP, independent registered public accounting firm
23.2#	Consent of Cooley LLP (included in Exhibit 5.1)
24.1	Power of Attorney (see signature page of this registration statement)

# To be filed by amendment

† Indicates management contract or compensatory plan

\* Indicates confidential treatment has been requested with respect to specific portions of this exhibit. Omitted portions have been filed with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

**(b) Financial statement schedule.**

No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or notes.

**Item 17. Undertakings.**

The undersigned Registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Ames, State of Iowa, on December 21, 2010.

NEWLINK GENETICS CORPORATION

By: /s/ CHARLES J. LINK, JR.

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Charles J. Link, Jr.  
Chief Executive Officer, Chairman of the Board

## POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Charles Link, Jr. and Gordon Link, and each of them, as his true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him and in his name, place or stead, in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments), and to sign any registration statement for the same offering covered by this registration statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act, and all post-effective amendments thereto, and to file the same, with exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<hr/> /s/ CHARLES J. LINK, JR. Charles J. Link, Jr.	Chief Executive Officer, Chairman of the Board and Director ( <i>Principal Executive Officer</i> )	December 21, 2010
<hr/> /s/ GORDON H. LINK, JR. Gordon H. Link, Jr.	Chief Financial Officer and Secretary ( <i>Principal Financial and Accounting Officer</i> )	December 21, 2010
<hr/> /s/ THOMAS A. RAFFIN Thomas A. Raffin	Director	December 21, 2010
<hr/> /s/ ERNEST J. TALARICO, III Ernest J. Talarico, III	Director	December 21, 2010
<hr/> /s/ DAVID J. LUNDQUIST David J. Lundquist	Director	December 21, 2010
<hr/> /s/ SARAH ALEXANDER Sarah Alexander	Director	December 21, 2010
<hr/> /s/ JOSEPH SALURI Joseph Saluri	Director	December 21, 2010



# Delaware

PAGE 1

*The First State*

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "NEWLINK GENETICS CORPORATION", FILED IN THIS OFFICE ON THE TWENTY-THIRD DAY OF NOVEMBER, A.D. 2010, AT 7:17 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

3051879 8100

101119271

You may verify this certificate online  
at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)



  
Jeffrey W. Bullock, Secretary of State  
AUTHENTICATION: 8377047

DATE: 11-24-10

**RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
NEWLINK GENETICS CORPORATION**

Charles J. Link, Jr. hereby certifies that:

**ONE:** The date of filing the original Certificate of Incorporation of this company with the Secretary of State of the State of Delaware was June 4, 1999 under the name NewLink Genetics Corporation.

**TWO:** He is the duly elected and acting Chief Executive Officer of NewLink Genetics Corporation, a Delaware corporation.

**THREE:** The Certificate of Incorporation of this company is hereby amended and restated to read as follows:

**I.**

The name of this company is NewLink Genetics Corporation (the "Company").

**II.**

The address of the registered office of the Company in the State of Delaware is:

2711 Centerville Road, Suite 400  
Wilmington, DE 19808  
County of New Castle

The name of the Company's registered agent at said address is Corporation Service Company.

**III.**

The purpose of the Company is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law ("DGCL").

**IV.**

**A.** The Company is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Company is authorized to issue is 56,000,000 shares, 38,833,334 shares of which shall be Common Stock (the "Common Stock") and 17,166,666 shares of which shall be Preferred Stock (the "Preferred Stock"). The Preferred Stock shall have a par value of One Cent (\$0.01) per share and the Common Stock shall have a par value of One Cent (\$0.01) per share.

**B.** The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares of Common Stock then outstanding) by the affirmative vote of the holders of a majority of the stock of the Company (voting together as a single class on an as-if-converted basis).

**C.** Four hundred fifty thousand (450,000) of the authorized shares of Preferred Stock are hereby designated "Series A Preferred Stock" (the "Series A Stock").

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**D.** One million two hundred fifty thousand (1,250,000) of the authorized shares of Preferred Stock are hereby designated "Series AA Preferred Stock" (the "Series AA Stock").

**E.** Three hundred seventy-seven thousand seven hundred seventy-seven (377,777) of the authorized shares of Preferred Stock are hereby designated "Series AAA Preferred Stock" (the "Series AAA Stock").

**F.** Three million two hundred thousand (3,200,000) of the authorized shares of Preferred Stock are hereby designated "Series B Preferred Stock" (the "Series B Stock").

**G.** Two million (2,000,000) of the authorized shares of Preferred Stock are hereby designated "Series BB Preferred Stock" (the "Series BB Stock," and, together with the Series B Stock, the Series AAA Stock, the Series AA Stock and the Series A Stock, the "Junior Preferred").

**H.** Six million (6,000,000) of the authorized shares of Preferred Stock are hereby designated "Series C Preferred Stock" (the "Series C Stock").

**I.** One million five hundred thousand (1,500,000) of the authorized shares of Preferred Stock are hereby designated "Series D Preferred Stock" (the "Series D Stock," and, together with the Series C Stock and the Series E Stock (as defined below), the "Senior Preferred").

**J.** One million (1,000,000) of the authorized shares of Preferred Stock are hereby designated "Series E Preferred Stock" (the "Series E Stock," and, together with the Series D Stock, the Series C Stock, the Series BB Stock, the Series B Stock, the Series AAA Stock, the Series AA Stock and the Series A Stock, the "Series Preferred").

**K.** One Million Three Hundred Eighty-Eight Thousand Eight Hundred Eighty-Nine (1,388,889) of the authorized shares of Preferred Stock are hereby designated "Blank Check Preferred Stock," to be issued from time to time in one or more series as determined by the Company's Board of Directors, which is authorized to designate or alter all rights, preferences, privileges and restrictions attendant to each series as well as the number of shares authorized for issuance in each series, which matters shall be expressed in resolutions adopted by the Board of Directors and filed with the Secretary of State as required by the DGCL. The Board of Directors is also expressly authorized to increase or decrease the number of shares of any series of Blank Check Preferred Stock subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

**L.** The rights, preferences, privileges, restrictions and other matters relating to the Series Preferred are as follows:

**1. DIVIDEND RIGHTS.**

**(a)** Holders of Series AA Stock shall be entitled to receive annual dividends payable in Common Stock at a rate of .036 shares of Common Stock for each share of outstanding Series AA Stock (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof). Such dividends shall be paid at least annually and shall be cumulative. Dividends shall accrue monthly and accrued and unpaid dividends shall be paid upon conversion of the Series AA Stock in accordance with Section 4 below.

**(b)** Holders of Series A Stock, Series AAA Stock, Series B Stock, Series BB Stock, Series C Stock, Series D Stock and Series E Stock in preference to the holders of Common Stock, shall be entitled to receive, when and as declared by the Board of Directors, but only out of funds that are legally available therefor, cash dividends at the rate of eight percent (8%) of the Original Issue Price (as defined below) per annum on each outstanding share of Series A Stock, Series AAA Stock, Series B Stock, Series BB Stock, Series C Stock, Series D Stock and Series E Stock (as adjusted for

any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares). Such dividends shall be payable only when, as and if declared by the Board of Directors and shall be non-cumulative.

- (c) The "Original Issue Price" of the Series A Stock shall be Two Dollars and Fifty Cents (\$2.50).
- (d) The "Original Issue Price" of the Series AA Stock shall be One Dollar and Eighty Cents (\$1.80).
- (e) The "Original Issue Price" of the Series AAA Stock shall be Two Dollars and Twenty-Five Cents (\$2.25).
- (f) The "Original Issue Price" of the Series B Stock shall be Two Dollars and Fifty Cents (\$2.50).
- (g) The "Original Issue Price" of the Series BB Stock shall be Four Dollars and Twenty-Five Cents (\$4.25).
- (h) The "Original Issue Price" of the Series C Stock shall be Five Dollars (\$5.00).
- (i) The "Original Issue Price" of the Series D Stock shall be Five Dollars (\$5.00).
- (j) The "Original Issue Price" of the Series E Stock shall be Thirty-One Dollars and Twenty-Five Cents (\$31.25).

(k) So long as any shares of Series Preferred are outstanding, the Company shall not pay or declare any dividend, whether in cash or property, or make any other distribution on the Common Stock, or purchase, redeem or otherwise acquire for value any shares of Common Stock until all dividends (set forth in Section 1(a), and 1(b) above) on the Series Preferred shall have been paid or declared and set apart.

(l) The provisions of Section 1(k) will not apply to:

(i) acquisitions of Common Stock by the Company pursuant to agreements which permit the Company to repurchase such shares at cost upon termination of services to the Company;

(ii) acquisitions of Common Stock in exercise of the Company's right of first refusal to repurchase such shares; or

(iii) distributions to holders of Common Stock or Preferred Stock in accordance with Sections 3 and 4.

(m) In the event dividends are paid on any share of Common Stock, the Company shall pay an additional dividend on all outstanding shares of Series Preferred in an amount equal per share (on an as-if-converted to Common Stock basis) to the amount paid or set aside for each share of Common Stock.

(n) The provisions of Section 1(k) shall not apply to a dividend payable in Common Stock, or any repurchase of any outstanding securities of the Company that is approved by the Company's Board of Directors.

## 2. VOTING RIGHTS.

(a) **General Rights.** Each holder of shares of the Series Preferred shall be entitled to the number of votes equal to the number of shares of Common Stock into which such shares of Series Preferred could be converted (pursuant to Section 4 hereof) immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent and shall have voting rights and powers equal to the voting rights and powers of the Common Stock) and shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of the Company. Except as otherwise provided herein or as required by law, the Series Preferred shall vote together with the

Common Stock at any annual or special meeting of the stockholders and not as a separate class, and may act by written consent in the same manner as the Common Stock.

**(b) Separate Vote of Series AA Stock, Series B Stock, Series BB Stock, Series C Stock, Series D Stock and Series E Stock.** For so long as any such shares remain outstanding, in addition to any other vote or consent required herein or by law, subject to the right of any series of Preferred Stock that may from time to time come into existence, the vote or written consent of the holders of a majority of the outstanding Series AA Stock, Series B Stock, Series BB Stock, Series C Stock, Series D Stock and Series E Stock (together, the "Redeemable Preferred"), voting together as a single class on an as-if-converted to Common Stock basis, shall be necessary for effecting or validating the following actions, provided however, that any designation or alteration of any class or series of stock from the Blank Check Preferred Stock, will require only the approval of the Board of Directors, which is authorized to designate and alter all rights, preferences, privileges and restrictions attendant to each series as well as the number of shares authorized for issuance in each series, which matters shall be expressed in resolutions adopted by the Board of Directors:

**(i)** Any amendment, alteration, or repeal of any provision of the Certificate of Incorporation of the Company (including any filing of a Certificate of Designation), that alters or changes the voting or other powers, preferences, or other special rights or privileges, or restrictions of the Series Preferred;

**(ii)** Any increase or decrease (other than by redemption or conversion) in the total number of authorized shares of Common Stock or Preferred Stock or in the number of authorized shares of any series of Preferred Stock;

**(iii)** Any authorization or any designation, whether by reclassification or otherwise, of any new class or series of stock or any other securities convertible into equity securities of the Company ranking senior to or on a parity with the Series Preferred in right of redemption, liquidation preference, voting or dividends;

**(iv)** Any redemption or repurchase with respect to Common Stock or Preferred Stock (except for acquisitions of Common Stock by the Company pursuant to agreements which permit the Company to repurchase such shares at cost upon termination of services to the Company or in exercise of the Company's right of first refusal upon a proposed transfer and redemption rights of the Series Preferred set forth in Section 5 herein);

**(v)** Any agreement by the company or its stockholders regarding an Acquisition or Asset Transfer (each as defined in Section 3 hereof);

**(vi)** Any action that results in the payment or declaration of a dividend on any shares of Common Stock or Preferred Stock (other than dividends on the Series AA Stock pursuant to Section 1(a));

**(vii)** Acquisition of any interest in any business or entering into any joint venture, unless such acquisition or joint venture is approved by a majority of the entire Board of Directors of the Company;

**(viii)** Entering into or amending any affiliated party transaction (except for customary employment arrangements), unless such action is approved by a majority of the disinterested directors of the Company;

**(ix)** Incurrence of any indebtedness in excess of the amount set forth on the Company's annual budget approved by the Board of Directors of the Company, unless such incurrence of indebtedness is approved by a majority of the entire Board of Directors of the Company; and

(x) A move of the Company's executive offices to a location outside of the State of Iowa unless such move is approved by a majority of the entire Board of Directors of the Company.

(c) In addition to any other vote or consent required herein or by law, the vote or written consent of the holders of a majority of any series of Preferred Stock shall be necessary for any amendment that would by its terms change the voting or other powers, preferences or other special rights or privileges of such series of Preferred Stock so as to affect them adversely and in a manner different from the other series of Preferred Stock. If more than one series would be so affected, all series that would be so affected shall vote together on an as-converted basis with respect to such amendment.

### 3. LIQUIDATION RIGHTS.

(a) Upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary (a "Liquidation Event"), before any distribution or payment shall be made to the holders of any Junior Preferred or Common Stock, subject to the right of any series of Preferred Stock that may from time to time come into existence, the holders of Senior Preferred shall be entitled to be paid out of the assets of the Company legally available for distribution, or the consideration received in such transaction, an amount per share of Senior Preferred equal to the Original Issue Price for the applicable series of Senior Preferred plus all accrued and unpaid dividends thereon (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof) for each share of Senior Preferred held by them. If, upon any such liquidation, dissolution, or winding up, the assets of the Company (or the consideration received in such transaction) shall be insufficient to make payment in full to all holders of Senior Preferred of the liquidation preference set forth in this Section 3(a), then such assets (or consideration) shall be distributed among the holders of Senior Preferred at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

(b) Upon any Liquidation Event, after payment of the full liquidation preference of the Senior Preferred as set forth in Section 3(a) above and before any distribution or payment shall be made to the holders of any Common Stock, the holders of Junior Preferred shall be entitled to be paid out of the assets of the Company legally available for distribution, or the consideration received in such transaction, an amount per share of Junior Preferred equal to the Original Issue Price for the applicable series of Junior Preferred plus all accrued and unpaid dividends thereon (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof) for each share of Junior Preferred held by them. If, upon any such liquidation, dissolution, or winding up, the assets of the Company (or the consideration received in such transaction) shall be insufficient to make payment in full to all holders of Junior Preferred of the liquidation preference set forth in this Section 3(b), then such assets (or consideration) shall be distributed among the holders of Junior Preferred at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

(c) After the payment of the full liquidation preference of the Senior Preferred and the Junior Preferred as set forth in Section 3(a) and Section 3(b) above, the assets of the Company legally available for distribution (or the consideration received in such transaction), if any, shall be distributed ratably to the holders of the Common Stock and Junior Preferred on an as-if-converted to Common Stock basis, which distributions shall continue with respect to holders of a series of Junior Preferred only until such time as (i) with respect to the holders of Series B Stock, Series AAA Stock, Series AA Stock or Series A Stock, respectively, such holders have received pursuant to Section 3(b) above and this Section 3(c) an aggregate amount per share of the applicable series of Junior Preferred held by them equal to three (3) times the Original Issue Price for such series of Junior Preferred (as adjusted for any stock, dividends, combinations, splits, recapitalizations and the like with respect to such shares); and (ii) with respect to the holders of Series BB Stock, such holders have received pursuant to Section 3(b) above and this Section 3(c) an aggregate amount per share of Series BB Stock held by them equal to two (2) times the Original Issue Price of the Series BB Stock (as adjusted for any stock,

dividends, combinations, splits, recapitalizations and the like with respect to such shares); thereafter, the remaining assets of the Company legally available for distribution (or consideration received in such transaction), if any, shall be distributed ratably to the holders of the Common Stock.

**(d)** The following events shall be considered Liquidation Events under this Section:

**(i)** (A) any consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, in which the stockholders of the Company immediately prior to such consolidation, merger or reorganization, own less than a majority of the voting power of the surviving entity (or if the surviving entity is a wholly owned subsidiary, its parent) immediately after such consolidation, merger or reorganization; or (B) any transaction or series of related transactions to which the Company is a party in which in excess of fifty percent (50%) of the Company's voting power is transferred, in each case excluding any consolidation or merger effected exclusively to change the domicile of the Company and any transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Company or any successor or indebtedness of the Company is cancelled or converted or a combination thereof (each, an "Acquisition"); or

**(ii)** a sale, lease or other disposition of all or substantially all of the assets of the Company (an "Asset Transfer").

**(iii)** In any of such events, if the consideration received by Company is other than cash, its value will be deemed its fair market value as determined in good faith by the Board of Directors. Any securities shall be valued as follows:

**(A)** Securities not subject to investment letter or other similar restrictions on free marketability covered by (B) below:

**(1)** If traded on a securities exchange or through the Nasdaq National Market, the value shall be deemed to be the average of the closing prices of the securities on such quotation system over the thirty (30) day period ending three (3) days prior to the closing;

**(2)** If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the thirty (30) day period ending three (3) days prior to the closing; and

**(3)** If there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board of Directors.

**(B)** The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as above in (A) (1), (2) or (3) to reflect the approximate fair market value thereof, as determined in good faith by the Board of Directors.

#### **4. CONVERSION RIGHTS.**

The holders of the Series Preferred shall have the following rights with respect to the conversion of the Series Preferred into shares of Common Stock (the "Conversion Rights"):

**(a) Optional Conversion.** Subject to and in compliance with the provisions of this Section 4, any shares of Series Preferred may, at the option of the holder, be converted at any time into fully-paid and nonassessable shares of Common Stock. The number of shares of Common Stock to which a holder of Series Preferred shall be entitled upon conversion shall be the product obtained by multiplying the Series A Conversion Rate, Series AA Conversion Rate, Series AAA Conversion Rate, Series B Conversion Rate, Series BB Conversion Rate, Series C Conversion Rate, Series D Conversion Rate or

Series E Conversion Rate, as applicable, then in effect (determined as provided in Section 4(b)) by the number of shares of Series A Stock, Series AA Stock, Series AAA Stock, Series B Stock, Series BB Stock, Series C Stock, Series D Stock or Series E Stock, as applicable, being converted.

**(b) Conversion Rate.**

(i) The conversion rate in effect at any time for conversion of the Series A Stock (the "Series A Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series A Stock by the "Series A Conversion Price," calculated as provided in Section 4(c).

(ii) The conversion rate in effect at any time for conversion of the Series AA Stock (the "Series AA Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series AA Stock by the "Series AA Conversion Price," calculated as provided in Section 4(c).

(iii) The conversion rate in effect at any time for conversion of the Series AAA Stock (the "Series AAA Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series AAA Stock by the "Series AAA Conversion Price," calculated as provided in Section 4(c).

(iv) The conversion rate in effect at any time for conversion of the Series B Stock (the "Series B Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series B Stock by the "Series B Conversion Price," calculated as provided in Section 4(c).

(v) The conversion rate in effect at any time for conversion of the Series BB Stock (the "Series BB Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series BB Stock by the "Series BB Conversion Price," calculated as provided in Section 4(c).

(vi) The conversion rate in effect at any time for conversion of the Series C Stock (the "Series C Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series C Stock by the "Series C Conversion Price," calculated as provided in Section 4(c).

(vii) The conversion rate in effect at any time for conversion of the Series D Stock (the "Series D Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series D Stock by the "Series D Conversion Price," calculated as provided in Section 4(c).

(viii) The conversion rate in effect at any time for conversion of the Series E Stock (the "Series E Conversion Rate") shall be the quotient obtained by dividing the Original Issue Price of the Series E Stock by the "Series E Conversion Price," calculated as provided in Section 4(c).

**(c) Conversion Price.**

(i) The conversion price for the Series A Stock shall initially be One Dollar and Eighty Cents (\$1.80) (the "Series A Conversion Price"). Such Series A Conversion Price shall be adjusted from time to time in accordance with this Section 4. All references to the Series A Conversion Price herein shall mean the Series A Conversion Price as so adjusted.

(ii) The conversion price for the Series AA Stock shall initially be the Original Issue Price of the Series AA Stock (the "Series AA Conversion Price"). Such initial Series AA Conversion Price shall be adjusted from time to time in accordance with this Section 4. All references to the Series AA Conversion Price herein shall mean the Series AA Conversion Price as so adjusted.

(iii) The conversion price for the Series AAA Stock shall initially be the Original Issue Price of the Series AAA Stock (the "Series AAA Conversion Price"). Such initial Series AAA Conversion Price shall be adjusted from time to time in accordance with this Section 4. All references to the Series AAA Conversion Price herein shall mean the Series AAA Conversion Price as so adjusted.

(iv) The conversion price for the Series B Stock shall initially be the Original Issue Price of the Series B Stock (the "Series B Conversion Price"). Such initial Series B Conversion Price shall be adjusted from time to time in accordance with this Section 4. All references to the Series B Conversion Price herein shall mean the Series B Conversion Price as so adjusted.

(v) The conversion price for the Series BB Stock shall initially be the Original Issue Price of the Series BB Stock (the "Series BB Conversion Price"). Such initial Series BB Conversion Price shall be adjusted from time to time in accordance with this Section 4. All references to the Series BB Conversion Price herein shall mean the Series BB Conversion Price as so adjusted.

(vi) The conversion price for the Series C Stock shall initially be the Original Issue Price of the Series C Stock (the "Series C Conversion Price"). Such initial Series C Conversion Price shall be adjusted from time to time in accordance with this Section 4. All references to the Series C Conversion Price herein shall mean the Series C Conversion Price as so adjusted.

(vii) The conversion price for the Series D Stock shall initially be the Original Issue Price of the Series D Stock (the "Series D Conversion Price"). Such Series D Conversion Price shall be adjusted from time to time in accordance with this Section 4. All references to the Series D Conversion Price herein shall mean the Series D Conversion Price as so adjusted.

(viii) The Conversion Price for the Series E Stock shall initially be Six Dollars and Twenty-Five Cents (\$6.25) (the "Series E Conversion Price"). Such Series E Conversion Price will be adjusted from time to time in accordance with this Section 4. All references to Series E Conversion Price herein shall mean the Series E Conversion Price as so adjusted. If the Company closes a Qualified Public Offering (as defined below) on or before September 1, 2011, the Conversion Price of the Series E Stock will automatically be adjusted immediately prior to, but contingent upon, the closing of the Qualified Public Offering to a price that is equal to the product of (A) the price at which shares of the Company's Common Stock are sold to the public in such Qualified Public Offering and (B) 0.85 (as adjusted appropriately to reflect any adjustments to the Series E Conversion Price occurring prior to any such adjustment occurring in connection with a Qualified Public Offering).

**(d) Mechanics of Conversion.** Each holder of Series Preferred who desires to convert the same into shares of Common Stock pursuant to this Section 4 shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or any transfer agent for the Series Preferred, and shall give written notice to the Company at such office that such holder elects to convert the same. Such notice shall state the number of shares of Series Preferred being converted. Thereupon, the Company shall promptly issue and deliver at such office to such holder a certificate or certificates for the number of shares of Common Stock to which such holder is entitled and shall promptly pay (i) in cash or, to the extent sufficient funds are not then legally available therefor, in Common Stock (at the Common Stock's fair market value determined in good faith by the Board of Directors as of the date of such conversion), any accrued and unpaid dividends on the shares of Series Preferred being converted and (ii) in cash (at the Common Stock's fair market value determined in good faith by the Board of Directors as of the date of conversion) the value of any fractional share of Common Stock otherwise issuable to any holder of Series Preferred. Such conversion shall be deemed to have been made at the close of business on the date of such surrender of the certificates representing the shares of Series Preferred to be converted, and the person entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock on such date.

**(e) Adjustment for Stock Splits and Combinations.** If at any time or from time to time after the date that the first share of Series E Stock is issued (the "Original Issue Date") the Company effects a subdivision of the outstanding Common Stock without a corresponding subdivision of the Preferred Stock, the Series A Conversion Price, Series AA Conversion Price, Series AAA Conversion Price,

Series B Conversion Price, Series BB Conversion Price, the Series C Conversion Price, the Series D Conversion Price and the Series E Conversion Price (each of which may be referred to herein as a "Conversion Price") in effect immediately before that subdivision shall be proportionately decreased. Conversely, if at any time or from time to time after the Original Issue Date the Company combines the outstanding shares of Common Stock into a smaller number of shares without a corresponding combination of the Preferred Stock, the applicable Conversion Price for each series of Series Preferred in effect immediately before the combination shall be proportionately increased. Any adjustment under this Section 4(e) shall become effective at the close of business on the date the subdivision or combination becomes effective.

**(f) Adjustment for Common Stock Dividends and Distributions.** Except for the Common Stock dividend set forth in Article IV Section 1(a) above, if at any time or from time to time after the Original Issue Date the Company pays a dividend or other distribution in additional shares of Common Stock, the applicable Conversion Price for each series of Series Preferred that is then in effect shall be decreased as of the time of such issuance, as provided below:

**(i)** The applicable Conversion Price for each share of Series Preferred shall be adjusted by multiplying the applicable Conversion Price then in effect by a fraction equal to:

**(A)** the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance, and

**(B)** the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance plus the number of shares of Common Stock issuable in payment of such dividend or distribution;

**(ii)** If the Company fixes a record date to determine which holders of Common Stock are entitled to receive such dividend or other distribution, the applicable Conversion Price for each share of Series Preferred shall be fixed as of the close of business on such record date and the number of shares of Common Stock shall be calculated immediately prior to the close of business on such record date; and

**(iii)** If such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the applicable Conversion Price for each share of Series Preferred shall be recomputed accordingly as of the close of business on such record date and thereafter the applicable Conversion Price for each share of Series Preferred shall be adjusted pursuant to this Section 4(l) to reflect the actual payment of such dividend or distribution.

**(g) Adjustment for Reclassification, Exchange and Substitution.** If at any time or from time to time after the Original Issue Date, the Common Stock issuable upon the conversion of the Series Preferred is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than an Acquisition or Asset Transfer as defined in Section 3 or a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets provided for elsewhere in this Section 4), in any such event each holder of Series Preferred shall then have the right to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change by holders of the maximum number of shares of Common Stock into which such shares of Series Preferred could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein or with respect to such other securities or property by the terms thereof.

**(h) Reorganizations, Mergers or Consolidations.** If at any time or from time to time after the Original Issue Date, there is a capital reorganization of the Common Stock or the merger or consolidation of the Company with or into another corporation or another entity or person (other than an Acquisition or Asset Transfer as defined in Section 3 or a recapitalization, subdivision, combination,

reclassification, exchange or substitution of shares provided for elsewhere in this Section 4), as a part of such capital reorganization, provision shall be made so that the holders of the Series Preferred shall thereafter be entitled to receive upon conversion of the Series Preferred the number of shares of stock or other securities or property of the Company to which a holder of the number of shares of Common Stock deliverable upon conversion would have been entitled on such capital reorganization, subject to adjustment in respect of such stock or securities by the terms thereof. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of Series Preferred after the capital reorganization to the end that the provisions of this Section 4 (including adjustment of the applicable Conversion Price then in effect for each share of Series Preferred and the number of shares issuable upon conversion of the Series Preferred) shall be applicable after that event and be as nearly equivalent as practicable.

**(i) Sale of Shares Below Redeemable Preferred Conversion Price.**

**(i)** If at any time or from time to time after the Original Issue Date the Company issues or sells, or is deemed by the provisions of this Section 4(i) to have issued or sold, Additional Shares of Common Stock (as defined below), other than as provided in Section 4(e), 4(f), 4(g) or 4(h), above, for an Effective Price (as defined below) less than the then effective Series AA Conversion Price, Series B Conversion Price, Series BB Conversion Price, Series C Conversion Price, Series D Conversion Price or Series E Conversion Price, then and in each such case, the then existing Series AA Conversion Price, Series B Conversion Price, Series BB Conversion Price, Series C Conversion Price, Series D Conversion Price or Series E Conversion Price, as applicable (each of which may be referred to herein as a "Redeemable Preferred Conversion Price" or collectively as the "Redeemable Preferred Conversion Prices"), shall be reduced, as of the opening of business on the date of such issue or sale, to a price determined by multiplying the applicable Redeemable Preferred Conversion Price in effect immediately prior to such issuance or sale by a fraction equal to:

**(A)** the numerator of which shall be (A) the number of shares of Common Stock deemed outstanding (as defined below) immediately prior to such issue or sale, plus (B) the number of shares of Common Stock which the Aggregate Consideration received (as defined below) by the Company for the total number of Additional Shares of Common Stock so issued would purchase at such applicable Redeemable Preferred Conversion Price and

**(B)** the denominator of which shall be the number of shares of Common Stock deemed outstanding (as defined below) immediately prior to such issue or sale plus the total number of Additional Shares of Common Stock so issued.

**(ii)** For the purposes of this Section 4(i), the number of shares of Common Stock deemed to be outstanding as of a given date shall be the sum of (A) the number of shares of Common Stock outstanding, (B) the number of shares of Common Stock into which the then outstanding shares of Series Preferred could be converted if fully converted on the day immediately preceding the given date, and (C) the number of shares of Common Stock which could be obtained through the exercise or conversion of all other rights, options and convertible securities outstanding on the day immediately preceding the given date.

**(iii)** No adjustment shall be made to the Redeemable Preferred Conversion Prices in an amount less than one cent per share. Any adjustment otherwise required by this Section 4(i) that is not required to be made due to the preceding sentence shall be included in any subsequent adjustment to the applicable Redeemable Preferred Conversion Price.

**(iv)** For the purpose of making any adjustment required under this Section 4(i), the aggregate consideration received by the Company for any issue or sale of securities (the "Aggregate Consideration") shall be defined as: (A) to the extent it consists of cash, be computed at the net

amount of cash received by the Company after deduction of any underwriting or similar commissions, compensation or concessions paid or allowed by the Company in connection with such issue or sale but without deduction of any expenses payable by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board of Directors, and (C) if Additional Shares of Common Stock, Convertible Securities (as defined below) convertible into Additional Shares of Common Stock or rights or options to purchase either Additional Shares of Common Stock or Convertible Securities convertible into Additional Shares of Common Stock are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board of Directors to be allocable to such Additional Shares of Common Stock, Convertible Securities or rights or options.

(v) For the purpose of the adjustment required under this Section 4(i), if the Company issues or sells (x) stock or other securities convertible into, Additional Shares of Common Stock or (y) rights or options for the purchase of Additional Shares of Common Stock or Convertible Securities convertible into Additional Shares of Common Stock and if the Effective Price of such Additional Shares of Common Stock is less than the applicable Redeemable Preferred Conversion Price, in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Common Stock issuable upon exercise or conversion thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities plus:

(A) in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options; and

(B) in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company upon the conversion thereof (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities); *provided* that if the minimum amounts of such consideration cannot be ascertained, but are a function of antidilution or similar protective clauses, the Company shall be deemed to have received the minimum amounts of consideration without reference to such clauses.

(C) If the minimum amount of consideration payable to the Company upon the exercise or conversion of rights, options or Convertible Securities is reduced over time or on the occurrence or non-occurrence of specified events other than by reason of antidilution adjustments, the Effective Price shall be recalculated using the figure to which such minimum amount of consideration is reduced; *provided further*, that if the minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities is subsequently increased, the Effective Price shall be again recalculated using the increased minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities.

(D) No further adjustment of the applicable Redeemable Preferred Conversion Price, as adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Common Stock or the exercise of any such rights or options or the conversion of any such Convertible Securities. If any such rights or options or the conversion privilege represented by any such Convertible Securities shall expire without having been exercised, the applicable Redeemable Preferred Conversion Price, as adjusted upon the issuance of such rights, options or Convertible Securities, shall be readjusted to the applicable Redeemable Preferred Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of

Common Stock so issued were the Additional Shares of Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion of such Convertible Securities, and such Additional Shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, plus the consideration received for issuing or selling the Convertible Securities actually converted, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion of such Convertible Securities, *provided* that such readjustment shall not apply to prior conversions of Redeemable Preferred.

**(vi)** For the purpose of making any adjustment to the Redeemable Preferred Conversion Price of the applicable shares of Redeemable Preferred required under this Section 4(i), "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Company or deemed to be issued pursuant to this Section 4(i) (including shares of Common Stock subsequently reacquired or retired by the Company), other than:

**(A)** shares of Common Stock issued upon conversion of the Series Preferred;

**(B)** shares of Common Stock issued as a dividend or distribution upon such series of Series Preferred;

**(C)** options, warrants or other rights to purchase shares of Common Stock reserved from time to time for issuance under the Company's equity incentive plans approved by the Board, and the Common Stock issued pursuant to such options, warrants or other rights to employees, officers or directors of, or consultants or advisors to, the Company or any subsidiary pursuant to stock purchase or stock option plans or other arrangements that are approved by a majority of the Board;

**(D)** shares of Common Stock or Preferred Stock issued pursuant to the exercise of options, warrants or convertible securities outstanding as of the Original Issue Date;

**(E)** shares of Common Stock or Preferred Stock or other stock, options, warrants, purchase rights or other securities convertible into shares of Common Stock (such convertible stock or securities being herein referred to as "Convertible Securities") issued pursuant to any equipment loan or leasing arrangement approved by the Board;

**(F)** shares of Common Stock or Convertible Securities issued for consideration other than cash pursuant to a merger, consolidation, acquisition, strategic alliance or similar business combination approved by the Board; and

**(G)** shares of Common Stock issued pursuant to the Article 4 Section (J)(1)(a) or (b) above;

**(H)** shares of Series E Stock issued pursuant to the form of Stock Subscription Agreement approved by the Board of Directors in October 2010, as amended from time to time; and

**(I)** shares of Common Stock issued or issuable in connection with any transaction where such securities so issued are excepted from the definition "Additional Stock" by the affirmative vote or consent of the holders of a majority of the then outstanding shares of Redeemable Preferred (on an as-if-converted basis).

References to Common Stock in the subsections of this clause (v) above shall mean all shares of Common Stock issued by the Company or deemed to be issued pursuant to this Section 4(i). The "Effective Price" of Additional Shares of Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Common Stock issued or sold, or deemed to have been issued or sold by the Company under this Section 4(i), into the Aggregate Consideration received, or deemed to have been received by the Company for such issue under this Section 4(i), for such Additional Shares of Common Stock.

**(j) Certificate of Adjustment.** In each case of an adjustment or readjustment of the applicable Conversion Price for each share of Series Preferred for the number of shares of Common Stock or other securities issuable upon conversion of the Series Preferred, if the applicable Series Preferred is then convertible pursuant to this Section 4, the Company, at its expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of applicable shares Series Preferred at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or deemed to be received by the Company for any Additional Shares of Common Stock issued or sold or deemed to have been issued or sold, (ii) the applicable Conversion Price at the time in effect, (iii) the number of Additional Shares of Common Stock and (iv) the type and amount, if any, of other property which at the time would be received upon conversion of the applicable shares of Series Preferred.

**(k) Notices of Record Date.** Upon (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or (ii) any Acquisition (as defined in Section 3) or other capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any Asset Transfer (as defined in Section 3), or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Series Preferred at least ten (10) days prior to the record date specified therein (or such shorter period approved by the holders of a majority of the outstanding Series Preferred) a notice specifying (A) the date on which any such record is to be taken for the purpose of such dividend or distribution and a description of such dividend or distribution, (B) the date on which any such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Transfer, dissolution, liquidation or winding up is expected to become effective, and (C) the date, if any, that is to be fixed as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Transfer, dissolution, liquidation or winding up.

**(l) Automatic Conversion.**

**(i)** Each share of Series Preferred shall automatically be converted into shares of Common Stock, based on the then-effective applicable Conversion Price, (A) at any time upon the affirmative election of the holders of a majority of the outstanding Series Preferred, voting together as a single class on an as-if-converted to Common Stock basis, or (B) immediately upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Company in which (i) the per share price is at least Seven Dollars (\$7.00) (as adjusted for stock splits, dividends, recapitalizations and the like after the filing date hereof), and (ii) the gross cash proceeds to the Company (before underwriting discounts, commissions and fees) are at least Twenty Million Dollars (\$20,000,000) (a "**Qualified Public Offering**"). Upon such automatic conversion, any accrued and unpaid dividends shall be paid in accordance with the provisions of Section 4(d).

**(ii)** Upon the occurrence of the events specified in Section 4(l)(i) above, the outstanding shares of the applicable series of Series Preferred shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Company or its transfer agent; *provided, however*, that the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing such shares of applicable Series Preferred are

either delivered to the Company or its transfer agent as provided below, or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates. Upon the occurrence of such automatic conversion of the applicable shares of Series Preferred, the holders of such applicable shares of Series Preferred shall surrender the certificates representing such shares at the office of the Company or any transfer agent for the Series Preferred. Thereupon, there shall be issued and delivered to such holder promptly at such office and in its name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which the shares of Series Preferred surrendered were convertible on the date on which such automatic conversion occurred, and any accrued and unpaid dividends shall be paid in accordance with the provisions of Section 4(d).

**(m) Fractional Shares.** No fractional shares of Common Stock shall be issued upon conversion of Series Preferred. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Series Preferred by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of any fractional share, the Company shall, in lieu of issuing any fractional share, pay cash equal to the product of such fraction multiplied by the Common Stock's fair market value (as determined by the Board of Directors) on the date of conversion.

**(n) Reservation of Stock Issuable Upon Conversion.** The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Series Preferred, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series Preferred. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series Preferred, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

**(o) Notices.** Any notice required by the provisions of this Section 4 shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with verification of receipt. All notices shall be addressed to each holder of record at the address of such holder appearing on the books of the Company.

**(p) Payment of Taxes.** The Company will pay all taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue or delivery of shares of Common Stock upon conversion of shares of Series Preferred, excluding any tax or other charge imposed in connection with any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of Series Preferred so converted were registered.

**(q) No Dilution or Impairment.** Without the consent of the Redeemable Preferred as required under Section 2, the Company shall not amend its Amended Restated Certificate of Incorporation or participate in any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or take any other voluntary action, for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but shall at all times in good faith assist in carrying out all such action as may be reasonably

necessary or appropriate in order to protect the conversion rights of the holders of the Series Preferred against dilution or other impairment.

## 5. REDEMPTION.

(a) The Company shall be obligated to redeem the Redeemable Preferred as follows:

(i) The holders of a majority of the then outstanding shares of Redeemable Preferred, voting together as a single class on an as-if-converted to Common Stock basis, may require the Company, to the extent it may lawfully do so, to redeem the Redeemable Preferred in three (3) equal annual installments beginning on September 30, 2014, and ending on the date two (2) years from such first redemption date (each a "Redemption Date"); *provided* that the Company shall receive at least sixty (60) days prior to such fifth anniversary written notice of such consent of the holders of Redeemable Preferred. The Company shall effect such redemptions on the applicable Redemption Date by paying in cash in exchange for the shares of Redeemable Preferred to be redeemed a sum equal to the applicable Original Issue Price per share of Redeemable Preferred, (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like after the filing date hereof) plus declared and unpaid dividends with respect to such shares. The total amount to be paid for the Redeemable Preferred is hereinafter referred to as the "Redemption Price." The number of shares of Redeemable Preferred that the Company shall be required to redeem on any one Redemption Date shall be equal to the amount determined by dividing (A) the aggregate number of shares of Redeemable Preferred outstanding immediately prior to the Redemption Date by (B) the number of remaining Redemption Dates (including the Redemption Date to which such calculation applies). Shares subject to redemption pursuant to this Section 5(a) shall be redeemed from each holder of Redeemable Preferred on a pro rata basis.

(ii) At least thirty (30) days but no more than sixty (60) days prior to the first Redemption Date, the Company shall send a notice (a "Redemption Notice") to all holders of Redeemable Preferred to be redeemed setting forth (A) the Redemption Price for the shares to be redeemed; and (B) the place at which such holders may obtain payment of the Redemption Price upon surrender of their share certificates. If the Company does not have sufficient funds legally available to redeem all shares to be redeemed at the Redemption Date (including, if applicable, those to be redeemed at the option of the Company), then it shall redeem such shares pro rata (based on the portion of the aggregate Redemption Price payable to them) to the extent possible and shall redeem the remaining shares to be redeemed as soon as sufficient funds are legally available.

(b) On or prior to the Redemption Date, the Company shall deposit the Redemption Price of all shares to be redeemed with a bank or trust company having aggregate capital and surplus in excess of One Hundred Million Dollars (\$100,000,000), as a trust fund, with irrevocable instructions and authority to the bank or trust company to pay, on and after such Redemption Date, the Redemption Price of the shares to their respective holders upon the surrender of their share certificates. Any moneys deposited by the Company pursuant to this Section 5(b) for the redemption of shares thereafter converted into shares of Common Stock pursuant to Section 4 hereof no later than the fifth (5th) day preceding the Redemption Date shall be returned to the Company forthwith upon such conversion. The balance of any funds deposited by the Company pursuant to this Section 5(b) remaining unclaimed at the expiration of one (1) year following such Redemption Date shall be returned to the Company promptly upon its written request.

(c) On or after such Redemption Date, each holder of shares of Redeemable Preferred to be redeemed shall surrender such holder's certificates representing such shares to the Company in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price of such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled. In the event less than all the shares represented by such certificates are redeemed, a new certificate shall be issued

representing the unredeemed shares. From and after such Redemption Date, unless there shall have been a default in payment of the Redemption Price or the Company is unable to pay the Redemption Price due to not having sufficient legally available funds, all rights of the holder of such shares as holder of Redeemable Preferred (except the right to receive the Redemption Price without interest upon surrender of their certificates), shall cease and terminate with respect to such shares; *provided* that in the event that shares of Redeemable Preferred are not redeemed due to a default in payment by the Company or because the Company does not have sufficient legally available funds, such shares of Redeemable Preferred shall remain outstanding and shall be entitled to all of the rights and preferences provided herein.

**(d)** In the event of a call for redemption of any shares of Redeemable Preferred, the Conversion Rights (as defined in Section 4) for such Redeemable Preferred shall terminate as to the shares designated for redemption at the close of business on the day preceding the Redemption Date, unless default is made in payment of the Redemption Price.

## V.

**A.** The liability of the directors of the Company for monetary damages shall be eliminated to the fullest extent under applicable law.

**B.** Any repeal or modification of this Article V shall only be prospective and shall not affect the rights under this Article V in effect at the time of the alleged occurrence of any action or omission to act giving rise to liability.

## VI.

For the management of the business and for the conduct of the affairs of the Company, and in further definition, limitation and regulation of the powers of the Company, of its directors and of its stockholders or any class thereof, as the case may be, it is further *provided* that:

**A.** The management of the business and the conduct of the affairs of the Company shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed by the Board of Directors in the manner provided in the Bylaws, subject to any restrictions which may be set forth in this Amended and Restated Certificate.

**B.** The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the Company. The stockholders shall also have the power to adopt, amend or repeal the Bylaws of the Company; provided however, that, in addition to any vote of the holders of any class or series of stock of the Company required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws of the Company.

**C.** The directors of the Company need not be elected by written ballot unless the Bylaws so provide.

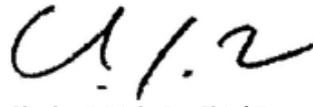
\* \* \*

**FOUR:** This Amended and Restated Certificate of Incorporation has been duly approved by the Board of Directors of the Company.

**FIVE:** This Amended and Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware by the Board of Directors and the stockholders of the Corporation.

**IN WITNESS WHEREOF, NEWLINK GENETICS CORPORATION** has caused this Amended and Restated Certificate of Incorporation to be signed by its Chief Executive Officer this 23<sup>rd</sup> day of November, 2010.

**NEWLINK GENETICS CORPORATION**

A handwritten signature in black ink, appearing to read 'C.J. Link, Jr.', is positioned above the printed name of the signatory.

Charles J. Link, Jr., Chief Executive Officer

## QuickLinks

[Exhibit 3.1](#)

[RESTATED CERTIFICATE OF INCORPORATION OF NEWLINK GENETICS CORPORATION](#)

- [I.](#)
- [II.](#)
- [III.](#)
- [IV.](#)
- [V.](#)
- [VI.](#)

**AMENDED AND RESTATED**  
**BYLAWS**  
**OF**  
**NEWLINK GENETICS CORPORATION**  
**(A Delaware Corporation)**

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**AMENDED AND RESTATED**

**BYLAWS**

**OF**

**NEWLINK GENETICS CORPORATION  
(A Delaware Corporation)**

**ARTICLE I**

**OFFICES**

SECTION 1. REGISTERED OFFICE. The registered office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

SECTION 2. OTHER OFFICES. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the corporation may require.

**ARTICLE II**

**CORPORATE SEAL**

SECTION 3. CORPORATE SEAL. The Board of Directors may adopt a corporate seal. The corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

**ARTICLE III**

**STOCKHOLDERS' MEETINGS**

SECTION 4. PLACE OF MEETINGS. Meetings of the stockholders of the corporation may be held at such place, either within or without the State of Delaware, as may be determined from time to time by the Board of Directors. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as provided under the Delaware General Corporation Law ("DGCL").

SECTION 5. ANNUAL MEETING.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders: (i) pursuant to the corporation's notice of meeting of stockholders; (ii) by or at the direction of the Board of Directors; or (iii) by any stockholder of the corporation who was a stockholder of record at the time of giving of notice provided for in the following paragraph, who is entitled to vote at the meeting and who complied with the notice procedures set forth in Section 5.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a) of these Bylaws, (i) the stockholder must have given timely notice thereof in writing to the Secretary of the corporation, (ii) such other business must be a proper matter for stockholder action under the DGCL, (iii) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the corporation with a Solicitation Notice (as defined in this

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Section 5(b)), such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the corporation's voting shares reasonably believed by such stockholder or beneficial owner to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice, and (iv) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section 5. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (A) as to each person whom the stockholder proposed to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act") and Rule 14a-4(d) thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of the proposal, at least the percentage of the corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(c) Notwithstanding anything in the second sentence of Section 5(b) of these Bylaws to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the corporation at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 5 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business

on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

(d) Only such persons who are nominated in accordance with the procedures set forth in this Section 5 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 5. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

(e) Notwithstanding the foregoing provisions of this Section 5, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders' meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation proxy statement pursuant to Rule 14a-8 under the 1934 Act.

(f) For purposes of this Section 5, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

#### SECTION 6. SPECIAL MEETINGS.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption) or (iv) by the holders of shares entitled to cast not less than ten percent (10%) of the votes at the meeting, and shall be held at such place, on such date, and at such time as the Board of Directors shall fix.

(b) If a special meeting is properly called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by certified or registered mail, return receipt requested, or by telegraphic or other facsimile transmission to the Chairman of the Board of Directors, the Chief Executive Officer, or the Secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The Board of Directors shall determine the time and place of such special meeting, which shall be held not less than thirty-five (35) nor more than one hundred twenty (120) days after the date of the receipt of the request. Upon determination of the time and place of the meeting, the officer receiving the request shall cause notice to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. Nothing contained in this paragraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

SECTION 7. NOTICE OF MEETINGS. Except as otherwise provided by law, notice, given in writing or by electronic transmission, of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, if any, date and hour, in the case of special meetings,

the purpose or purposes of the meeting, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at any such meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the corporation. Notice of the time, place, if any, and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof or by electronic transmission by such person, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person, by remote communication, if applicable, or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

**SECTION 8. QUORUM.** At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person, by remote communication, if applicable, or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by statute, or by the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of a majority of shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote generally on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote generally on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person, by remote communication, if applicable, or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter. Except where otherwise provided by statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of shares of such class or classes or series present in person, by remote communication, if applicable, or represented by proxy at the meeting shall be the act of such class or classes or series.

**SECTION 9. ADJOURNMENT AND NOTICE OF ADJOURNED MEETINGS.** Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares present in person, by remote communication, if applicable, or represented by proxy. When a meeting is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

**SECTION 10. VOTING RIGHTS.** For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose

names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote or execute consents shall have the right to do so either in person, by remote communication, if applicable, or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

**SECTION 11. JOINT OWNERS OF STOCK.** If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the DGCL, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even split for the purpose of subsection (c) shall be a majority or even split in interest.

**SECTION 12. LIST OF STOCKHOLDERS.** The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or during ordinary business hours, at the principal place of business of the corporation. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. The list shall be open to examination of any stockholder during the time of the meeting as provided by law.

**SECTION 13. ACTION WITHOUT MEETING.**

(a) Unless otherwise provided in the Certificate of Incorporation, any action required by statute to be taken at any annual or special meeting of the stockholders, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, or by electronic transmission setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

(b) Every written consent or electronic transmission shall bear the date of signature of each stockholder who signs the consent, and no written consent or electronic transmission shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered to the corporation in the manner herein required, written consents or electronic transmissions signed by a sufficient number of stockholders to take action are delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

(c) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing

or by electronic transmission and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take action were delivered to the corporation as provided in Section 228(c) of the DGCL. If the action which is consented to is such as would have required the filing of a certificate under any section of the DGCL if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written consent has been given in accordance with Section 228 of the DGCL.

(d) A telegram, cablegram or other electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this section, provided that any such telegram, cablegram or other electronic transmission sets forth or is delivered with information from which the corporation can determine (i) that the telegram, cablegram or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such telegram, cablegram or electronic transmission. The date on which such telegram, cablegram or other electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by telegram, cablegram or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the corporation by delivery to its registered office in the state of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested. Notwithstanding the foregoing limitations on delivery, consents given by telegram, cablegram or other electronic transmission may be otherwise delivered to the principal place of business of the corporation or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded if, to the extent and in the manner provided by resolution of the board of directors of the corporation. Any copy, facsimile or other reliable reproduction of consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

#### SECTION 14. ORGANIZATION.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which

are to be voted on by ballot. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

## **ARTICLE IV**

### **DIRECTORS**

**SECTION 15. NUMBER AND TERM OF OFFICE.** The authorized number of directors of the corporation shall be fixed by the Board of Directors from time to time. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient.

**SECTION 16. POWERS.** The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation.

**SECTION 17. TERM OF DIRECTORS.** Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, directors shall be elected at each annual meeting of stockholders to serve until the next annual meeting of stockholders. Each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

**SECTION 18. VACANCIES.** Unless otherwise provided in the Certificate of Incorporation, and subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, provided, however, that whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Bylaw in the case of the death, removal or resignation of any director.

**SECTION 19. RESIGNATION.** Any director may resign at any time by delivering his or her notice in writing or by electronic transmission to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified.

SECTION 20. REMOVAL. Subject to any limitations imposed by applicable law, the Board of Directors or any director may be removed from office at any time (i) with cause by the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of capital stock of the corporation entitled to vote generally at an election of directors or (ii) without cause by the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of capital stock of the corporation, entitled to vote generally at an election of directors.

#### SECTION 21. MEETINGS

(a) *Regular Meetings.* Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors, either orally or in writing, including a voice-messaging system or other system designated to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means. No further notice shall be required for a regular meeting of the Board of Directors.

(b) *Special Meetings.* Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the President or any director.

(c) *Meetings by Electronic Communications Equipment.* Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(d) *Notice of Special Meetings.* Notice of the time and place of all special meetings of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting. If notice is sent by US mail, it shall be sent by first class mail, postage prepaid at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing or by electronic transmission at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(e) *Waiver of Notice.* The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present who did not receive notice shall sign a written waiver of notice or shall waive notice by electronic transmission. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

#### SECTION 22. QUORUM AND VOTING.

(a) Unless the Certificate of Incorporation requires a greater number, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; provided, however, at any meeting, whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

SECTION 23. ACTION WITHOUT MEETING. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and such writing or writings or transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

SECTION 24. FEES AND COMPENSATION. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

SECTION 25. COMMITTEES.

(a) *Executive Committee.* The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any bylaw of the corporation.

(b) *Other Committees.* The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) *Term.* The Board of Directors, subject to any requirements of any outstanding series of Preferred Stock and the provisions of subsections (a) or (b) of this Bylaw may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) *Meetings.* Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Unless otherwise provided by the Board of Directors in the resolutions authorizing the creation of the committee, a majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

SECTION 26. ORGANIZATION. At every meeting of the directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or if the President is absent, the most senior Vice President, (if a director) or, in the absence of any such person, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, any Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

## ARTICLE V

### OFFICERS

SECTION 27. OFFICERS DESIGNATED. The officers of the corporation shall include, if and when designated by the Board of Directors, the Chief Executive Officer, the President, one or more Vice Presidents, the Secretary, the Chief Financial Officer, the Treasurer and the Controller, all of whom shall be elected at the annual organizational meeting of the Board of Directors. The Board of Directors may also appoint one or more Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

### SECTION 28. TENURE AND DUTIES OF OFFICERS.

(a) *General.* All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) *Duties of Chairman of the Board of Directors.* The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. If there is no President, then the Chairman of the Board of

Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 28.

(c) *Duties of President.* The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. Unless some other officer has been elected Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

(d) *Duties of Vice Presidents.* The Vice Presidents may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(e) *Duties of Secretary.* The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties provided for in these Bylaws and other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(f) *Duties of Chief Financial Officer.* The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct the Treasurer or any Assistant Treasurer, or the Controller or any Assistant Controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each Controller and Assistant Controller shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

SECTION 29. DELEGATION OF AUTHORITY. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

SECTION 30. RESIGNATIONS. Any officer may resign at any time by giving notice in writing or by electronic transmission notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall

not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

SECTION 31. REMOVAL. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or superior officers upon whom such power of removal may have been conferred by the Board of Directors.

## ARTICLE VI

### EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

SECTION 32. EXECUTION OF CORPORATE INSTRUMENTS. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation.

All checks and drafts drawn on banks or other depositories on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

SECTION 33. VOTING OF SECURITIES OWNED BY THE CORPORATION. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

## ARTICLE VII

### SHARES OF STOCK

SECTION 34. FORM AND EXECUTION OF CERTIFICATES. The shares of the corporation shall be represented by certificates, or shall be uncertificated. Certificates for the shares of stock, if any, shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation represented by certificate shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, or the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

SECTION 35. LOST CERTIFICATES. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance

of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or the owner's legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

#### SECTION 36. TRANSFERS.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and, in the case of stock represented by certificate, upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

#### SECTION 37. FIXING RECORD DATES.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, subject to applicable law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the

close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 38. REGISTERED STOCKHOLDERS. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

## ARTICLE VIII

### OTHER SECURITIES OF THE CORPORATION

SECTION 39. EXECUTION OF OTHER SECURITIES. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 34), may be signed by the Chairman of the Board of Directors, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

## ARTICLE IX

### DIVIDENDS

SECTION 40. DECLARATION OF DIVIDENDS. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

SECTION 41. DIVIDEND RESERVE. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

## ARTICLE X

### FISCAL YEAR

SECTION 42. FISCAL YEAR. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

## ARTICLE XI

### INDEMNIFICATION

SECTION 43. INDEMNIFICATION OF DIRECTORS, EXECUTIVE OFFICERS, OTHER OFFICERS, EMPLOYEES AND OTHER AGENTS.

(a) *Directors and Executive Officers.* The corporation shall indemnify its directors and executive officers (for the purposes of this Article XI, "executive officers" shall have the meaning defined in Rule 3b-7 promulgated under the 1934 Act) to the fullest extent not prohibited by the DGCL or any other applicable law; provided, however, that the corporation may modify the extent of such indemnification by individual contracts with its directors and executive officers; and, provided, further, that the corporation shall not be required to indemnify any director or executive officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the DGCL or any other applicable law or (iv) such indemnification is required to be made under subsection (d).

(b) *Other Officers, Employees and Other Agents.* The corporation shall have power to indemnify its other officers, employees and other agents as set forth in the DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person except executive officers to such officers or other persons as the Board of Directors shall determine.

(c) *Expenses.* The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or executive officer, of the corporation, or is or was serving at the request of the corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or executive officer in connection with such proceeding, provided, however, that, if the DGCL requires, an advancement of expenses incurred by a director or executive officer in his or her capacity as a director or executive officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no

further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Section 43 or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Bylaw, no advance shall be made by the corporation to an executive officer of the corporation (except by reason of the fact that such executive officer is or was a director of the corporation, in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by a majority vote of a quorum consisting of directors who were not parties to the proceeding, even if not a quorum, or (ii) by a committee of such directors designated by a majority of such directors, even though less than a quorum, or (iii) if there are no such directors, or such directors so direct, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(d) *Enforcement.* Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and executive officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or executive officer. Any right to indemnification or advances granted by this Bylaw to a director or executive officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting the claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an executive officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise as a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or executive officer is not entitled to be indemnified, or to such advancement of expenses, under this Article XI or otherwise shall be on the corporation.

(e) *Non Exclusivity of Rights.* The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into

individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the DGCL or any other applicable law.

(f) *Survival of Rights.* The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) *Insurance.* To the fullest extent permitted by the DGCL, or any other applicable law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Bylaw.

(h) *Amendments.* Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) *Saving Clause.* If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and executive officer to the full extent not prohibited by any applicable portion of this Bylaw that shall not have been invalidated, or by any other applicable law. If this Section 43 shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and executive officer to the full extent under applicable law.

(j) *Certain Definitions.* For the purposes of this Bylaw, the following definitions shall apply:

(1) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(2) The term "expenses" shall be broadly construed and shall include, without limitation, court costs, attorneys' fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(3) The term the "corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Bylaw with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(4) References to a "director," "executive officer," "officer," "employee," or "agent" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(5) References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves

services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Bylaw.

## ARTICLE XII

### NOTICES

#### SECTION 44. NOTICES.

(a) *Notice to Stockholders.* Written notice to stockholders of stockholder meetings shall be given as provided in Section 7 herein. Without limiting the manner by which notice may otherwise be given effectively to stockholders under any agreement or contract with such stockholder, and except as otherwise required by law, written notice to stockholders for purposes other than stockholder meetings may be sent by United States mail or nationally recognized overnight courier, or by facsimile, telegraph or telex or by electronic mail or other electronic means.

(b) *Notice to Directors.* Any notice required to be given to any director may be given by the method stated in subsection (a), or as provided for in Section 21 of these Bylaws. If such notice is not delivered personally, it shall be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director.

(c) *Affidavit of Mailing.* An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected or other agent, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) *Methods of Notice.* It shall not be necessary that the same method of giving notice be employed in respect of all recipients of notice, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(e) *Notice to Person with Whom Communication Is Unlawful.* Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(f) *Notice to Person with Undeliverable Address.* Whenever notice is required to be given, under any provision of law or the Certificate of Incorporation or Bylaws of the corporation, to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve-month period, have been

mailed addressed to such person at his address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting, which shall be taken or held without notice to such person, shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph.

(g) *Notice to Stockholders Sharing an Address.* Except as otherwise prohibited under DGCL, any notice given under the provisions of DGCL, the Certificate of Incorporation or the Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Such consent shall have been deemed to have been given if such stockholder fails to object in writing to the corporation within 60 days of having been given notice by the corporation of its intention to send the single notice. Any consent shall be revocable by the stockholder by written notice to the corporation.

### **ARTICLE XIII**

#### **AMENDMENTS**

SECTION 45. AMENDMENTS. These Bylaws may be amended or repealed and new Bylaws adopted by at least fifty percent (50%) of the stockholders entitled to vote. The Board of Directors shall also have the power, if such power is conferred upon the Board of Directors by the Certificate of Incorporation, to adopt, amend, or repeal Bylaws (including, without limitation, the amendment of any Bylaw setting forth the number of Directors who shall constitute the whole Board of Directors).

### **ARTICLE XIV**

#### **RIGHT OF FIRST REFUSAL**

SECTION 46. RIGHT OF FIRST REFUSAL. No stockholder shall sell, assign, pledge, or in any manner transfer any of the shares of stock of the corporation or any right or interest therein, whether voluntarily or by operation of law, or by gift or otherwise, except by a transfer which meets the requirements hereinafter set forth in this bylaw:

(a) If the stockholder desires to sell or otherwise transfer any of his shares of stock, then the stockholder shall first give written notice thereof to the corporation. The notice shall name the proposed transferee and state the number of shares to be transferred, the proposed consideration, and all other terms and conditions of the proposed transfer.

(b) For thirty (30) days following receipt of such notice, the corporation shall have the option to purchase all (but not less than all) of the shares specified in the notice at the price and upon the terms set forth in such notice; provided, however, that, with the consent of the stockholder, the corporation shall have the option to purchase a lesser portion of the shares specified in said notice at the price and upon the terms set forth therein. In the event of a gift, property settlement or other transfer in which the proposed transferee is not paying the full price for the shares, and that is not otherwise exempted from the provisions of this Section 46, the price shall be deemed to be the fair market value of the stock at such time as determined in good faith by the Board of Directors. In the event the corporation elects to purchase all of the shares or, with consent of the stockholder, a lesser portion of the shares, it shall give written notice to the transferring

stockholder of its election and settlement for said shares shall be made as provided below in paragraph (d).

(c) The corporation may assign its rights hereunder.

(d) In the event the corporation and/or its assignee(s) elect to acquire any of the shares of the transferring stockholder as specified in said transferring stockholder's notice, the Secretary of the corporation shall so notify the transferring stockholder and settlement thereof shall be made in cash within thirty (30) days after the Secretary of the corporation receives said transferring stockholder's notice; provided that if the terms of payment set forth in said transferring stockholder's notice were other than cash against delivery, the corporation and/or its assignee(s) shall pay for said shares on the same terms and conditions set forth in said transferring stockholder's notice.

(e) In the event the corporation and/or its assignees(s) do not elect to acquire all of the shares specified in the transferring stockholder's notice, said transferring stockholder may, within the sixty-day period following the expiration or waiver of the option rights granted to the corporation and/or its assignees(s) herein, transfer the shares specified in said transferring stockholder's notice which were not acquired by the corporation and/or its assignees(s) as specified in said transferring stockholder's notice. All shares so sold by said transferring stockholder shall continue to be subject to the provisions of this bylaw in the same manner as before said transfer.

(f) Anything to the contrary contained herein notwithstanding, the following transactions shall be exempt from the provisions of this bylaw:

(1) A stockholder's transfer of any or all shares held either during such stockholder's lifetime or on death by will or intestacy to such stockholder's immediate family or to any custodian or trustee for the account of such stockholder or such stockholder's immediate family or to any limited partnership or limited liability company of which the stockholder, members of such stockholder's immediate family or any trust for the account of such stockholder or such stockholder's immediate family will be the general and limited partner(s) of such partnership or the members of such limited liability company, respectively. "Immediate family" as used herein shall mean spouse, lineal descendant, father, mother, brother, or sister of the stockholder making such transfer.

(2) A stockholder's bona fide pledge or mortgage of any shares with a commercial lending institution, provided that any subsequent transfer of said shares by said institution shall be conducted in the manner set forth in this bylaw.

(3) A stockholder's transfer of any or all of such stockholder's shares to the corporation or to any other stockholder of the corporation.

(4) A stockholder's transfer of any or all of such stockholder's shares to a person who, at the time of such transfer, is an officer or director of the corporation.

(5) A corporate stockholder's transfer of any or all of its shares pursuant to and in accordance with the terms of any merger, consolidation, reclassification of shares or capital reorganization of the corporate stockholder, or pursuant to a sale of all or substantially all of the stock or assets of a corporate stockholder.

(6) A corporate stockholder's transfer of any or all of its shares to any or all of its stockholders.

(7) A transfer by a stockholder which is a limited or general partnership to any or all of its partners or former partners.

(8) A transfer by a stockholder that is a limited liability company to any or all of its members or former members.

(9) A transfer by a stockholder that is a trust to any or all of its grantors or beneficiaries.

In any such case, the transferee, assignee, or other recipient shall receive and hold such stock subject to the provisions of this bylaw, and there shall be no further transfer of such stock except in accord with this bylaw.

(g) The provisions of this bylaw may be waived with respect to any transfer either by the corporation, upon duly authorized action of its Board of Directors, or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation (excluding the votes represented by those shares to be transferred by the transferring stockholder). This bylaw may be amended or repealed either by a duly authorized action of the Board of Directors or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation.

(h) Any sale or transfer, or purported sale or transfer, of securities of the corporation shall be null and void unless the terms, conditions, and provisions of this bylaw are strictly observed and followed.

(i) The foregoing right of first refusal shall terminate upon the date securities of the corporation are first offered to the public pursuant to a registration statement filed with, and declared effective by, the United States Securities and Exchange Commission under the Securities Act of 1933, as amended.

(j) The certificates representing shares of stock of the corporation shall bear on their face the following legend as long as the foregoing right of first refusal remains in effect:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS PURSUANT TO THE COMPANY'S BYLAWS. SUCH BYLAWS, AMONG OTHER THINGS, RESTRICT CERTAIN RIGHTS WITH RESPECT TO THE SALE AND TRANSFER OF THE SHARES AND OTHERWISE ENCUMBER THE SHARES REPRESENTED HEREBY. COPIES OF THE BYLAWS MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY."

## **ARTICLE XV**

### **LOANS TO OFFICERS**

SECTION 47. LOANS TO OFFICERS. Except as otherwise prohibited under applicable law, the corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

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## NEWLINK GENETICS CORPORATION

## 2000 EQUITY INCENTIVE PLAN

Adopted by the Board: March 2, 2000; Amended August 30, 2001

Approved By Stockholders April 10, 2000 and December 12, 2001

Termination Date: March 2, 2010

## 1. PURPOSES.

(a) **Eligible Stock Award Recipients.** The persons eligible to receive Stock Awards are the Employees, Directors and Consultants of the Company and its Affiliates.

(b) **Available Stock Awards.** The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) stock bonuses and (iv) rights to acquire restricted stock.

(c) **General Purpose.** The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Stock Awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

## 2. DEFINITIONS.

(a) **"Affiliate"** means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) **"Board"** means the Board of Directors of the Company.

(c) **"Code"** means the Internal Revenue Code of 1986, as amended.

(d) **"Committee"** means a committee of one or more members of the Board appointed by the Board in accordance with subsection 3(c).

(e) **"Common Stock"** means the common stock of the Company.

(f) **"Company"** means NewLink Genetics Corporation, a Delaware corporation.

(g) **"Consultant"** means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or (ii) who is a member of the Board of Directors of an Affiliate. However, the term "Consultant" shall not include either Directors who are not compensated by the Company

for their services as Directors or Directors who are merely paid a director's fee by the Company for their services as Directors.

(h) **"Continuous Service"** means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(i) **"Covered Employee"** means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to stockholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(j) **"Director"** means a member of the Board of Directors of the Company.

(k) **"Disability"** means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(l) **"Employee"** means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

(m) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

(n) **"Fair Market Value"** means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(o) **“Incentive Stock Option”** means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

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(p) **“Listing Date”** means the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system.

(q) **“Non-Employee Director”** means a Director who either (i) is not a current Employee or Officer of the Company or its parent or a subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or a subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (“Regulation S-K”)), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a “non-employee director” for purposes of Rule 16b-3.

(r) **“Nonstatutory Stock Option”** means an Option not intended to qualify as an Incentive Stock Option.

(s) **“Officer”** means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(t) **“Option”** means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(u) **“Option Agreement”** means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(v) **“Optionholder”** means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(w) **“Outside Director”** means a Director who either (i) is not a current employee of the Company or an “affiliated corporation” (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an “affiliated corporation” receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an “affiliated corporation” at any time and is not currently receiving direct or indirect remuneration from the Company or an “affiliated corporation” for services in any capacity other than as a Director or (ii) is otherwise considered an “outside director” for purposes of Section 162(m) of the Code.

(x) **“Participant”** means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(y) **“Plan”** means this NewLink Genetics Corporation 2000 Equity Incentive Plan.

(z) **“Rule 16b-3”** means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

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(aa) **“Securities Act”** means the Securities Act of 1933, as amended.

(bb) **“Stock Award”** means any right granted under the Plan, including an Option, a stock bonus and a right to acquire restricted stock.

(cc) **“Stock Award Agreement”** means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(dd) **“Ten Percent Stockholder”** means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

### 3. ADMINISTRATION.

(a) **Administration by Board.** The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) **Powers of Board.** The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; what type or combination of types of Stock Award shall be granted; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive Common Stock pursuant to a Stock Award; and the number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or a Stock Award as provided in Section 12.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company which are not in conflict with the provisions of the Plan.

(c) **Delegation to Committee.**

(i) **General.** The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to

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exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revert in the Board the administration of the Plan.

(ii) **Committee Composition when Common Stock is Publicly Traded.** At such time as the Common Stock is publicly traded, in the discretion of the Board, a Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. Within the scope of such authority, the Board or the Committee may (1) delegate to a committee of one or more members of the Board who are not Outside Directors the authority to grant Stock Awards to eligible persons who are either (a) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award or (b) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code and/or (2) delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Stock Awards to eligible persons who are not then subject to Section 16 of the Exchange Act.

(d) **Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. **SHARES SUBJECT TO THE PLAN.**

(a) **Share Reserve.** Subject to the provisions of Section 11 relating to adjustments upon changes in Common Stock, the Common Stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate one million seven hundred thousand (1,700,000) shares of Common Stock.

(b) **Reversion of Shares to the Share Reserve.** If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares of Common Stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan.

(c) **Source of Shares.** The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. **ELIGIBILITY.**

(a) **Eligibility for Specific Stock Awards.** Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants.

(b) **Ten Percent Stockholders.** A Ten Percent Stockholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

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(c) **Section 162(m) Limitation.** Subject to the provisions of Section 11 relating to adjustments upon changes in the shares of Common Stock, no Employee shall be eligible to be granted Options covering more than 375,000 shares of Common Stock during any calendar year. This subsection 5(c) shall not apply prior to the Listing Date and, following the Listing Date, this subsection 5(c) shall not apply until (i) the earliest of: (1) the first material modification of the Plan (including any increase in the number of shares of Common Stock reserved for issuance under the Plan in accordance with Section 4); (2) the issuance of all of the shares of Common Stock reserved for issuance under the Plan; (3) the expiration of the Plan; or (4) the first meeting of stockholders at which Directors are to be elected that occurs after the close of the third calendar year following the calendar year in which occurred the first registration of an equity security under Section 12 of the Exchange Act; or (ii) such other date required by Section 162(m) of the Code and the rules and regulations promulgated thereunder.

(d) **Consultants.**

(i) Prior to the Listing Date, a Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, either the offer or the sale of the Company's securities to such Consultant is not exempt under Rule 701 of the Securities Act ("Rule 701") because of the nature of the services that the Consultant is providing to the Company, or because the Consultant is not a natural person, or as otherwise provided by Rule 701, unless the Company determines that such grant need not comply with the requirements of Rule 701 and will satisfy another exemption under the Securities Act as well as comply with the securities laws of all other relevant jurisdictions.

(ii) From and after the Listing Date, a Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("Form S-8") is not available to register either the offer or the sale of the Company's securities to such Consultant because of the nature of the services that the Consultant is providing to the Company, or because the Consultant is not a natural person, or as

otherwise provided by the rules governing the use of Form S-8, unless the Company determines both (i) that such grant (A) shall be registered in another manner under the Securities Act (e.g., on a Form S-3 Registration Statement) or (B) does not require registration under the Securities Act in order to comply with the requirements of the Securities Act, if applicable, and (ii) that such grant complies with the securities laws of all other relevant jurisdictions.

(iii) Rule 701 and Form S-8 generally are available to consultants and advisors only if (i) they are natural persons; (ii) they provide bona fide services to the issuer, its parents, its majority-owned subsidiaries or majority-owned subsidiaries of the issuer's parent; and (iii) the services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the issuer's securities.

## 6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a

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separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) **Term.** Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, no Incentive Stock Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) **Exercise Price of an Incentive Stock Option.** Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, the exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) **Exercise Price of a Nonstatutory Stock Option.** The exercise price of each Nonstatutory Stock Option shall be not less than eighty-five percent (85%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, a Nonstatutory Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(d) **Consideration.** The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised or (ii) at the discretion of the Board at the time of the grant of the Option (or subsequently in the case of a Nonstatutory Stock Option) (1) by delivery to the Company of other Common Stock, (2) according to a deferred payment or other similar arrangement with the Optionholder or (3) in any other form of legal consideration that may be acceptable to the Board. Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). At any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

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(e) **Transferability of an Incentive Stock Option.** An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(f) **Transferability of a Nonstatutory Stock Option.** A Nonstatutory Stock Option shall be transferable to the extent provided in the Option Agreement. If the Nonstatutory Stock Option does not provide for transferability, then the Nonstatutory Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(g) **Vesting Generally.** The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this subsection 6(g) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(h) **Termination of Continuous Service.** In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the

Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(i) **Extension of Termination Date.** An Optionholder's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in subsection 6(a) or (ii) the expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(j) **Disability of Optionholder.** In the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the

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date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period specified in the Option Agreement) or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(k) **Death of Optionholder.** In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death pursuant to subsection 6(e) or 6(f), but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement) or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

(l) **Early Exercise.** The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Any unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate.

(m) **Right of Repurchase.** The Option may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, to repurchase all or any part of the vested shares of Common Stock acquired by the Optionholder pursuant to the exercise of the Option.

(n) **Right of First Refusal.** The Option may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, to exercise a right of first refusal following receipt of notice from the Optionholder of the intent to transfer all or any part of the shares of Common Stock received upon the exercise of the Option. Except as expressly provided in this subsection 6(n), such right of first refusal shall otherwise comply with any applicable provisions of the Bylaws of the Company.

## 7. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS.

(a) **Stock Bonus Awards.** Each stock bonus agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of stock bonus agreements may change from time to time, and the terms and conditions of separate stock bonus agreements need not be identical, but each stock bonus agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

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(i) **Consideration.** A stock bonus may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit.

(ii) **Vesting.** Shares of Common Stock awarded under the stock bonus agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iii) **Termination of Participant's Continuous Service.** In the event a Participant's Continuous Service terminates, the Company may reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the stock bonus agreement.

(iv) **Transferability.** Rights to acquire shares of Common Stock under the stock bonus agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the stock bonus agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the stock bonus agreement remains subject to the terms of the stock bonus agreement.

(b) **Restricted Stock Awards.** Each restricted stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the restricted stock purchase agreements may change from time to time, and the terms and conditions of separate restricted stock purchase agreements need not be identical, but each restricted stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) **Purchase Price.** The purchase price of restricted stock awards shall not be less than eighty-five percent (85%) of the Common Stock's Fair Market Value on the date such award is made or at the time the purchase is consummated.

(ii) **Consideration.** The purchase price of Common Stock acquired pursuant to the restricted stock purchase agreement shall be paid either: (i) in cash at the time of purchase; (ii) at the discretion of the Board, according to a deferred payment or other similar arrangement with the Participant; or (iii) in any other form of legal consideration that may be acceptable to the Board in its discretion; provided, however, that at any time that the Company is

incorporated in Delaware, then payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

(iii) **Vesting.** Shares of Common Stock acquired under the restricted stock purchase agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iv) **Termination of Participant's Continuous Service.** In the event a Participant's Continuous Service terminates, the Company may repurchase or otherwise reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the restricted stock purchase agreement.

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(v) **Transferability.** Rights to acquire shares of Common Stock under the restricted stock purchase agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the restricted stock purchase agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the restricted stock purchase agreement remains subject to the terms of the restricted stock purchase agreement.

## 8. COVENANTS OF THE COMPANY.

(a) **Availability of Shares.** During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) **Securities Law Compliance.** The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained.

## 9. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

## 10. MISCELLANEOUS.

(a) **Acceleration of Exercisability and Vesting.** The Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) **Stockholder Rights.** No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Stock Award unless and until such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(c) **No Employment or other Service Rights.** Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate,

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and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(d) **Incentive Stock Option \$100,000 Limitation.** To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars (\$100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(e) **Investment Assurances.** The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares of Common Stock upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or (2) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(f) **Withholding Obligations.** To the extent provided by the terms of a Stock Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under a Stock Award by any of the following means (in addition

to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Stock Award, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of Common Stock.

## 11. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) **Capitalization Adjustments.** If any change is made in the Common Stock subject to the Plan, or subject to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of

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shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a) and the maximum number of securities subject to award to any person pursuant to subsection 5(c), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of Common Stock subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) **Dissolution or Liquidation.** In the event of a dissolution or liquidation of the Company, then all outstanding Stock Awards shall terminate immediately prior to such event.

(c) **Corporate Transaction.**

(i) At least ten (10) days prior to the consummation of a Corporate Transaction, the Company shall give Participants written notice of a proposed Corporate Transaction. All Options, to the extent not previously exercised, shall terminate upon the consummation of such Corporate Transaction and cease to be exercisable unless expressly assumed by the surviving or acquiring corporation.

As used herein, "**Corporate Transaction**" shall mean (i) a dissolution, liquidation, or sale of all or substantially all of the assets of the Company; (ii) a merger or consolidation in which the Company is not the surviving corporation; (iii) a reverse merger in which the Company is the surviving corporation but the shares of the Company's common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise; or (iv) after the Listing Date (as defined below), an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, as hereafter amended or succeeded, excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an affiliate of the Company, of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of securities of the Company or its successor representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of directors; provided that, notwithstanding the foregoing, in the case of (ii) and (iii) above, such transactions shall only be deemed a "Corporate Transaction" if the stockholders of the Company or its successor immediately prior to such merger, consolidation or reverse merger: (A) hold less than 50% of the outstanding securities of the surviving company following the merger or consolidation, or (B) in the event that the securities of an affiliated entity are issued to the stockholders of the Company in the transaction, hold less than 50% of the outstanding securities of such entity corporation. For purposes hereof, "**Listing Date**" shall mean the first date upon which any security of the Company or its successor is listed on the American or New York Stock Exchange or designated upon notice of issuance as a national market security on the Nasdaq National Market inter-dealer quotation system.

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(ii) If the Company or its stockholders enter into an agreement providing for a Corporate Transaction, the vesting schedule of all Options shall be accelerated so that all Options outstanding under the Plan as of the day before the consummation of such Corporate Transaction, to the extent not exercised, shall for all purposes under this Plan become exercisable as of such date.

(iii) In the event that the surviving or acquiring corporation in a Corporate Transaction assumes Options, the vesting schedule of all assumed Options that were held by Participants who were Employees of the Company immediately prior to such Corporate Transaction (a "Continuing Employee") shall be fully vested and exercisable if such Continuing Employee's employment is involuntarily terminated other than for Cause or is voluntarily terminated with Good Reason within 13 months following the consummation of the Corporate Transaction.

As used herein, "**Cause**" shall mean (i) conviction of any felony or any crime, or entry of a plea of *nolo contendere*, involving moral turpitude or dishonesty; (ii) participation in a fraud or act of dishonesty against the Company or the surviving corporation; (iii) willful misfeasance or nonfeasance of duty that materially injures the reputation, business or business relationships of the Company, the surviving corporation or any of their respective officers, directors or affiliates, (iv) material breach of this Agreement, the Assignment and Agreement Concerning Non-Disclosure of Proprietary Information and Non-Competition of the Company's or the surviving corporation's policies and procedures, or (v) conduct by you which in the good faith and reasonable determination of the surviving corporation's Board of Directors demonstrates gross unfitness to serve. As used herein, "**Good Reason**" shall mean (i) a reduction in compensation, (ii) a relocation of the Continuing Employee's principal worksite to a location more than thirty (30) miles from the Continuing Employees' pre-Corporate Transaction principal worksite, or (iii) for an executive officer, a material reduction in responsibilities, title or authority as in effect immediately prior to the Corporate Transaction.

## 12. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) **Amendment of Plan.** The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 relating to adjustments upon changes in Common Stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy the requirements of Section 422 of the Code, Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

**(b) Stockholder Approval.** The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

**(c) Contemplated Amendments.** It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible

Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

**(d) No Impairment of Rights.** Rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

**(e) Amendment of Stock Awards.** The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

### **13. TERMINATION OR SUSPENSION OF THE PLAN.**

**(a) Plan Term.** The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth (10th) anniversary of the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

**(b) No Impairment of Rights.** Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the Participant.

### **14. EFFECTIVE DATE OF PLAN.**

The Plan shall become effective as determined by the Board, but no Stock Award shall be exercised (or, in the case of a stock bonus, shall be granted) unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

### **15. CHOICE OF LAW.**

The law of the State of Iowa shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

**NEWLINK GENETICS CORPORATION  
2000 EQUITY INCENTIVE PLAN**

**Stock Option Agreement**  
(Incentive Stock Option or Nonstatutory Stock Option)

Pursuant to your Stock Option Grant Notice ("Grant Notice") and this Stock Option Agreement, NewLink Genetics Corporation (the "Company") has granted you an option under its 2000 Equity Incentive Plan (the "Plan") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. Defined terms not explicitly defined in this Stock Option Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your option are as follows:

**1. VESTING.** Subject to the limitations contained herein, your option will vest as provided in your Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

**2. NUMBER OF SHARES AND EXERCISE PRICE.** The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan.

**3. METHOD OF PAYMENT.** Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in cash or by check or in any other manner *permitted by your Grant Notice*, which may include one or more of the following:

(a) In the Company's sole discretion at the time your option is exercised and provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in *The Wall Street Journal*, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds.

(b) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in *The Wall Street Journal*, by delivery of already-owned shares of Common Stock either that you have held for the period required to avoid a charge to the Company's reported earnings (generally six months) or that you did not acquire, directly or indirectly from the Company, that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. "Delivery" for these purposes, in the sole discretion of the Company at the time you exercise your option, shall include delivery to the Company of your attestation of ownership of such shares of Common Stock in a form approved by the Company. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

**4. WHOLE SHARES.** You may exercise your option only for whole shares of Common Stock.

**5. SECURITIES LAW COMPLIANCE.** Notwithstanding anything to the contrary contained herein, you may not exercise your option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act or, if such shares of Common Stock are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your option must also comply with other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

**6. TERM.** You may not exercise your option before the commencement of its term or after its term expires. The term of your option commences on the Date of Grant and expires upon the *earliest* of the following:

- (a) Ninety (90) days after the termination of your Continuous Service for any reason other than your Disability or death, provided that if during any part of such ninety (90) day period your option is not exercisable solely because of the condition set forth in the preceding paragraph relating to "Securities Law Compliance," your option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of ninety (90) days after the termination of your Continuous Service;
- (b) twelve (12) months after the termination of your Continuous Service due to your Disability;
- (c) eighteen (18) months after your death if you die either during your Continuous Service or within ninety (90) days after your Continuous Service terminates;
- (d) the Expiration Date indicated in your Grant Notice; or
- (e) the day before the tenth (10th) anniversary of the Date of Grant.

If your option is an incentive stock option, note that, to obtain the federal income tax advantages associated with an "incentive stock option," the Code requires that at all times beginning on the date of grant of your option and ending on the day ninety (90) days before the date of your option's exercise, you must be an employee of the Company or an Affiliate, except in the event of your death or Disability. The Company has provided for extended exercisability of your option under certain circumstances for your benefit but cannot guarantee that your option will necessarily be treated as an "incentive stock option" if you continue to provide services to the Company or an Affiliate as a Consultant or Director after your employment terminates or if you otherwise exercise your option more than ninety (90) days after the date your employment terminates.

## **7. EXERCISE.**

(a) You may exercise the vested portion of your option [(and the unvested portion of your option if your Grant Notice so permits)] during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of your option, (2) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise, or (3) the disposition of shares of Common Stock acquired upon such exercise.

(c) If your option is an incentive stock option, by exercising your option you agree that you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of your option that occurs within two (2) years after the date of your option grant or within one (1) year after such shares of Common Stock are transferred upon exercise of your option.

(d) By exercising your option you agree that the Company (or a representative of the underwriter(s)) may, in connection with the first underwritten registration of the offering of any securities of the Company under the Securities Act, require that you not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar

transaction with the same economic effect as a sale, any shares of Common Stock or other securities of the Company held by you, for a period of time specified by the underwriter(s) (not to exceed one hundred eighty (180) days) following the effective date of the registration statement of the Company filed under the Securities Act. You further agree to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to your shares of Common Stock until the end of such period.

**8. TRANSFERABILITY.** Your option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you. Notwithstanding the foregoing, by delivering written notice to the Company, in a form satisfactory to the Company, you may designate a third party who, in the event of your death, shall thereafter be entitled to exercise your option.

**9. RIGHT OF FIRST REFUSAL.** Shares of Common Stock that you acquire upon exercise of your option are subject to any right of first refusal that may be described in the Company's bylaws in effect at such time the Company elects to exercise its right. The Company's right of first refusal shall expire on the Listing Date.

**10. RIGHT OF REPURCHASE.** To the extent provided in the Company's bylaws as amended from time to time, the Company shall have the right to repurchase all or any part of the shares of Common Stock you acquire pursuant to the exercise of your option.

**11. OPTION NOT A SERVICE CONTRACT.** Your option is not an employment or service contract, and nothing in your option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in your option shall obligate the Company or an Affiliate, their respective shareholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

**12. MARKET STAND-OFF.** At the time you exercise your option, in whole or in part, if required by the Company (or a representative of the underwriters) in connection with the first underwritten registration of the offering of any securities of the Company under the Securities Act, you will not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any shares of Common Stock you acquire pursuant to the exercise of your option for a period of time specified by the underwriter(s) (not to exceed one hundred eighty (180) days) following the effective date of the registration statement of the Company filed under the Securities Act. You hereby agree to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to any shares of Common Stock you acquire pursuant to the exercise of your option until the end of such period.

**13. WITHHOLDING OBLIGATIONS.**

(a) At the time you exercise your option, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a "cashless exercise" pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with your option.

(b) Upon your request and subject to approval by the Company, in its sole discretion, and compliance with any applicable conditions or restrictions of law, the Company may withhold from

fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law. If the date of determination of any tax withholding obligation is deferred to a date later than the date of exercise of your option, share withholding pursuant to the preceding sentence shall not be permitted unless you make a proper and timely election under Section 83(b) of the Code, covering the aggregate number of shares of Common Stock acquired upon such exercise with respect to which such determination is otherwise deferred, to accelerate the determination of such tax withholding obligation to the date of exercise of your option. Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Affiliate are satisfied. Accordingly, you may not be able to exercise your option when desired even though your option is vested, and the Company shall have no obligation to issue a certificate for such shares of Common Stock or release such shares of Common Stock from any escrow provided for herein.

**14. NOTICES.** Any notices provided for in your option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

**15. GOVERNING PLAN DOCUMENT.** Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your option and those of the Plan, the provisions of the Plan shall control.

## QuickLinks

[Exhibit 10.3](#)

[NEWLINK GENETICS CORPORATION 2000 EQUITY INCENTIVE PLAN  
Stock Option Agreement \(Incentive Stock Option or Nonstatutory Stock Option\)](#)

**NEWLINK GENETICS CORPORATION  
STOCK OPTION GRANT NOTICE  
(2000 EQUITY INCENTIVE PLAN)**

NewLink Genetics Corporation (the "Company"), pursuant to its 2000 Equity Incentive Plan (the "Plan"), hereby grants to the Participant as a bonus the number of shares of the Company's Common Stock set forth below ("Award"). This award is subject to all of the terms and conditions as set forth herein and in the Stock Bonus Agreement the Plan, each of which are attached hereto and incorporated here' in their entirety.

- Participant:**
- Date of Grant:**
- Vesting Commencement Date:**
- Number of Shares Subject to Option:**
- Exercise Price (Per Share):**
- Expiration Date:**
- Type of Grant:**
- Exercise Schedule:**

**Vesting Schedule:**

**Payment:** By one or a combination of the following items (described in the Stock Option Agreement):

- By cash or check
- Pursuant to a Regulation T Program if the Shares are publicly traded
- By delivery of already-owned shares if the Shares are publicly traded

**Additional Terms/Acknowledgements:** The undersigned Option holder acknowledges receipt of and understands and agrees to, this Grant Notice, the Stock Option Agreement and the Plan. Option holder further acknowledges that as of the Date of Grant, this Grant Notice, the Stock Option Agreement and the Plan set forth the entire understanding between the Participant and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject with the exception of (i) options previously granted and delivered to Participant under the Plan, and (ii) the following agreements only:

OTHER AGREEMENTS: \_\_\_\_\_

**NEWLINK GENETICS CORPORATION**

**OPTION HOLDER**

**By:** \_\_\_\_\_  
**Officer**

**By:** \_\_\_\_\_  
**Signature**

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**ATTACHMENTS: Stock Option Agreement 2000 Equity Incentive Plan and Notice of Exercise**

Stock Bonus Agreement

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## QuickLinks

[Exhibit 10.4](#)

[NEWLINK GENETICS CORPORATION STOCK OPTION GRANT NOTICE \(2000 EQUITY INCENTIVE PLAN\)](#)

**NEWLINK GENETICS CORPORATION  
2000 EQUITY INCENTIVE PLAN**

**STOCK BONUS AGREEMENT**

Pursuant to the Stock Bonus Grant Notice ("Grant Notice") and this Stock Bonus Agreement (collectively, the "Award") and in consideration of your past services, NewLink Genetics Corporation (the "Company") has awarded you a stock bonus under its 2000 Equity Incentive Plan (the "Plan") for the number of shares of the Company's Common Stock subject to the Award as indicated in the Grant Notice. Such issuance is intended to comply with the provisions of Rule 701 promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended. Defined terms not explicitly defined in this Stock Bonus Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your Award are as follows:

**1. VESTING.** Your Award is fully vested.

**2. NUMBER OF SHARES.** The number of shares subject to your Award may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan.

**3. RESTRICTIONS ON TRANSFER.** You agree that the Company (or a representative of the underwriters) may, in connection with the first unregistered registration of the offering of any securities of the Company under the Securities Act, require that you not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any shares of Common Stock or other securities of the Company held by you, for a period of time specified by the underwriter(s) (not to exceed one hundred eighty (180) days) following the effective date of the registration statement of the Company filed under the Securities Act. You further agree to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to your Common Stock until the end of such period.

**4. RIGHT OF FIRST REFUSAL.** Shares that are received under your Award are subject to any right of first refusal that may be described in the Company's bylaws in effect at such time the Company elects to exercise its right.

**5. RESTRICTIVE LEGENDS.** The shares issued under your Award shall be endorsed with appropriate legends determined by the Company.

**6. AWARD NOT A SERVICE CONTRACT.** Your Award is not an employment or service contract, and nothing in your Award shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or on the part of the Company or an Affiliate to continue your employment. In addition, nothing in your Award shall obligate the Company or an Affiliate, their respective shareholders, boards of directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

**7. WITHHOLDING OBLIGATIONS.**

(a) At the time your Award is made, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with your Award.

(b) Unless the tax withholding obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to issue a certificate for such shares.

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**8. NOTICES.** Any notices provided for in your Award or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

**9. MISCELLANEOUS.**

(a) The rights and obligations of the Company under your Award shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns. Your rights and obligations under your Award may only be assigned with the prior written consent of the Company.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(c) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award and fully understand all provisions of your Award.

**10. GOVERNING PLAN DOCUMENT.** Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your Award and those of the Plan, the provisions of the Plan shall control.

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QuickLinks

[Exhibit 10.5](#)

[NEWLINK GENETICS CORPORATION 2000 EQUITY INCENTIVE PLAN STOCK BONUS AGREEMENT](#)

NEWLINK GENETICS CORPORATION

2009 EQUITY INCENTIVE PLAN

ADOPTED BY THE BOARD OF DIRECTORS: MAY 13, 2009

APPROVED BY THE STOCKHOLDERS: JULY 15, 2009

TERMINATION DATE: MAY 12, 2019

AMENDED BY THE BOARD: OCTOBER 29, 2010

APPROVED BY THE STOCKHOLDERS: , 2010

1. GENERAL.

(a) **Successor to and Continuation of Prior Plan.** The Plan is intended as the successor to and continuation of the NewLink Genetics Corporation 2000 Equity Incentive Plan (the "**Prior Plan**"). Following the Effective Date, no additional stock awards shall be granted under the Prior Plan. Any shares remaining available for issuance pursuant to the exercise of options or issuance or settlement of stock awards under the Prior Plan as of the Effective Date (the "**Prior Plan's Available Reserve**") shall become available for issuance pursuant to Stock Awards granted hereunder. From and after the Effective Date, all outstanding stock awards granted under the Prior Plan shall remain subject to the terms of the Prior Plan; *provided, however*, any shares subject to outstanding stock awards granted under the Prior Plan that expire or terminate for any reason prior to exercise or settlement or are forfeited because of the failure to meet a contingency or condition required to vest such shares, which shares would otherwise return to the Prior Plan (the "**Returning Shares**") shall become available for issuance pursuant to Awards granted hereunder. All Awards granted on or after the Effective Date of this Plan shall be subject to the terms of this Plan.

(b) **Eligible Award Recipients.** The persons eligible to receive Awards are Employees, Directors and Consultants.

(c) **Available Awards.** The Plan provides for the grant of the following Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Stock Appreciation Rights (iv) Restricted Stock Awards, (v) Restricted Stock Unit Awards, (vi) Performance Stock Awards, (vii) Performance Cash Awards, and (viii) Other Stock Awards.

(d) **Purpose.** The Company, by means of the Plan, seeks to secure and retain the services of the group of persons eligible to receive Awards as set forth in Section 1(b), to provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and to provide a means by which such eligible recipients may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Awards.

2. ADMINISTRATION.

(a) **Administration by Board.** The Board shall administer the Plan unless and until the Board delegates administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) **Powers of Board.** The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time (A) which of the persons eligible under the Plan shall be granted Awards; (B) when and how each Award shall be granted; (C) what type or combination of types of Award shall be granted; (D) the provisions of each Award granted (which need not be identical), including the time or times when a person shall be permitted to receive cash or Common Stock pursuant to a Stock Award; (E) the number of shares of Common Stock with

respect to which a Stock Award shall be granted to each such person; and (F) the Fair Market Value applicable to a Stock Award.

(ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement or in the written terms of a Performance Cash Award, in a manner and to the extent it shall deem necessary or expedient to make the Plan or Award fully effective.

(iii) To settle all controversies regarding the Plan and Awards granted under it.

(iv) To accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Award stating the time at which it may first be exercised or the time during which it will vest.

(v) To suspend or terminate the Plan at any time. Suspension or termination of the Plan shall not impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant.

(vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, by adopting amendments relating to Incentive Stock Options and certain nonqualified deferred compensation under Section 409A of the Code and/or to bring the Plan or Awards granted under the Plan into compliance therewith, subject to the limitations, if any of applicable law. However, except as provided in Section 9(a) relating to Capitalization Adjustments, to the extent required by applicable law or listing requirements, stockholder approval shall be required for any amendment of the Plan that either (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan or materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (D) materially extends the term of the Plan, or (E) expands the types of Awards available for issuance under the Plan. Except as provided above, rights under any Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 162(m) of the Code regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to Covered Employees, (B) Section 422 of the Code regarding "incentive stock options" or (C) Rule 16b-3.

(viii) To approve forms of Award Agreements for use under the Plan and to amend the terms of any one or more Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided however*, that except with respect to amendments that disqualify or impair the status of an Incentive Stock Option, a Participant's rights under any Award shall not be impaired by any such amendment unless (A) the Company requests the consent of the affected Participant, and (B) such Participant consents in writing. Notwithstanding the foregoing, subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Awards without the affected Participant's consent if necessary to maintain the qualified status of the Award as an Incentive Stock Option or to bring the Award into compliance with Section 409A of the Code.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Awards.

(x) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States.

(xi) To effect, at any time and from time to time, with the consent of any adversely affected Participant, (A) the reduction of the exercise price (or strike price) of any outstanding Option or SAR under the Plan; (B) the cancellation of any outstanding Option or SAR under the Plan and the grant in substitution thereof of (1) a new Option or SAR under the Plan or another equity plan of the Company covering the same or a different number of shares of Common Stock, (2) a Restricted Stock Award, (3) a Restricted Stock Unit Award, (4) an Other Stock Award, (5) cash and/or (6) other valuable consideration (as determined by the Board, in its sole discretion); or (C) any other action that is treated as a repricing under generally accepted accounting principles.

**(c) Delegation to Committee.**

**(i) General.** The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Committee may, at any time, abolish the subcommittee and/or revest in the Committee any powers delegated to the subcommittee. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revest in the Board some or all of the powers previously delegated.

**(ii) Section 162(m) and Rule 16b-3 Compliance.** The Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3.

**(d) Delegation to an Officer.** The Board may delegate to one (1) or more Officers the authority to do one or both of the following (i) designate Employees who are providing Continuous Service to the Company or any of its Subsidiaries who are not Officers to be recipients of Options and Stock Appreciation Rights (and, to the extent permitted by applicable law, other Stock Awards) and the terms thereof, and (ii) determine the number of shares of Common Stock to be subject to such Stock Awards granted to such Employees; *provided, however*, that the Board resolutions regarding such delegation shall specify the total number of shares of Common Stock that may be subject to the Stock Awards granted by such Officer and that such Officer may not grant a Stock Award to himself or herself. Notwithstanding the foregoing, the Board may not delegate authority to an Officer to determine the Fair Market Value pursuant to Section 13(w)(iii) below.

**(e) Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

### 3. SHARES SUBJECT TO THE PLAN.

**(a) Share Reserve.** Subject to Section 9(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards from and after the Effective Date shall not exceed 8,385,000 shares (the "**Share Reserve**"), which number is the sum of (i) 6,850,000 new shares, plus (ii) an additional number of shares in an amount not to exceed 1,535,000 shares (which number consists of the Returning Shares, if any, as such shares become available from time to time). In addition, the number of shares of Common Stock available for issuance under the Plan shall automatically increase on January 1<sup>st</sup> of each year commencing on January 1, 2012 and ending on (and including) January 1, 2019, in an amount equal to four percent (4%) of the total number of shares of Common Stock outstanding on December 31<sup>st</sup> of the preceding calendar year. Notwithstanding the foregoing, the Board may act prior to the first day of any calendar year, to provide that there shall be no increase in the share reserve for such calendar year or that the increase in the share reserve for such calendar year shall be a lesser number of shares of Common Stock than would otherwise occur pursuant to the preceding sentence. For clarity, the Share Reserve in this Section 3(a) is a limitation on the number of shares of Common Stock that may be issued pursuant to the Plan and does not limit the granting of Stock Awards except as provided in Section 7(a). Shares may be issued in connection with a merger or acquisition as permitted by, as applicable, NASDAQ Listing Rule 5635(c) or, if applicable, NYSE Listed Company Manual Section 303A.08, AMEX Company Guide Section 711 or other applicable rule, and such issuance shall not reduce the number of shares available for issuance under the Plan. Furthermore, if a Stock Award or any portion thereof (i) expires or otherwise terminates without all of the shares covered by such Stock Award having been issued or (ii) is settled in cash (*i.e.*, the Participant receives cash rather than stock), such expiration, termination or settlement shall not reduce (or otherwise offset) the number of shares of Common Stock that may be available for issuance under the Plan.

**(b) Reversion of Shares to the Share Reserve.** If any shares of Common Stock issued pursuant to a Stock Award are forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited or repurchased shall revert to and again become available for issuance under the Plan. Any shares reacquired by the Company pursuant to Section 8(g) or as consideration for the exercise of an Option shall again become available for issuance under the Plan.

**(c) Incentive Stock Option Limit.** Notwithstanding anything to the contrary in this Section 3 and, subject to the provisions of Section 9(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options shall be 8,385,000 shares of Common Stock.

**(d) Section 162(m) Limitation on Annual Grants.** Subject to the provisions of Section 9(a) relating to Capitalization Adjustments, at such time as the Company may be subject to the applicable provisions of Section 162(m) of the Code, a maximum of 6,708,000 shares of Common Stock subject to Options, Stock Appreciation Rights and Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least one hundred percent (100%) of the Fair Market Value on the date any such Stock Award is granted may be granted to any Participant during any calendar year. Notwithstanding the foregoing, if any additional Options, Stock Appreciation Rights or Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least one hundred percent (100%) of the Fair Market Value on the date the Stock Award are granted to any Participant during any calendar year, compensation attributable to the exercise of such additional Stock Awards shall not satisfy the requirements to be considered "qualified performance-based compensation" under Section 162(m) of the Code unless such additional Stock Award is approved by the Company's stockholders.

**(e) Source of Shares.** The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

#### 4. ELIGIBILITY.

**(a) Eligibility for Specific Stock Awards.** Incentive Stock Options may be granted only to employees of the Company or a "parent corporation" or "subsidiary corporation" thereof (as such terms are defined in Sections 424(e) and (f) of the Code). Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants; *provided, however*, Nonstatutory Stock Options and SARs may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any "parent" of the Company, as such term is defined in Rule 405 promulgated under the Securities Act, unless the stock underlying such Stock Awards is treated as "service recipient stock" under Section 409A of the Code because the Stock Awards are granted pursuant to a corporate transaction (such as a spin off transaction) or unless such Stock Awards comply with the distribution requirements of Section 409A of the Code.

**(b) Ten Percent Stockholders.** A Ten Percent Stockholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value on the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

#### 5. PROVISIONS RELATING TO OPTIONS AND STOCK APPRECIATION RIGHTS.

Each Option or SAR shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates shall be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, then the Option shall be a Nonstatutory Stock Option. The provisions of separate Options or SARs need not be identical; *provided, however*, that each Option Agreement or Stock Appreciation Right Agreement shall conform to (through incorporation of provisions hereof by reference in the applicable Award Agreement or otherwise) the substance of each of the following provisions:

**(a) Term.** Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, no Option or SAR shall be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the Award Agreement.

**(b) Exercise Price.** Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, the exercise price (or strike price) of each Option or SAR shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Option or SAR is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise price (or strike price) lower than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option or SAR if such Option or SAR is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Corporate Transaction and in a manner consistent with the provisions of Sections 409A and, if applicable, 424(a) of the Code. Each SAR will be denominated in shares of Common Stock equivalents.

**(c) Purchase Price for Options.** The purchase price of Common Stock acquired pursuant to the exercise of an Option shall be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board shall have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent

of the Company to utilize a particular method of payment. The permitted methods of payment are as follows:

(i) by cash, check, bank draft or money order payable to the Company;

(ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

(iv) if the option is a Nonstatutory Stock Option, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; *provided, however*, that the Company shall accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued; *provided, further*, that shares of Common Stock will no longer be subject to an Option and will not be exercisable thereafter to the extent that (A) shares issuable upon exercise are reduced to pay the exercise price pursuant to the "net exercise," (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations; or

(v) in any other form of legal consideration that may be acceptable to the Board.

**(d) Exercise and Payment of a SAR.** To exercise any outstanding Stock Appreciation Right, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Right Agreement evidencing such Stock Appreciation Right. The appreciation distribution payable on the exercise of a Stock Appreciation Right will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the Stock Appreciation Right) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such Stock Appreciation Right, and with respect to which the Participant is exercising the Stock Appreciation Right on such date, over (B) the strike price that will be determined by the Board at the time of grant of the Stock Appreciation Right. The appreciation distribution in respect to a Stock Appreciation Right may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Stock Appreciation Right Agreement evidencing such Stock Appreciation Right.

**(e) Transferability of Options and SARs.** The Board may, in its sole discretion, impose such limitations on the transferability of Options and SARs as the Board shall determine. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options and SARs shall apply:

**(i) Restrictions on Transfer.** An Option or SAR shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Participant only by the Participant; *provided, however*, that the Board may, in its sole discretion, permit transfer of the Option or SAR in a manner that is not prohibited by applicable tax and securities laws upon the Participant's request. Except as explicitly provided herein, neither an Option nor a SAR may be transferred for consideration.

**(ii) Domestic Relations Orders.** Notwithstanding the foregoing, an Option or SAR may be transferred pursuant to a domestic relations order; *provided, however*, that if an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

**(iii) Beneficiary Designation.** Notwithstanding the foregoing, the Participant may, by delivering written notice to the Company, in a form provided by or otherwise satisfactory to the Company and any broker designated by the Company to effect Option exercises, designate a third party who, in the event of the death of the Participant, shall thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, the executor or administrator of the Participant's estate shall be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise.

**(f) Vesting Generally.** The total number of shares of Common Stock subject to an Option or SAR may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of Performance Goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary. The provisions of this Section 5(f) are subject to any Option or SAR provisions governing the minimum number of shares of Common Stock as to which an Option or SAR may be exercised.

**(g) Termination of Continuous Service.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates (other than for Cause or upon the Participant's death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Award as of the date of termination of Continuous Service) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Participant's Continuous Service (or such longer or shorter period specified in the applicable Award Agreement), or (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the time specified herein or in the Award Agreement (as applicable), the Option or SAR shall terminate.

**(h) Extension of Termination Date.** If the exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause or upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR shall terminate on the earlier of (i) the expiration of a total period of three (3) months (that need not be consecutive) after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement. In addition, unless otherwise provided in a Participant's Award Agreement, if the sale of any Common Stock received upon exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause) would violate the Company's insider trading policy, then the Option or SAR shall terminate on the earlier of (i) the expiration of a period equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the sale of the Common Stock received upon exercise of the Option or SAR would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement.

**(i) Disability of Participant.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or

SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination of Continuous Service (or such longer or shorter period specified in the Award Agreement), or (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the time specified herein or in the Award Agreement (as applicable), the Option or SAR (as applicable) shall terminate.

**(j) Death of Participant.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in the Award Agreement for exercisability after the termination of the Participant's Continuous Service (for a reason other than death), then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of (i) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Award Agreement), or (ii) the expiration of the term of such Option or SAR as set forth in the Award Agreement. If, after the Participant's death, the Option or SAR is not exercised within the time specified herein or in the Award Agreement (as applicable), the Option or SAR shall terminate.

**(k) Termination for Cause.** Except as explicitly provided otherwise in a Participant's Award Agreement or other individual written agreement between the Company or any Affiliate and the Participant, if a Participant's Continuous Service is terminated for Cause, the Option or SAR shall terminate immediately upon such Participant's termination of Continuous Service, and the Participant shall be prohibited from exercising his or her Option or SAR from and after the time of such termination of Continuous Service.

**(l) Non-Exempt Employees.** No Option or SAR, whether or not vested, granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable for any shares of Common Stock until at least six (6) months following the date of grant of the Option or SAR. Notwithstanding the foregoing, consistent with the provisions of the Worker Economic Opportunity Act, (i) in the event of the Participant's death or Disability, (ii) upon a Corporate Transaction in which such Option or SAR is not assumed, continued, or substituted, (iii) upon a Change in Control, or (iv) upon the Participant's retirement (as such term may be defined in the Participant's Award Agreement or in another applicable agreement or in accordance with the Company's then current employment policies and guidelines), any such vested Options and SARs may be exercised earlier than six months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay.

## **6. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS AND SARs.**

**(a) Restricted Stock Awards.** Each Restricted Stock Award Agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. To the extent consistent with the Company's Bylaws, at the Board's election, shares of Common Stock may be (i) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse; or (ii) evidenced by a certificate, which certificate shall be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award Agreements need not be identical; *provided, however*, that each Restricted Stock Award

Agreement shall conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

**(i) Consideration.** A Restricted Stock Award may be awarded in consideration for (A) cash, check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of legal consideration (including future services) that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

**(ii) Vesting.** Shares of Common Stock awarded under the Restricted Stock Award Agreement may be subject to forfeiture to the Company in accordance with a vesting schedule to be determined by the Board.

**(iii) Termination of Participant's Continuous Service.** If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination of Continuous Service under the terms of the Restricted Stock Award Agreement.

**(iv) Transferability.** Rights to acquire shares of Common Stock under the Restricted Stock Award Agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award Agreement, as the Board shall determine in its sole discretion, so long as Common Stock awarded under the Restricted Stock Award Agreement remains subject to the terms of the Restricted Stock Award Agreement.

**(v) Dividends.** A Restricted Stock Award Agreement may provide that any dividends paid on Restricted Stock will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

**(b) Restricted Stock Unit Awards.** Each Restricted Stock Unit Award Agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of Restricted Stock Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Agreements need not be identical; *provided, however*, that each Restricted Stock Unit Award Agreement shall conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

**(i) Consideration.** At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

**(ii) Vesting.** At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

**(iii) Payment.** A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Agreement.

**(iv) Additional Restrictions.** At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

**(v) Dividend Equivalents.** Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted Stock Unit Award Agreement to which they relate.

**(vi) Termination of Participant's Continuous Service.** Except as otherwise provided in the applicable Restricted Stock Unit Award Agreement, such portion of the Restricted Stock Unit Award that has not vested will be forfeited upon the Participant's termination of Continuous Service.

**(c) Performance Awards.**

**(i) Performance Stock Awards.** A Performance Stock Award is a Stock Award that may vest or may be exercised contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Stock Award may, but need not, require the completion of a specified period of Continuous Service. The length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained shall be conclusively determined by the Committee, in its sole discretion. The maximum number of shares covered by an Award that may be granted to any Participant in a calendar year attributable to Stock Awards described in this Section 6(c)(i) (whether the grant, vesting or exercise is contingent upon the attainment during a Performance Period of the Performance Goals) shall not exceed five hundred thousand (500,000) shares of Common Stock. The Board may provide for or, subject to such terms and conditions as the Board may specify, may permit a Participant to elect for, the payment of any Performance Stock Award to be deferred to a specified date or event. In addition, to the extent permitted by applicable law and the applicable Award Agreement, the Board may determine that cash may be used in payment of Performance Stock Awards.

**(ii) Performance Cash Awards.** A Performance Cash Award is a cash award that may be paid contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Cash Award may also require the completion of a specified period of Continuous Service. At the time of grant of a Performance Cash Award, the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained shall be conclusively determined by the Committee, in its sole discretion. In any calendar year, the Committee may not grant a Performance Cash Award that has a maximum value that may be paid to any Participant in excess of three million dollars (\$3,000,000). The Board may provide for or, subject to such terms and conditions as the Board may specify, may permit a Participant to elect for, the payment of any Performance Cash Award to be deferred to a specified date or event. The Committee may specify the form of payment of Performance Cash Awards, which may be cash or other property, or may provide for a Participant to have the option for his or her Performance Cash Award, or such portion thereof as the Board may specify, to be paid in whole or in part in cash or other property.

**(iii) Board Discretion.** The Board retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for a Performance Period.

**(iv) Section 162(m) Compliance.** Unless otherwise permitted in compliance with the requirements of Section 162(m) of the Code with respect to an Award intended to qualify as "performance-based compensation" thereunder, the Committee shall establish the Performance

Goals applicable to, and the formula for calculating the amount payable under, the Award no later than the earlier of (a) the date ninety (90) days after the commencement of the applicable Performance Period, or (b) the date on which twenty-five percent (25%) of the Performance Period has elapsed, and in either event at a time when the achievement of the applicable Performance Goals remains substantially uncertain. Prior to the payment of any compensation under an Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee shall certify the extent to which any Performance Goals and any other material terms under such Award have been satisfied (other than in cases where such relate solely to the increase in the value of the Common Stock). Notwithstanding satisfaction of any completion of any Performance Goals, to the extent specified at the time of grant of an Award to "covered employees" within the meaning of Section 162(m) of the Code, the number of shares of Common Stock, Options, cash or other benefits granted, issued, retainable and/or vested under an Award on account of satisfaction of such Performance Goals may be reduced by the Committee on the basis of such further considerations as the Committee, in its sole discretion, shall determine.

**(d) Other Stock Awards.** Other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof (e.g., options or stock rights with an exercise price or strike price less than 100% of the Fair Market Value of the Common Stock at the time of grant) may be granted either alone or in addition to Stock Awards provided for under Section 5 and the preceding provisions of this Section 6. Subject to the provisions of the Plan, the Board shall have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other terms and conditions of such Other Stock Awards.

## 7. COVENANTS OF THE COMPANY.

**(a) Availability of Shares.** During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock reasonably required to satisfy such Stock Awards.

**(b) Securities Law Compliance.** The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; *provided, however*, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained. A Participant shall not be eligible for the grant of a Stock Award or the subsequent issuance of Common Stock pursuant to the Stock Award if such grant or issuance would be in violation of any applicable securities law.

**(c) No Obligation to Notify or Minimize Taxes.** The Company shall have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Stock Award. Furthermore, the Company shall have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of a Stock Award or a possible period in which the Stock Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of a Stock Award to the holder of such Stock Award.

## 8. MISCELLANEOUS.

**(a) Use of Proceeds from Sales of Common Stock.** Proceeds from the sale of shares of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

**(b) Corporate Action Constituting Grant of Stock Awards.** Corporate action constituting a grant by the Company of a Stock Award to any Participant shall be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Stock Award is communicated to, or actually received or accepted by, the Participant.

**(c) Stockholder Rights.** No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Stock Award unless and until (i) such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms, if applicable, and (ii) the issuance of the Common Stock subject to such Stock Award has been entered into the books and records of the Company.

**(d) No Employment or Other Service Rights.** Nothing in the Plan, any Stock Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

**(e) Incentive Stock Option \$100,000 Limitation.** To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds one hundred thousand dollars (\$100,000), the Options or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

**(f) Investment Assurances.** The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (A) the issuance of the shares upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

**(g) Withholding Obligations.** Unless prohibited by the terms of a Stock Award Agreement, the Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the

Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Award; *provided, however*, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Stock Award as a liability for financial accounting purposes); (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Award Agreement.

**(h) Electronic Delivery.** Any reference herein to a "written" agreement or document shall include any agreement or document delivered electronically, filed publicly at [www.sec.gov](http://www.sec.gov) (or any successor website thereto) or posted on the Company's intranet.

**(i) Deferrals.** To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

**(j) Compliance with Section 409A.** To the extent that the Board determines that any Award granted hereunder is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the shares of Common Stock are publicly traded and a Participant holding an Award that constitutes "deferred compensation" under Section 409A of the Code is a "specified employee" for purposes of Section 409A of the Code, no distribution or payment of any amount shall be made upon a "separation from service" before a date that is six (6) months following the date of such Participant's "separation from service" (as defined in Section 409A of the Code without regard to alternative definitions thereunder) or, if earlier, the date of the Participant's death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code.

## 9. ADJUSTMENTS UPON CHANGES IN COMMON STOCK; OTHER CORPORATE EVENTS.

**(a) Capitalization Adjustments.** In the event of a Capitalization Adjustment, the Board shall appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c), (iii) the class(es) and maximum number of securities that may be awarded to any person pursuant to Sections 3(d) and 6(c)(i), and (iv) the class(es) and number of securities and price per share of stock subject to outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive.

**(b) Dissolution or Liquidation.** Except as otherwise provided in the Stock Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) shall terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service, *provided*,

however, that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

**(c) Corporate Transaction.** The following provisions shall apply to Stock Awards in the event of a Corporate Transaction unless otherwise provided in the instrument evidencing the Stock Award or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of a Stock Award.

**(i) Stock Awards May Be Assumed.** In the event of a Corporate Transaction, any surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) may assume or continue any or all Stock Awards outstanding under the Plan or may substitute similar stock awards for Stock Awards outstanding under the Plan (including but not limited to, awards to acquire the same consideration paid to the stockholders of the Company pursuant to the Corporate Transaction), and any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to Stock Awards may be assigned by the Company to the successor of the Company (or the successor's parent company, if any), in connection with such Corporate Transaction. A surviving corporation or acquiring corporation (or its parent) may choose to assume or continue only a portion of a Stock Award or substitute a similar stock award for only a portion of a Stock Award, or may choose to assume or continue the Stock Awards held by some, but not all Participants. The terms of any assumption, continuation or substitution shall be set by the Board.

**(ii) Stock Awards Held by Current Participants.** In the event of a Corporate Transaction in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Stock Awards or substitute similar stock awards for such outstanding Stock Awards, then with respect to Stock Awards that have not been assumed, continued or substituted and that are held by Participants whose Continuous Service has not terminated prior to the effective time of the Corporate Transaction (referred to as the "**Current Participants**"), the vesting of such Stock Awards (and, with respect to Options and Stock Appreciation Rights, the time when such Stock Awards may be exercised) shall be accelerated in full to a date prior to the effective time of such Corporate Transaction (contingent upon the effectiveness of the Corporate Transaction) as the Board shall determine (or, if the Board shall not determine such a date, to the date that is five (5) days prior to the effective time of the Corporate Transaction), and such Stock Awards shall terminate if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction, and any reacquisition or repurchase rights held by the Company with respect to such Stock Awards shall lapse (contingent upon the effectiveness of the Corporate Transaction).

**(iii) Stock Awards Held by Persons other than Current Participants.** In the event of a Corporate Transaction in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Stock Awards or substitute similar stock awards for such outstanding Stock Awards, then with respect to Stock Awards that have not been assumed, continued or substituted and that are held by persons other than Current Participants, such Stock Awards shall terminate if not exercised (if applicable) prior to the effective time of the Corporate Transaction; *provided, however*, that any reacquisition or repurchase rights held by the Company with respect to such Stock Awards shall not terminate and may continue to be exercised notwithstanding the Corporate Transaction.

**(iv) Payment for Stock Awards in Lieu of Exercise.** Notwithstanding the foregoing, in the event a Stock Award will terminate if not exercised prior to the effective time of a Corporate Transaction, the Board may provide, in its sole discretion, that the holder of such Stock Award may not exercise such Stock Award but will receive a payment, in such form as may be determined

by the Board, equal in value, at the effective time, to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Stock Award (including, at the discretion of the Board, any unvested portion of such Stock Award), over (B) any exercise price payable by such holder in connection with such exercise.

**(d) Change in Control.** A Stock Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Stock Award Agreement for such Stock Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration shall occur.

#### 10. TERMINATION OR SUSPENSION OF THE PLAN.

**(a) Plan Term.** The Board may suspend or terminate the Plan at any time. Unless terminated sooner by the Board, the Plan shall automatically terminate on the day before the tenth (10th) anniversary of the earlier of (i) the date the Plan is adopted by the Board, or (ii) the date the Plan is approved by the stockholders of the Company. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

**(b) No Impairment of Rights.** Suspension or termination of the Plan shall not impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant.

#### 11. EFFECTIVE DATE OF PLAN.

This Plan shall become effective on the Effective Date.

**12. CHOICE OF LAW.** The laws of the State of Iowa shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state's conflict of laws rules.

**13. DEFINITIONS.** As used in the Plan, the following definitions shall apply to the capitalized terms indicated below:

**(a) "Affiliate"** means, at the time of determination, any "parent" or "subsidiary" of the Company as such terms are defined in Rule 405 of the Securities Act. The Board shall have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

**(b) "Award"** means a Stock Award or a Performance Cash Award.

**(c) "Award Agreement"** means a written agreement between the Company and a Participant evidencing the terms and conditions of an Award.

**(d) "Board"** means the Board of Directors of the Company.

**(e) "Capitalization Adjustment"** means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Effective Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards No. 123 (revised). Notwithstanding the foregoing, the conversion of any convertible securities of the Company shall not be treated as a Capitalization Adjustment.

**(f) "Cause"** shall have the meaning ascribed to such term in any written agreement between the Participant and the Company defining such term and, in the absence of such agreement, such term shall mean, with respect to a Participant, the occurrence of any of the following events that has a material negative impact on the business or reputation of the Company: (i) such Participant's attempted commission of, or participation in, a fraud or act of dishonesty against the Company; (ii) such Participant's intentional, material violation of any contract or agreement between the

Participant and the Company or of any statutory duty owed to the Company; (iii) such Participant's unauthorized use or disclosure of the Company's confidential information or trade secrets; or (iv) such Participant's gross misconduct. The determination that a termination of the Participant's Continuous Service is either for Cause or without Cause shall be made by the Company, in its sole discretion. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant shall have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.

**(g) "Change in Control"** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

**(i)** any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) on account of the acquisition of securities of the Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, or (C) solely because the level of Ownership held by any Exchange Act Person (the "*Subject Person*") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control shall be deemed to occur;

**(ii)** there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

**(iii)** the stockholders of the Company approve or the Board approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the Company shall otherwise occur, except for a liquidation into a parent corporation;

**(iv)** there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; or

(v) individuals who, on the date the Plan is adopted by the Board, are members of the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the members of the Board; *provided, however*, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Plan, be considered as a member of the Incumbent Board.

Notwithstanding the foregoing or any other provision of this Plan, (A) the term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company, and (B) the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant shall supersede the foregoing definition with respect to Awards subject to such agreement; *provided, however*, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition shall apply.

(h) "**Code**" means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(i) "**Committee**" means a committee of one (1) or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(j) "**Common Stock**" means the common stock of the Company.

(k) "**Company**" means NewLink Genetics Corporation, a Delaware corporation.

(l) "**Consultant**" means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, shall not cause a Director to be considered a "Consultant" for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act is available to register either the offer or the sale of the Company's securities to such person.

(m) "**Continuous Service**" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's service with the Company or an Affiliate, shall not terminate a Participant's Continuous Service; *provided, however*, if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board, in its sole discretion, such Participant's Continuous Service shall be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in an Award only to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

(n) "**Corporate Transaction**" means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale or other disposition of all or substantially all, as determined by the Board, in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) a sale or other disposition of at least ninety percent (90%) of the outstanding securities of the Company;

(iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(o) "**Covered Employee**" shall have the meaning provided in Section 162(m)(3) of the Code.

(p) "**Director**" means a member of the Board.

(q) "**Disability**" means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and shall be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(r) "**Effective Date**" means the effective date of this Plan, which is the earlier of (i) the date that this Plan is first approved by the Company's stockholders, or (ii) the date this Plan is adopted by the Board.

(s) "**Employee**" means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, shall not cause a Director to be considered an "Employee" for purposes of the Plan.

(t) "**Entity**" means a corporation, partnership, limited liability company or other entity.

(u) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(v) "**Exchange Act Person**" means any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that "Exchange Act Person" shall not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities.

(w) "**Fair Market Value**" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.

(ii) Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

(x) "**Incentive Stock Option**" means an option granted pursuant to Section 5 of the Plan that is intended to be, and qualifies as, an "incentive stock option" within the meaning of Section 422 of the Code.

(y) "**Non-Employee Director**" means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("**Regulation S-K**")), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(z) "**Nonstatutory Stock Option**" means any option granted pursuant to Section 5 of the Plan that does not qualify as an Incentive Stock Option.

(aa) "**Officer**" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(bb) "**Option**" means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(cc) "**Option Agreement**" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(dd) "**Optionholder**" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(ee) "**Other Stock Award**" means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 6(d).

(ff) "**Other Stock Award Agreement**" means a written agreement between the Company and a holder of an Other Stock Award evidencing the terms and conditions of an Other Stock Award grant. Each Other Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(gg) "**Outside Director**" means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of Treasury Regulations promulgated

under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, has not been an officer of the Company or an "affiliated corporation," and does not receive remuneration from the Company or an "affiliated corporation," either directly or indirectly, in any capacity other than as a Director, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

**(hh) "Own," "Owned," "Owner," "Ownership"** A person or Entity shall be deemed to "Own," to have "Owned," to be the "Owner" of, or to have acquired "Ownership" of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

**(ii) "Participant"** means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

**(jj) "Performance Cash Award"** means an award of cash granted pursuant to the terms and conditions of Section 6(c)(ii).

**(kk) "Performance Criteria"** means the one or more criteria that the Board shall select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that shall be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Board: (i) earnings (including earnings per share and net earnings); (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization; (iv) total stockholder return; (v) return on equity or average stockholder's equity; (vi) return on assets, investment, or capital employed; (vii) stock price; (viii) margin (including gross margin); (ix) income (before or after taxes); (x) operating income; (xi) operating income after taxes; (xii) pre-tax profit; (xiii) operating cash flow; (xiv) sales or revenue targets; (xv) increases in revenue or product revenue; (xvi) expenses and cost reduction goals; (xvii) improvement in or attainment of working capital levels; (xviii) economic value added (or an equivalent metric); (xix) market share; (xx) cash flow; (xxi) cash flow per share; (xxii) share price performance; (xxiii) debt reduction; (xxiv) commencement of, progress in, or completion of clinical trials or other development projects; (xxv) receipt of government contracts, grants or awards; (xxvi) stockholders' equity; (xxvii) capital expenditures; (xxviii) debt levels; (xxix) operating profit or net operating profit; (xxx) workforce diversity; (xxxi) growth of net income or operating income; (xxxii) completion of financing transactions; (xxxiii) completion of, progress under, or receipt of upfront, milestone, royalty or other payments under, licensing or strategic transactions; and (xxxiv) to the extent that an Award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Board.

**(ll) "Performance Goals"** means, for a Performance Period, the one or more goals established by the Board for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise by the Board (i) in the Award Agreement at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established, the Board shall appropriately make adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects, as applicable, for non-U.S. dollar denominated Performance Goals; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to

corporate tax rates; and (5) to exclude the effects of any "extraordinary items" as determined under generally accepted accounting principles.

**(mm) "Performance Period"** means the period of time selected by the Board over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Stock Award or a Performance Cash Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Board.

**(nn) "Performance Stock Award"** means a Stock Award granted under the terms and conditions of Section 6(c)(i).

**(oo) "Plan"** means this NewLink Genetics Corporation 2009 Equity Incentive Plan.

**(pp) "Restricted Stock Award"** means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(a).

**(qq) "Restricted Stock Award Agreement"** means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award grant. Each Restricted Stock Award Agreement shall be subject to the terms and conditions of the Plan.

**(rr) "Restricted Stock Unit Award"** means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(b).

**(ss) "Restricted Stock Unit Award Agreement"** means a written agreement between the Company and a holder of a Restricted Stock Unit Award evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Agreement shall be subject to the terms and conditions of the Plan.

**(tt) "Rule 16b-3"** means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

**(uu) "Securities Act"** means the Securities Act of 1933, as amended.

**(vv) "Stock Appreciation Right" or "SAR"** means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 5.

**(ww) "Stock Appreciation Right Agreement"** means a written agreement between the Company and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement shall be subject to the terms and conditions of the Plan.

**(xx) "Stock Award"** means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a Restricted Stock Unit Award, a Stock Appreciation Right, a Performance Stock Award or any Other Stock Award.

**(yy) "Stock Award Agreement"** means a written agreement between the Company and a Participant evidencing the terms and conditions of a Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

**(zz) "Subsidiary"** means, with respect to the Company, (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a

direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%).

**(aaa) "Ten Percent Stockholder"** means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Affiliate.

## QuickLinks

[Exhibit 10.6](#)

[NEWLINK GENETICS CORPORATION 2009 EQUITY INCENTIVE PLAN ADOPTED BY THE BOARD OF DIRECTORS: MAY 13, 2009 APPROVED BY THE STOCKHOLDERS: JULY 15, 2009 TERMINATION DATE: MAY 12, 2019 AMENDED BY THE BOARD: OCTOBER 29, 2010 APPROVED BY THE STOCKHOLDERS: , 2010](#)

**NEWLINK GENETICS CORPORATION**  
**2009 EQUITY INCENTIVE PLAN**  
**STOCK OPTION AGREEMENT**  
**(INCENTIVE STOCK OPTION OR NONSTATUTORY STOCK OPTION)**

Pursuant to your Stock Option Grant Notice ("**Grant Notice**") and this Stock Option Agreement, **NEWLINK GENETICS CORPORATION** (the "**Company**") has granted you an option under its 2009 Equity Incentive Plan (the "**Plan**") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. Defined terms not explicitly defined in this Stock Option Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your option are as follows:

- 1. VESTING.** Subject to the limitations contained herein, your option will vest as provided in your Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.
- 2. NUMBER OF SHARES AND EXERCISE PRICE.** The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments.
- 3. EXERCISE RESTRICTION FOR NON-EXEMPT EMPLOYEES.** In the event that you are an Employee eligible for overtime compensation under the Fair Labor Standards Act of 1938, as amended (*i.e.*, "**Non-Exempt Employee**"), you may not exercise your option until you have completed at least six (6) months of Continuous Service measured from the Date of Grant specified in your Grant Notice, notwithstanding any other provision of your option.
- 4. EXERCISE PRIOR TO VESTING ("EARLY EXERCISE").** If permitted in your Grant Notice (*i.e.*, the "**Exercise Schedule**" indicates "**Early Exercise Permitted**") and subject to the provisions of your option, you may elect at any time that is both (i) during the period of your Continuous Service and (ii) during the term of your option, to exercise all or part of your option, including the unvested portion of your option; *provided, however*, that:
  - (a)** a partial exercise of your option shall be deemed to cover first vested shares of Common Stock and then the earliest vesting installment of unvested shares of Common Stock;
  - (b)** any shares of Common Stock so purchased from installments that have not vested as of the date of exercise shall be subject to the purchase option in favor of the Company as described in the Company's form of Early Exercise Stock Purchase Agreement;
  - (c)** you shall enter into the Company's form of Early Exercise Stock Purchase Agreement with a vesting schedule that will result in the same vesting as if not early exercise had occurred; and
  - (d)** if your option is an Incentive Stock Option, then, to the extent that the aggregate Fair Market Value (determined at the time of grant) of the shares of Common Stock with respect to which your option plus all other Incentive Stock Options you hold are exercisable for the first time by you during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars (\$100,000), your option(s) or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

**5. METHOD OF PAYMENT.** Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in cash or by check or in any other manner *permitted by your Grant Notice*, which may include one or more of the following:

(a) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in *The Wall Street Journal*, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds.

(b) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in *The Wall Street Journal*, by delivery to the Company (either by actual delivery or attestation) of already-owned shares of Common Stock that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

**6. WHOLE SHARES.** You may exercise your option only for whole shares of Common Stock.

**7. SECURITIES LAW COMPLIANCE.** Notwithstanding anything to the contrary contained herein, you may not exercise your option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act or, if such shares of Common Stock are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your option also must comply with other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

**8. TERM.** You may not exercise your option before the commencement or after the expiration of its term. The term of your option commences on the Date of Grant and expires upon the *earliest* of the following:

(a) Three (3) months after the termination of your Continuous Service for any reason other than your Disability or death, provided that if during any part of such three (3) month period your option is not exercisable solely because of the condition set forth in the section above relating to "Securities Law Compliance," your option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service;

(b) twelve (12) months after the termination of your Continuous Service due to your Disability;

(c) eighteen (18) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates;

(d) the Expiration Date indicated in your Grant Notice; or

(e) the day before the tenth (10th) anniversary of the Date of Grant.

If your option is an Incentive Stock Option, note that to obtain the federal income tax advantages associated with an Incentive Stock Option, the Code requires that at all times beginning on the date of grant of your option and ending on the day three (3) months before the date of your option's exercise, you must be an employee of the Company or an Affiliate, except in the event of your death or your permanent and total disability, as defined in Section 22(e)(3) of the Code. The Company has provided for extended exercisability of your option under certain circumstances for your benefit but cannot guarantee that your option will necessarily be treated as an Incentive Stock Option if you continue to

provide services to the Company or an Affiliate as a Consultant or Director after your employment terminates or if you otherwise exercise your option more than three (3) months after the date your employment with the Company or an Affiliate terminates.

## 9. EXERCISE.

(a) You may exercise the vested portion of your option (and the unvested portion of your option if your Grant Notice so permits) during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of your option, (2) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise, or (3) the disposition of shares of Common Stock acquired upon such exercise.

(c) If your option is an Incentive Stock Option, by exercising your option you agree that you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of your option that occurs within two (2) years after the date of your option grant or within one (1) year after such shares of Common Stock are transferred upon exercise of your option.

(d) By exercising your option you agree that you shall not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any shares of Common Stock or other securities of the Company held by you, for a period of one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act or such longer period as necessary to permit compliance with NASD Rule 2711 or NYSE Member Rule 472 and similar rules and regulations (the "**Lock-Up Period**"); *provided, however*, that nothing contained in this section shall prevent the exercise of a repurchase option, if any, in favor of the Company during the Lock-Up Period. You further agree to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to your shares of Common Stock until the end of such period. The underwriters of the Company's stock are intended third party beneficiaries of this Section 9(d) and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

**10. TRANSFERABILITY.** Your option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you. Notwithstanding the foregoing, by delivering written notice to the Company, in a form satisfactory to the Company, you may designate a third party who, in the event of your death, shall thereafter be entitled to exercise your option. In addition, if permitted by the Company you may transfer your option to a trust if you are considered to be the sole beneficial owner (determined under Section 671 of the Code and applicable state law) while the option is held in the trust, provided that you and the trustee enter into a transfer and other agreements required by the Company.

**11. RIGHT OF FIRST REFUSAL.** Shares of Common Stock that you acquire upon exercise of your option are subject to any right of first refusal that may be described in the Company's bylaws in effect at such time the Company elects to exercise its right; *provided, however*, that if your option is an Incentive Stock Option and the right of first refusal described in the Company's bylaws in effect at the

time the Company elects to exercise its right is more beneficial to you than the right of first refusal described in the Company's bylaws on the Date of Grant, then the right of first refusal described in the Company's bylaws on the Date of Grant shall apply. The Company's right of first refusal shall expire on the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on a national securities exchange or quotation system.

**12. RIGHT OF REPURCHASE.** To the extent provided in the Company's bylaws in effect at such time the Company elects to exercise its right, the Company shall have the right to repurchase all or any part of the shares of Common Stock you acquire pursuant to the exercise of your option.

**13. OPTION NOT A SERVICE CONTRACT.** Your option is not an employment or service contract, and nothing in your option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in your option shall obligate the Company or an Affiliate, their respective stockholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

**14. WITHHOLDING OBLIGATIONS.**

(a) At the time you exercise your option, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a "cashless exercise" pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with the exercise of your option.

(b) Upon your request and subject to approval by the Company, in its sole discretion, and compliance with any applicable legal conditions or restrictions, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid classification of your option as a liability for financial accounting purposes). If the date of determination of any tax withholding obligation is deferred to a date later than the date of exercise of your option, share withholding pursuant to the preceding sentence shall not be permitted unless you make a proper and timely election under Section 83(b) of the Code, covering the aggregate number of shares of Common Stock acquired upon such exercise with respect to which such determination is otherwise deferred, to accelerate the determination of such tax withholding obligation to the date of exercise of your option. Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Affiliate are satisfied. Accordingly, you may not be able to exercise your option when desired even though your option is vested, and the Company shall have no obligation to issue a certificate for such shares of Common Stock or release such shares of Common Stock from any escrow provided for herein unless such obligations are satisfied.

**15. NOTICES.** Any notices provided for in your option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

**16. GOVERNING PLAN DOCUMENT.** Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your option and those of the Plan, the provisions of the Plan shall control.

## QuickLinks

[Exhibit 10.7](#)

[NEWLINK GENETICS CORPORATION  
2009 EQUITY INCENTIVE PLAN STOCK OPTION AGREEMENT \(INCENTIVE STOCK OPTION OR NONSTATUTORY STOCK OPTION\)](#)



**ATTACHMENT I**  
**OPTION AGREEMENT**

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**ATTACHMENT II**

**2009 EQUITY INCENTIVE PLAN**

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**ATTACHMENT III**  
**NOTICE OF EXERCISE**

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## QuickLinks

[Exhibit 10.8](#)

[NEWLINK GENETICS CORPORATION STOCK OPTION GRANT NOTICE 2009 EQUITY INCENTIVE PLAN  
ATTACHMENT I OPTION AGREEMENT](#)  
[ATTACHMENT II 2009 EQUITY INCENTIVE PLAN](#)  
[ATTACHMENT III NOTICE OF EXERCISE](#)

## NEWLINK GENETICS CORPORATION

## 2010 EMPLOYEE STOCK PURCHASE PLAN

ADOPTED BY THE BOARD OF DIRECTORS: OCTOBER 29, 2010

APPROVED BY THE STOCKHOLDERS: , 2010

**1. GENERAL.**

(a) The purpose of the Plan is to provide a means by which Eligible Employees of the Company and certain designated Related Corporations may be given an opportunity to purchase shares of Common Stock. The Plan is intended to permit the Company to grant a series of Purchase Rights to Eligible Employees under an Employee Stock Purchase Plan.

(b) The Company, by means of the Plan, seeks to retain the services of such Employees, to secure and retain the services of new Employees and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Related Corporations.

**2. ADMINISTRATION.**

(a) The Board shall administer the Plan unless and until the Board delegates administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine how and when Purchase Rights to purchase shares of Common Stock shall be granted and the provisions of each Offering of such Purchase Rights (which need not be identical).

(ii) To designate from time to time which Related Corporations of the Company shall be eligible to participate in the Plan.

(iii) To construe and interpret the Plan and Purchase Rights, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iv) To settle all controversies regarding the Plan and Purchase Rights granted under it.

(v) To suspend or terminate the Plan at any time as provided in Section 12.

(vi) To amend the Plan at any time as provided in Section 12.

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(vii) Generally, to exercise such powers and to perform such acts as it deems necessary or expedient to promote the best interests of the Company and its Related Corporations and to carry out the intent that the Plan be treated as an Employee Stock Purchase Plan.

(viii) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees who are foreign nationals or employed outside the United States.

(c) The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revert in the Board some or all of the powers previously delegated. Whether or not the Board has delegated administration of the Plan to a Committee, the Board shall have the final power to determine all questions of policy and expediency that may arise in the administration of the Plan.

(d) All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

**3. SHARES OF COMMON STOCK SUBJECT TO THE PLAN.**

(a) Subject to the provisions of Section 11(a) relating to Capitalization Adjustments, the shares of Common Stock that may be sold pursuant to Purchase Rights shall not exceed in the aggregate four hundred and fifty thousand (450,000) shares of Common Stock.

(b) If any Purchase Right granted under the Plan shall for any reason terminate without having been exercised, the shares of Common Stock not purchased under such Purchase Right shall again become available for issuance under the Plan.

(c) The stock purchasable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market.

**4. GRANT OF PURCHASE RIGHTS; OFFERING.**

(a) The Board may from time to time grant or provide for the grant of Purchase Rights to purchase shares of Common Stock under the Plan to Eligible Employees in an Offering (consisting of one or more Purchase Periods) on an Offering Date or Offering Dates selected by the Board. Each Offering shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate, which shall comply with the requirement of Section 423(b)(5) of the Code that all Employees granted Purchase Rights shall have the same rights and privileges. The terms and conditions of an Offering shall be incorporated by reference into the Plan and treated as part of the Plan. The provisions of separate Offerings need not be identical,

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but each Offering shall include (through incorporation of the provisions of this Plan by reference in the document comprising the Offering or otherwise) the period during which the Offering shall be effective, which period shall not exceed twenty-seven (27) months beginning with the Offering Date, and the substance of the provisions contained in Sections 5 through 8, inclusive.

(b) If a Participant has more than one Purchase Right outstanding under the Plan, unless he or she otherwise indicates in agreements or notices delivered hereunder: (i) each agreement or notice delivered by that Participant shall be deemed to apply to all of his or her Purchase Rights under the Plan, and (ii) a Purchase Right with a lower exercise price (or an earlier-granted Purchase Right, if different Purchase Rights have identical exercise prices) shall be exercised to the fullest possible extent before a Purchase Right with a higher exercise price (or a later-granted Purchase Right if different Purchase Rights have identical exercise prices) shall be exercised.

(c) The Board shall have the discretion to structure an Offering so that if the Fair Market Value of the shares of Common Stock on the first day of a new Purchase Period within that Offering is less than or equal to the Fair Market Value of the shares of Common Stock on the Offering Date, then (i) that Offering shall terminate immediately, and (ii) the Participants in such terminated Offering shall be automatically enrolled in a new Offering beginning on the first day of such new Purchase Period.

## 5. ELIGIBILITY.

(a) Purchase Rights may be granted only to Employees of the Company or, as the Board may designate as provided in Section 2(b), to Employees of a Related Corporation. Except as provided in Section 5(b), an Employee shall not be eligible to be granted Purchase Rights under the Plan unless, on the Offering Date, such Employee has been in the employ of the Company or the Related Corporation, as the case may be, for such continuous period preceding such Offering Date as the Board may require, but in no event shall the required period of continuous employment be greater than two (2) years. In addition, the Board may provide that no Employee shall be eligible to be granted Purchase Rights under the Plan unless, on the Offering Date, such Employee's customary employment with the Company or the Related Corporation is more than twenty (20) hours per week and more than five (5) months per calendar year or such other criteria as the Board may determine consistent with Section 423 of the Code.

(b) The Board may provide that each person who, during the course of an Offering, first becomes an Eligible Employee shall, on a date or dates specified in the Offering which coincides with the day on which such person becomes an Eligible Employee or which occurs thereafter, receive a Purchase Right under that Offering, which Purchase Right shall thereafter be deemed to be a part of that Offering. Such Purchase Right shall have the same characteristics as any Purchase Rights originally granted under that Offering, as described herein, except that:

(i) the date on which such Purchase Right is granted shall be the "Offering Date" of such Purchase Right for all purposes, including determination of the exercise price of such Purchase Right;

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(ii) the period of the Offering with respect to such Purchase Right shall begin on its Offering Date and end coincident with the end of such Offering; and

(iii) the Board may provide that if such person first becomes an Eligible Employee within a specified period of time before the end of the Offering, he or she shall not receive any Purchase Right under that Offering.

(c) No Employee shall be eligible for the grant of any Purchase Rights under the Plan if, immediately after any such Purchase Rights are granted, such Employee owns stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Related Corporation. For purposes of this Section 5(c), the rules of Section 424(d) of the Code shall apply in determining the stock ownership of any Employee, and stock which such Employee may purchase under all outstanding Purchase Rights and options shall be treated as stock owned by such Employee.

(d) As specified by Section 423(b)(8) of the Code, an Eligible Employee may be granted Purchase Rights under the Plan only if such Purchase Rights, together with any other rights granted under all Employee Stock Purchase Plans of the Company and any Related Corporations, do not permit such Eligible Employee's rights to purchase stock of the Company or any Related Corporation to accrue at a rate which exceeds twenty five thousand dollars (\$25,000) of Fair Market Value of such stock (determined at the time such rights are granted, and which, with respect to the Plan, shall be determined as of their respective Offering Dates) for each calendar year in which such rights are outstanding at any time.

(e) Officers of the Company and any designated Related Corporation, if they are otherwise Eligible Employees, shall be eligible to participate in Offerings under the Plan. Notwithstanding the foregoing, the Board may provide in an Offering that Employees who are highly compensated Employees within the meaning of Section 423(b)(4)(D) of the Code shall not be eligible to participate.

## 6. PURCHASE RIGHTS; PURCHASE PRICE.

(a) On each Offering Date, each Eligible Employee, pursuant to an Offering made under the Plan, shall be granted a Purchase Right to purchase up to that number of shares of Common Stock purchasable either with a percentage or with a maximum dollar amount, as designated by the Board, but in either case not exceeding fifteen percent (15%) of such Employee's earnings (as defined by the Board in each Offering) during the period that begins on the Offering Date (or such later date as the Board determines for a particular Offering) and ends on the date stated in the Offering, which date shall be no later than the end of the Offering.

(b) The Board shall establish one (1) or more Purchase Dates during an Offering as of which Purchase Rights granted pursuant to that Offering shall be exercised and purchases of shares of Common Stock shall be carried out in accordance with such Offering.

(c) In connection with each Offering made under the Plan, the Board may specify a maximum number of shares of Common Stock that may be purchased by any Participant on any Purchase Date during such Offering. In connection with each Offering made under the Plan, the Board may specify a maximum aggregate number of shares of Common Stock that may be

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purchased by all Participants pursuant to such Offering. In addition, in connection with each Offering that contains more than one Purchase Date, the Board may specify a maximum aggregate number of shares of Common Stock that may be purchased by all Participants on any Purchase Date under the Offering. If the aggregate purchase of shares of Common Stock issuable upon exercise of Purchase Rights granted under the Offering would exceed any such maximum aggregate number, then, in the absence of any Board action otherwise, a pro rata allocation of the shares of Common Stock available shall be made in as nearly a uniform manner as shall be practicable and equitable.

(d) The purchase price of shares of Common Stock acquired pursuant to Purchase Rights shall be not less than the lesser of:

(i) an amount equal to eighty-five percent (85%) of the Fair Market Value of the shares of Common Stock on the Offering Date; or

(ii) an amount equal to eighty-five percent (85%) of the Fair Market Value of the shares of Common Stock on the applicable Purchase

Date.

## 7. PARTICIPATION; WITHDRAWAL; TERMINATION.

(a) A Participant may elect to authorize payroll deductions pursuant to an Offering under the Plan by completing and delivering to the Company, within the time specified in the Offering, an enrollment form (in such form as the Company may provide). Each such enrollment form shall authorize an amount of Contributions expressed as a percentage of the submitting Participant's earnings (as defined in each Offering) during the Offering (not to exceed the maximum percentage specified by the Board). Each Participant's Contributions shall be credited to a bookkeeping account for such Participant under the Plan and shall be deposited with the general funds of the Company except where applicable law requires that Contributions be deposited with a third party. To the extent provided in the Offering, a Participant may begin such Contributions after the beginning of the Offering. To the extent provided in the Offering, a Participant may thereafter reduce (including to zero) or increase his or her Contributions. To the extent specifically provided in the Offering, in addition to making Contributions by payroll deductions, a Participant may make Contributions through the payment by cash or check prior to each Purchase Date of the Offering.

(b) During an Offering, a Participant may cease making Contributions and withdraw from the Offering by delivering to the Company a notice of withdrawal in such form as the Company may provide. Such withdrawal may be elected at any time prior to the end of the Offering, except as provided otherwise in the Offering. Upon such withdrawal from the Offering by a Participant, the Company shall distribute to such Participant all of his or her accumulated Contributions (reduced to the extent, if any, such Contributions have been used to acquire shares of Common Stock for the Participant) under the Offering, and such Participant's Purchase Right in that Offering shall thereupon terminate. A Participant's withdrawal from an Offering shall have no effect upon such Participant's eligibility to participate in any other Offerings under the Plan, but such Participant shall be required to deliver a new enrollment form in order to participate in subsequent Offerings.

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(c) Purchase Rights granted pursuant to any Offering under the Plan shall terminate immediately upon a Participant ceasing to be an Employee for any reason or for no reason (subject to any post-employment participation period required by law) or other lack of eligibility. The Company shall distribute to such terminated or otherwise ineligible Employee all of his or her accumulated Contributions (reduced to the extent, if any, such Contributions have been used to acquire shares of Common Stock for the terminated or otherwise ineligible Employee) under the Offering.

(d) Purchase Rights shall not be transferable by a Participant except by will, the laws of descent and distribution, or by a beneficiary designation as provided in Section 10. During a Participant's lifetime, Purchase Rights shall be exercisable only by such Participant.

(e) Unless otherwise specified in an Offering, the Company shall have no obligation to pay interest on Contributions.

## 8. EXERCISE OF PURCHASE RIGHTS.

(a) On each Purchase Date during an Offering, each Participant's accumulated Contributions shall be applied to the purchase of shares of Common Stock up to the maximum number of shares of Common Stock permitted pursuant to the terms of the Plan and the applicable Offering, at the purchase price specified in the Offering. No fractional shares shall be issued upon the exercise of Purchase Rights unless specifically provided for in the Offering.

(b) If any amount of accumulated Contributions remains in a Participant's account after the purchase of shares of Common Stock and such remaining amount is less than the amount required to purchase one share of Common Stock on the final Purchase Date of an Offering, then such remaining amount shall be held in such Participant's account for the purchase of shares of Common Stock under the next Offering under the Plan, unless such Participant withdraws from such next Offering, as provided in Section 7(b), or is not eligible to participate in such Offering, as provided in Section 5, in which case such amount shall be distributed to such Participant after the final Purchase Date, without interest. If the amount of Contributions remaining in a Participant's account after the purchase of shares of Common Stock is at least equal to the amount required to purchase one (1) whole share of Common Stock on the final Purchase Date of the Offering, then such remaining amount shall be distributed in full to such Participant at the end of the Offering without interest.

(c) No Purchase Rights may be exercised to any extent unless the shares of Common Stock to be issued upon such exercise under the Plan are covered by an effective registration statement pursuant to the Securities Act and the Plan is in material compliance with all applicable federal, state, foreign and other securities and other laws applicable to the Plan. If on a Purchase Date during any Offering hereunder the shares of Common Stock are not so registered or the Plan is not in such compliance, no Purchase Rights or any Offering shall be exercised on such Purchase Date, and the Purchase Date shall be delayed until the shares of Common Stock are subject to such an effective registration statement and the Plan is in such compliance, except that the Purchase Date shall not be delayed more than twelve (12) months and the Purchase Date shall in no event be more than twenty-seven (27) months from the Offering Date. If, on the Purchase Date under any Offering hereunder, as delayed to the

maximum extent permissible, the shares of Common Stock are not registered and the Plan is not in such compliance, no Purchase Rights or any Offering shall be exercised and all Contributions accumulated during the Offering (reduced to the extent, if any, such Contributions have been used to acquire shares of Common Stock) shall be distributed to the Participants without interest.

## **9. COVENANTS OF THE COMPANY.**

The Company shall seek to obtain from each federal, state, foreign or other regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of Common Stock upon exercise of the Purchase Rights. If, after commercially reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Purchase Rights unless and until such authority is obtained.

## **10. DESIGNATION OF BENEFICIARY.**

(a) A Participant may file a written designation of a beneficiary who is to receive any shares of Common Stock and/or cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to the end of an Offering but prior to delivery to the Participant of such shares of Common Stock or cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death during an Offering. Any such designation shall be on a form provided by or otherwise acceptable to the Company.

(b) The Participant may change such designation of beneficiary at any time by written notice to the Company. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such shares of Common Stock and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its sole discretion, may deliver such shares of Common Stock and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

## **11. ADJUSTMENTS UPON CHANGES IN COMMON STOCK; CORPORATE TRANSACTIONS.**

(a) In the event of a Capitalization Adjustment, the Board shall appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of securities by which the share reserve is to increase automatically each year pursuant to Section 3(a), (iii) the class(es) and number of securities subject to, and the purchase price applicable to outstanding Offerings and Purchase Rights, and (iv) the class(es) and number of securities imposed by purchase limits under each ongoing Offering. The Board shall make such adjustments, and its determination shall be final, binding and conclusive.

(b) In the event of a Corporate Transaction, then: (i) any surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) may assume or continue Purchase Rights outstanding under the Plan or may substitute similar rights (including a right to acquire the same consideration paid to the stockholders in the Corporate Transaction) for those outstanding under the Plan, or (ii) if any surviving or acquiring corporation (or its parent company) does not assume or continue such Purchase Rights or does not substitute similar rights for Purchase Rights outstanding under the Plan, then the Participants' accumulated Contributions shall be used to purchase shares of Common Stock within ten (10) business days prior to the Corporate Transaction under any ongoing Offerings, and the Participants' Purchase Rights under the ongoing Offerings shall terminate immediately after such purchase.

## **12. AMENDMENT, TERMINATION OR SUSPENSION OF THE PLAN.**

(i) The Board may amend the Plan at any time in any respect the Board deems necessary or advisable. However, except as provided in Section 11(a) relating to Capitalization Adjustments, stockholder approval shall be required for any amendment of the Plan for which stockholder approval is required by applicable law or listing requirements, including any amendment that either (i) materially increases the number of shares of Common Stock available for issuance under the Plan, (ii) materially expands the class of individuals eligible to become Participants and receive Purchase Rights under the Plan, (iii) materially increases the benefits accruing to Participants under the Plan or materially reduces the price at which shares of Common Stock may be purchased under the Plan, (iv) materially extends the term of the Plan, or (v) expands the types of awards available for issuance under the Plan, but in each of (i) through (v) above only to the extent stockholder approval is required by applicable law or listing requirements.

(b) The Board may suspend or terminate the Plan at any time. No Purchase Rights may be granted under the Plan while the Plan is suspended or after it is terminated.

(c) Any benefits, privileges, entitlements and obligations under any outstanding Purchase Rights granted before an amendment, suspension or termination of the Plan shall not be impaired by any such amendment, suspension or termination except (i) with the consent of the person to whom such Purchase Rights were granted, (ii) as necessary to comply with any laws, listing requirements, or governmental regulations (including, without limitation, the provisions of Section 423 of the Code and the regulations and other interpretive guidance issued thereunder relating to Employee Stock Purchase Plans)

including without limitation any such regulations or other guidance that may be issued or amended after the Effective Date, or (iii) as necessary to obtain or maintain favorable tax, listing, or regulatory treatment.

### 13. EFFECTIVE DATE OF PLAN.

The Plan shall become effective on the IPO Date, but no Purchase Rights shall be exercised unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

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### 14. MISCELLANEOUS PROVISIONS.

(a) Proceeds from the sale of shares of Common Stock pursuant to Purchase Rights shall constitute general funds of the Company.

(b) A Participant shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, shares of Common Stock subject to Purchase Rights unless and until the Participant's shares of Common Stock acquired upon exercise of Purchase Rights are recorded in the books of the Company (or its transfer agent).

(c) The Plan and Offering do not constitute an employment contract. Nothing in the Plan or in the Offering shall in any way alter the at will nature of a Participant's employment or be deemed to create in any way whatsoever any obligation on the part of any Participant to continue in the employ of the Company or a Related Corporation, or on the part of the Company or a Related Corporation to continue the employment of a Participant.

(d) The provisions of the Plan shall be governed by the laws of the State of Iowa without resort to that state's conflicts of laws rules.

### 15. DEFINITIONS.

As used in the Plan, the following definitions shall apply to the capitalized terms indicated below:

(a) "**Board**" means the Board of Directors of the Company.

(b) "**Capitalization Adjustment**" means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Purchase Right after the Effective Date without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other similar transaction). Notwithstanding the foregoing, the conversion of any convertible securities of the Company shall not be treated as a Capitalization Adjustment.

(c) "**Code**" means the Internal Revenue Code of 1986, as amended.

(d) "**Committee**" means a committee of one (1) or more members of the Board to whom authority has been delegated by the Board in accordance with Section 2(c).

(e) "**Common Stock**" means the common stock of the Company.

(f) "**Company**" means NewLink Genetics Corporation, a Delaware corporation.

(g) "**Contributions**" means the payroll deductions and other additional payments specifically provided for in the Offering, that a Participant contributes to fund the exercise of a Purchase Right. A Participant may make additional payments into his or her account, if

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specifically provided for in the Offering, and then only if the Participant has not already had the maximum permitted amount withheld during the Offering through payroll deductions.

(h) "**Corporate Transaction**" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) the consummation of a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) the consummation of a sale or other disposition of at least ninety percent (90%) of the outstanding securities of the Company;

(iii) the consummation of a merger, consolidation or similar transaction following which the Company is not the surviving corporation;

or

(iv) the consummation of a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(i) "**Director**" means a member of the Board.

(j) "**Eligible Employee**" means an Employee who meets the requirements set forth in the Offering for eligibility to participate in the Offering, provided that such Employee also meets the requirements for eligibility to participate set forth in the Plan.

(k) **“Employee”** means any person, including Officers and Directors, who is employed for purposes of Section 423(b)(4) of the Code by the Company or a Related Corporation. However, service solely as a Director, or payment of a fee for such services, shall not cause a Director to be considered an “Employee” for purposes of the Plan.

(l) **“Employee Stock Purchase Plan”** means a plan that grants Purchase Rights intended to be options issued under an “employee stock purchase plan,” as that term is defined in Section 423(b) of the Code.

(m) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended.

(n) **“Fair Market Value”** means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in such source as the Board deems reliable. Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the

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Fair Market Value shall be the closing selling price (or closing bid if no sales were reported) on the last preceding date for which such quotation exists.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined by the Board in good faith.

(iii) Notwithstanding the foregoing, for any Offering that commences on the IPO Date, the Fair Market Value of the shares of Common Stock at the time when the Offering commences shall be the price per share at which shares are first sold to the public in the Company’s initial public offering as specified in the final prospectus for that initial public offering.

(o) **“IPO Date”** means the date of the underwriting agreement between the Company and the underwriter(s) managing the initial public offering of the Common Stock, pursuant to which the Common Stock is priced for the initial public offering.

(p) **“Offering”** means the grant of Purchase Rights to purchase shares of Common Stock under the Plan to Eligible Employees.

(q) **“Offering Date”** means a date selected by the Board for an Offering to commence.

(r) **“Officer”** means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(s) **“Participant”** means an Eligible Employee who holds an outstanding Purchase Right granted pursuant to the Plan.

(t) **“Plan”** means this NewLink Genetics Corporation 2010 Employee Stock Purchase Plan.

(u) **“Purchase Date”** means one or more dates during an Offering established by the Board on which Purchase Rights shall be exercised and as of which purchases of shares of Common Stock shall be carried out in accordance with such Offering.

(v) **“Purchase Period”** means a period of time specified within an Offering beginning on the Offering Date or on the next day following a Purchase Date within an Offering and ending on a Purchase Date. An Offering may consist of one or more Purchase Periods.

(w) **“Purchase Right”** means an option to purchase shares of Common Stock granted pursuant to the Plan.

(x) **“Related Corporation”** means any “parent corporation” or “subsidiary corporation” of the Company whether now or subsequently established, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(y) **“Securities Act”** means the Securities Act of 1933, as amended.

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(z) **“Trading Day”** means any day on which the exchange(s) or market(s) on which shares of Common Stock are listed, including the Nasdaq Global Select Market, the Nasdaq Global Market, or the Nasdaq Capital Market, is open for trading.

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## NEWLINK GENETICS CORPORATION

## 2010 NON-EMPLOYEE DIRECTORS' STOCK AWARD PLAN

ADOPTED BY THE BOARD OF DIRECTORS: OCTOBER 29, 2010  
 APPROVED BY THE STOCKHOLDERS: , 2010

## 1. GENERAL.

(a) **Eligible Stock Award Recipients.** The persons eligible to receive Stock Awards are the Non-Employee Directors of the Company.

(b) **Available Stock Awards.** The Plan provides for the grant of the following Stock Awards: (i) Nonstatutory Stock Options, (ii) Stock Appreciation Rights, (iii) Restricted Stock Awards, (iv) Restricted Stock Unit Awards, and (v) Other Stock Awards.

(c) **Purpose.** The Company, by means of the Plan, seeks to retain the services of its Non-Employee Directors, to secure and retain the services of new Non-Employee Directors and to provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate by giving them an opportunity to benefit from increases in value of the Common Stock through the granting of Stock Awards.

## 2. ADMINISTRATION.

(a) **Administration by Board.** The Board shall administer the Plan unless and until the Board delegates administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) **Powers of Board.** The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) With respect to Stock Awards issued pursuant to Sections 5(a) and 5(b), to determine the provisions of each Stock Award to the extent not specified in the Plan.

(ii) With respect to Stock Awards issued pursuant to Section 5(d), to determine from time to time (A) which of the persons eligible under the Plan shall be granted Stock Awards; (B) when and how each Stock Award shall be granted; (C) what type or combination of types of Stock Awards shall be granted; (D) the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive cash or Common Stock pursuant to a Stock Award; (E) the number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person; and (F) the Fair Market Value applicable to a Stock Award.

(iii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan or Stock Award fully effective.

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(iv) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, by adopting amendments relating to certain nonqualified deferred compensation under Section 409A of the Code and/or to bring the Plan or Stock Awards granted under the Plan into compliance therewith, subject to the limitations, if any, of applicable law. However, except as provided in Section 10(a) relating to Capitalization Adjustments, to the extent required by applicable law or listing requirements, stockholder approval shall be required for any amendment of the Plan that either (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Stock Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan or materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (D) materially extends the term of the Plan, or (E) expands the types of Stock Awards available for issuance under the Plan. Except as provided above, rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

(v) To effect, at any time and from time to time, with the consent of any adversely affected Participant, (A) the reduction of the exercise price (or strike price) of any outstanding Option or SAR under the Plan; (B) the cancellation of any outstanding Option or SAR under the Plan and the grant in substitution thereof of (1) a new Option or SAR under the Plan or another equity plan of the Company covering the same or a different number of shares of Common Stock, (2) a Restricted Stock Award, (3) a Restricted Stock Unit Award, (4) an Other Stock Award, (5) cash and/or (6) other valuable consideration (as determined by the Board, in its sole discretion); or (C) any other action that is treated as a repricing under generally accepted accounting principles.

(vi) To amend the Plan or a Stock Award as provided in Section 11.

(vii) To terminate or suspend the Plan as provided in Section 12.

(viii) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan.

(c) **Delegation to Committee.**

(i) **General.** The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such

(ii) **Rule 16b-3 Compliance.** The Committee may consist solely of two or more Non-Employee Directors, in accordance with Rule 16b-3.

(d) **Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

### 3. SHARES SUBJECT TO THE PLAN.

(a) **Share Reserve.** Subject to Section 10(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock of the Company that may be issued pursuant to Stock Awards after the Effective Date shall not exceed five hundred thousand (500,000) shares. For clarity, the limitation in this Section 3(a) is a limitation in the number of shares of Common Stock that may be issued pursuant to the Plan. Accordingly, this Section 3(a) does not limit the granting of Stock Awards except as provided in Section 8(a). Shares may be issued in connection with a merger or acquisition as permitted by, as applicable, NASDAQ Listing Rule 5635(c), NYSE Listed Company Manual Section 303A.08, AMEX Company Guide Section 711 or other applicable stock exchange rules, and such issuance shall not reduce the number of shares available for issuance under the Plan. Furthermore, if a Stock Award or any portion thereof (i) expires or otherwise terminates without all of the shares covered by such Stock Award having been issued or (ii) is settled in cash (*i.e.*, the Participant receives cash rather than stock), such expiration, termination or settlement shall not reduce (or otherwise offset) the number of shares Common Stock that may be available for issuance under the Plan.

(b) **Reversion of Shares to the Share Reserve.** If any shares of Common Stock issued pursuant to a Stock Award are forfeited back to the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited shall revert to and again become available for issuance under the Plan. Any shares reacquired, withheld or not issued by the Company pursuant to Section 9(e) or as consideration for the exercise of a Stock Award shall again become available for issuance under the Plan. For the avoidance of doubt, if an appreciation distribution in respect of a Stock Appreciation Right is paid in shares of Common Stock, the number of shares subject to the Stock Award that are not delivered to the Participant shall remain available for subsequent issuance under the Plan.

(c) **Source of Shares.** The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

### 4. ELIGIBILITY.

The Initial and Annual Grants as set forth in Sections 5(a) and 5(b) automatically shall be granted under the Plan to all Non-Employee Directors who meet the specified criteria. Stock Awards may also be granted to Non-Employee Directors as discretionary grants as set forth in Section 5(d).

### 5. NON-DISCRETIONARY AND DISCRETIONARY GRANTS.

(a) **Initial Grants.** Without any further action of the Board, each person who after the IPO Date is elected or appointed for the first time to be a Non-Employee Director automatically shall, upon the date of his or her initial election or appointment to be a Non-Employee Director, be granted an Option (the "**Initial Grant**") to purchase 25,000 shares of Common Stock on the terms and conditions set forth herein.

(b) **Annual Grants.** Without any further action of the Board, on the date of each Annual Meeting, commencing with the first Annual Meeting following the IPO Date, each person who is then a Non-Employee Director automatically shall be granted an Option (the "**Annual Grant**") to purchase, on the terms and conditions set forth herein:

(i) 15,000 shares of Common Stock; plus

(ii) 7,500 shares of Common Stock for Non-Employee Directors who are serving as the chair of the Audit, Compensation or Nominating and Corporate Governance Committee, or as Lead Independent Director on the date of grant; plus

(iii) 5,000 shares of Common Stock for Non-Employee Directors who are serving (but not as the chair) on the Audit, Compensation or Nominating and Corporate Governance Committee on the date of grant.

(c) **Determination of Initial and Annual Grants.** The Board may, at any time, provide for Initial and Annual Grants covering a number of shares of Common Stock different than those numbers designated in Sections 5(a) and 5(b), respectively, and may provide that some or all of such grants may instead be in any of the forms of Stock Awards described in Section 7. If the Board does not make such a determination, all Initial and Annual Grants shall be for the number of shares of Common Stock designated in Section 5(a) and 5(b), respectively and in the form of Options described in Section 6.

(d) **Discretionary Grants.** In addition to non-discretionary grants pursuant to Sections 5(a) and 5(b), the Board, in its sole discretion, may grant Stock Awards to one or more Non-Employee Directors in such numbers and subject to such other provisions as it shall determine. The numbers and other provisions of such Stock Awards need not be identical.

### 6. PROVISIONS RELATING TO OPTIONS AND STOCK APPRECIATION RIGHTS.

Each Option or SAR shall be in such form and shall contain such terms and conditions as required by the Plan. Each Option or SAR shall contain such additional terms and conditions, not inconsistent with the Plan, as the Board shall deem appropriate. Each Option or SAR shall include (through incorporation of provisions hereof by reference in the applicable Stock Award Agreement or otherwise) the substance of each of the following provisions:

(a) **Term.** No Option or SAR shall be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the Stock Award Agreement.

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(b) **Exercise Price.** The exercise price (or strike price) of each Option or SAR shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Option or SAR is granted

(c) **Purchase Price for Options.** The purchase price of Common Stock acquired pursuant to the exercise of an Option shall be paid, to the extent permitted by applicable law, by any combination of the following methods of payment:

(i) by cash, check, bank draft or money order payable to the Company;

(ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock; or

(iv) by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; *provided, however*, that the Company shall accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued; *provided, further*, that shares of Common Stock will no longer be subject to an Option and will not be exercisable thereafter to the extent that (A) shares issuable upon exercise are reduced to pay the exercise price pursuant to the “net exercise,” (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations.

(d) **Exercise and Payment of a SAR.** To exercise any outstanding Stock Appreciation Right, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Right Agreement evidencing such Stock Appreciation Right. The appreciation distribution payable on the exercise of a Stock Appreciation Right will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the Stock Appreciation Right) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such Stock Appreciation Right, and with respect to which the Participant is exercising the Stock Appreciation Right on such date, over (B) the strike price that will be determined by the Board at the time of grant of the Stock Appreciation Right. The appreciation distribution in respect to a Stock Appreciation Right may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Stock Appreciation Right Agreement evidencing such Stock Appreciation Right.

(e) **Transferability.** An Option or SAR shall not be transferable except by will or by the laws of descent and distribution and to such further extent as permitted by the Rule as to Use of Form S-8 specified in the General Instructions of the Form S-8 Registration Statement

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under the Securities Act, and shall be exercisable during the lifetime of the Participant only by the Participant. Notwithstanding the foregoing, the Participant may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Participant, shall thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, the executor or administrator of the Participant’s estate shall be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise.

(f) **Option Vesting Generally.** Options shall vest as follows:

(i) **Initial Grant.** Twenty percent (20%) of the shares shall vest on the first anniversary of the date of such Initial Grant recipient’s election as a Non-Employee Director and the remaining eighty percent (80%) of the shares shall vest in a series of forty-eight (48) successive equal monthly installments over the four (4)-year period following the first anniversary of the date of election, subject to Participant’s Continuous Service as of each such date.

(ii) **Annual Grant.** Fifty percent (50%) of the shares shall vest on the first anniversary of the date of grant and the remaining fifty percent (50%) of the shares shall vest in a series of twelve (12) successive equal monthly installments over the twelve (12)-month period following the first anniversary of the date of grant, subject to Participant’s Continuous Service as of each such date; *provided, however* that at the date of the second Annual Meeting following the date of grant, the unvested portion of the Annual Grant, if any, shall become fully vested and exercisable immediately prior to the date of such Annual Meeting.

(iii) **Discretionary Grant.** At the time of grant of an Option pursuant to Section 5(d), the Board may impose such restrictions or conditions to the vesting of the Options as it, in its sole discretion, deems appropriate.

(g) **Termination of Continuous Service.** In the event that a Participant’s Continuous Service terminates (other than upon the Participant’s death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Participant’s Continuous Service (or such longer or shorter period specified in the applicable Stock Award Agreement, which period shall not be less than 30 days), or (ii) the expiration of the term of the Option or SAR as set forth in the Stock Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the time specified herein or in the Stock Award Agreement (as applicable), the Option or SAR (as applicable) shall terminate.

**(h) Extension of Termination Date.** In the event that the exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR shall terminate on the earlier of (i) the expiration of a total period of

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three (3) months (that need not be consecutive) after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Stock Award Agreement. In addition, unless otherwise provided in a Participant's Stock Award Agreement, if the sale of any Common Stock received upon exercise of an Option or SAR following the termination of the Participant's Continuous Service would violate the Company's insider trading policy, then the Option or SAR shall terminate on the earlier of (i) the expiration of a period equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Stock Award Agreement.

**(i) Disability of Participant.** In the event that a Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination of Continuous Service or (ii) the expiration of the term of the Option or SAR as set forth in the Stock Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the time specified herein or in the Stock Award Agreement (as applicable), the Option or SAR (as applicable) shall terminate.

**(j) Death of Participant.** In the event that (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the three (3) month period after the termination of the Participant's Continuous Service for a reason other than death, then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of (i) the date eighteen (18) months following the date of death, or (ii) the expiration of the term of such Option or SAR as set forth in the Stock Award Agreement. If, after the Participant's death, the Option or SAR is not exercised within the time specified herein, the Option or SAR (as applicable) shall terminate.

## 7. PROVISIONS RELATING TO STOCK AWARDS OTHER THAN OPTIONS AND SARs.

**(a) Restricted Stock Awards.** Each Restricted Stock Award Agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. To the extent consistent with the Company's Bylaws, at the Board's election, shares of Common Stock may be (x) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse; or (y) evidenced by a certificate, which certificate shall be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award Agreements need not be identical; provided, however, that each Restricted Stock Award Agreement shall conform to (through incorporation

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of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

**(i) Consideration.** A Restricted Stock Award may be awarded in consideration for (A) cash, check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of legal consideration (including future services) that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

**(ii) Vesting.** Shares of Common Stock awarded under the Restricted Stock Award Agreement may be subject to forfeiture to the Company in accordance with a vesting schedule to be determined by the Board.

**(iii) Termination of Participant's Continuous Service.** If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination of Continuous Service under the terms of the Restricted Stock Award Agreement.

**(iv) Transferability.** Rights to acquire shares of Common Stock under the Restricted Stock Award Agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award Agreement, as the Board shall determine in its sole discretion, so long as Common Stock awarded under the Restricted Stock Award Agreement remains subject to the terms of the Restricted Stock Award Agreement.

**(v) Dividends.** A Restricted Stock Award Agreement may provide that any dividends paid on Restricted Stock will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

**(b) Restricted Stock Unit Awards.** Each Restricted Stock Unit Award Agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of Restricted Stock Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Agreements need not be identical; *provided, however*, that each Restricted Stock Unit Award Agreement shall conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

**(i) Consideration.** At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) **Vesting.** At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

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(iii) **Payment.** A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Agreement.

(iv) **Additional Restrictions.** At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) **Dividend Equivalents.** Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted Stock Unit Award Agreement to which they relate.

(vi) **Termination of Participant's Continuous Service.** Except as otherwise provided in the applicable Restricted Stock Unit Award Agreement, such portion of the Restricted Stock Unit Award that has not vested will be forfeited upon the Participant's termination of Continuous Service.

(c) **Other Stock Awards.** Other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof (e.g., options or stock rights with an exercise price or strike price less than 100% of the Fair Market Value of the Common Stock at the time of grant) may be granted either alone or in addition to Stock Awards provided for under Section 6 and the preceding provisions of this Section 7. Subject to the provisions of the Plan, the Board shall have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other terms and conditions of such Other Stock Awards.

## 8. COVENANTS OF THE COMPANY.

(a) **Availability of Shares.** During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock reasonably required to satisfy such Stock Awards.

(b) **Securities Law Compliance.** The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; *provided, however,* that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable

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to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained. A Participant shall not be eligible for the grant of a Stock Award or the subsequent issuance of Common Stock pursuant to the Stock Award if such grant or issuance would be in violation of any applicable securities law.

(c) **No Obligation to Notify or Minimize Taxes.** The Company shall have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Stock Award. Furthermore, the Company shall have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of a Stock Award or a possible period in which the Stock Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of a Stock Award to the holder of such Stock Award.

## 9. MISCELLANEOUS.

(a) **Use of Proceeds from Sales of Common Stock.** Proceeds from the sale of shares of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

(b) **Stockholder Rights.** No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Stock Award unless and until (i) such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms, if applicable, and (ii) the issuance of the Common Stock subject to such Stock Award has been entered into the books and records of the Company.

(c) **No Service Rights.** Nothing in the Plan, any instrument executed thereunder, or Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate as a Non-Employee Director or shall affect the right of the Company or an Affiliate to terminate the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(d) **Investment Assurances.** The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances

given pursuant to such requirements, shall be inoperative if (A) the issuance of the shares upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (B) as to any particular requirement,

a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(e) **Withholding Obligations.** The Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares from the shares of Common Stock issued or otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Stock Award; *provided, however*, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Stock Award as a liability for financial accounting purposes); (iii) authorizing the Company to withhold cash from a Stock Award settled in cash; (iv) authorizing the Company to withhold payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Stock Award Agreement.

(f) **Electronic Delivery.** Any reference herein to a "written" agreement or document shall include any agreement or document delivered electronically or posted on the Company's intranet.

(g) **Deferrals.** To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Stock Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is providing services to the Company. The Board is authorized to make deferrals of Stock Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(h) **Compliance with Section 409A.** To the extent that the Board determines that any Stock Award granted hereunder is subject to Section 409A of the Code, the Stock Award Agreement evidencing such Stock Award shall incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code. To the extent applicable, the Plan and Stock Award Agreements shall be interpreted in accordance with Section 409A of the Code. Notwithstanding anything to the contrary in this Plan (and unless the Stock Award Agreement specifically provides otherwise), if the Shares are publicly traded and a Participant holding a Stock Award that constitutes "deferred compensation" under Section 409A of the Code is a "specified employee" for purposes of Section 409A of the Code, no distribution or payment of any amount shall be made upon a "separation from service" before a date that is six (6) months following the date of such Participant's "separation from service" (as defined in Section

409A of the Code without regard to alternative definitions thereunder) or, if earlier, the date of the Participant's death.

## 10. ADJUSTMENTS UPON CHANGES IN COMMON STOCK; OTHER CORPORATE EVENTS.

(a) **Capitalization Adjustments.** In the event of a Capitalization Adjustment, the Board shall appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and number of securities for which the nondiscretionary grants of Stock Awards are made pursuant to Section 5, and (iv) the class(es) and number of securities and price per share of stock subject to outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive.

(b) **Dissolution or Liquidation.** In the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) shall terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service, provided, however, that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) **Corporate Transaction.** In the event of a Corporate Transaction, then, notwithstanding any other provision of the Plan, the Board shall take one or more of the following actions with respect to Stock Awards, contingent upon the closing or completion of the Corporate Transaction:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Stock Award or to substitute a similar stock award for the Stock Award (including, but not limited to, an award to acquire the same consideration paid to the stockholders of the Company pursuant to the Corporate Transaction);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to the Stock Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting of the Stock Award (and, if applicable, the time at which the Stock Award may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board shall determine (or, if the Board shall not determine such a date, to the date that is five (5) days prior to the effective date of the Corporate Transaction), with such Stock Award terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction;

(iv) arrange for the lapse of any reacquisition or repurchase rights held by the Company with respect to the Stock Award;

(v) cancel or arrange for the cancellation of the Stock Award, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, in exchange for such cash consideration, if any, as the Board, in its sole discretion, may consider appropriate; and

(vi) make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Stock Award, over (B) any exercise price payable by such holder in connection with such exercise.

The Board need not take the same action or actions with respect to all Stock Awards or portions thereof or with respect to all Participants.

(d) **Change in Control.** A Stock Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Stock Award Agreement for such Stock Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration shall occur.

#### 11. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) **Amendment of Plan.** Subject to the limitations, if any, of applicable law, the Board, at any time and from time to time, may amend the Plan. However, except as provided in Section 10(a) relating to Capitalization Adjustments, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy applicable law.

(b) **Stockholder Approval.** The Board, in its sole discretion, may submit any other amendment to the Plan for stockholder approval.

(c) **No Impairment of Rights.** Rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the affected Participant, and (ii) such Participant consents in writing.

(d) **Amendment of Stock Awards.** The Board, at any time and from time to time, may amend the terms of any one or more Stock Awards; *provided, however*, that the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the Participant, and (ii) the Participant consents in writing. Notwithstanding the foregoing, subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Stock Awards without the affected Participant's consent if necessary to bring the Stock Award into compliance with Section 409A of the Code.

#### 12. TERMINATION OR SUSPENSION OF THE PLAN

(a) **Plan Term.** The Board may suspend or terminate the Plan at any time. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) **No Impairment of Rights.** Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the affected Participant.

#### 13. EFFECTIVE DATE OF PLAN.

This Plan shall become effective on the IPO Date, but no Stock Award shall be exercised (or in the case of a Restricted Stock Award, Restricted Stock Unit Award, or Other Stock Award shall be granted) unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve months before or after the date the Plan is adopted by the Board.

#### 14. CHOICE OF LAW.

The law of the state of Iowa shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state's conflict of laws rules.

#### 15. DEFINITIONS. As used in the Plan, the following definitions shall apply to the capitalized terms indicated below:

(a) **"Affiliate"** means, at the time of determination, any "parent" or "subsidiary" of the Company as such terms are defined in Rule 405 of the Securities Act. The Board shall have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

(b) **"Annual Grant"** means an Option granted annually to all Non-Employee Directors who meet the specified criteria pursuant to Section 5(b).

(c) **"Annual Meeting"** means the first annual meeting of the stockholders of the Company held each fiscal year at which the Directors are selected.

(d) **"Board"** means the Board of Directors of the Company.

(e) **"Capitalization Adjustment"** means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Effective Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards No. 123 (revised). Notwithstanding the foregoing, the conversion of any convertible securities of the Company shall not be treated as a Capitalization Adjustment.

(f) **“Change in Control”** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company’s then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) on account of the acquisition of securities of the Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company’s securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, or (C) solely because the level of Ownership held by any Exchange Act Person (the **“Subject Person”**) exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control shall be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

(iii) the stockholders of the Company approve or the Board approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the Company shall otherwise occur, except for a liquidation into a parent corporation;

(iv) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; or

(v) individuals who, on the date the Plan is adopted by the Board, are members of the Board (the **“Incumbent Board”**) cease for any reason to constitute at least a

majority of the members of the Board; *provided, however*, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Plan, be considered as a member of the Incumbent Board.

Notwithstanding the foregoing or any other provision of this Plan, (A) the term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company, and (B) the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant shall supersede the foregoing definition with respect to Stock Awards subject to such agreement; *provided, however*, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition shall apply.

In the event that a Change in Control affects any Stock Award that is deferred, then **“Change in Control”** shall conform to the definition of Change of Control under Section 409A of the Code, as amended, and the Treasury Department or Internal Revenue Service Regulations or Guidance issued thereunder.

(g) **“Code”** means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(h) **“Committee”** means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(i) **“Common Stock”** means the common stock of the Company.

(j) **“Company”** means NewLink Genetics Corporation, a Delaware corporation.

(k) **“Consultant”** means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, shall not cause a Director to be considered a **“Consultant”** for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act is available to register either the offer or the sale of the Company’s securities to such person.

(l) **“Continuous Service”** means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Company or an Affiliate, shall not terminate a Participant’s Continuous Service; *provided, however*, if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board, in its sole discretion, such Participant’s Continuous Service shall be considered to have terminated on the date such Entity ceases to qualify as an

Affiliate. To the extent permitted by law, the Board, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of (i) any leave of absence approved by the Board, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in a Stock Award only to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

(m) **“Corporate Transaction”** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) the consummation of a sale or other disposition of all or substantially all, as determined by the Board, in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) the consummation of a sale or other disposition of at least ninety percent (90%) of the outstanding securities of the Company;

(iii) the consummation of a merger, consolidation or similar transaction following which the Company is not the surviving corporation;

or

(iv) the consummation of a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(n) **“Director”** means a member of the Board.

(o) **“Disability”** means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and shall be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(p) **“Effective Date”** means the effective date of this Plan document, as set forth in Section 13.

(q) **“Employee”** means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, shall not cause a Director to be considered an “Employee” for purposes of the Plan.

(r) **“Entity”** means a corporation, partnership, limited liability company or other entity.

(s) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(t) **“Exchange Act Person”** means any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” shall not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities.

(u) **“Fair Market Value”** means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.

(ii) Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

(v) **“Initial Grant”** means an Option granted to a Non-Employee Director who meets the specified criteria pursuant to Section 5(a).

(w) **“IPO Date”** means the date of the underwriting agreement between the Company and the underwriter(s) managing the initial public offering of the Common Stock, pursuant to which the Common Stock is priced for the initial public offering.

(x) **“Non-Employee Director”** means a Director who is not an Employee.

(y) **“Nonstatutory Stock Option”** means an Option not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(z) “**Officer**” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(aa) “**Option**” means a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to Section 6 of the Plan.

(bb) “**Option Agreement**” means a written agreement between the Company and a Participant evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(cc) “**Other Stock Award**” means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 7(c).

(dd) “**Other Stock Award Agreement**” means a written agreement between the Company and a holder of an Other Stock Award evidencing the terms and conditions of an Other Stock Award grant. Each Other Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(ee) “**Own,**” “**Owned,**” “**Owner,**” “**Ownership**” A person or Entity shall be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(ff) “**Participant**” means a Non-Employee Director to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(gg) “**Plan**” means this NewLink Genetics Corporation 2010 Non-Employee Directors’ Stock Award Plan.

(hh) “**Restricted Stock Award**” means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 7(a).

(ii) “**Restricted Stock Award Agreement**” means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award grant. Each Restricted Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(jj) “**Restricted Stock Unit Award**” means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 7(b).

(kk) “**Restricted Stock Unit Award Agreement**” means a written agreement between the Company and a holder of a Restricted Stock Unit Award evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Agreement shall be subject to the terms and conditions of the Plan.

(ll) “**Rule 16b-3**” means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(mm) “**Securities Act**” means the Securities Act of 1933, as amended.

(nn) “**Stock Appreciation Right**” or “**SAR**” means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 6.

(oo) “**Stock Appreciation Right Agreement**” means a written agreement between the Company and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement shall be subject to the terms and conditions of the Plan.

(pp) “**Stock Award**” means any right to receive Common Stock granted under the Plan, including a Nonstatutory Stock Option, a Restricted Stock Award, a Restricted Stock Unit Award, a Stock Appreciation Right or any Other Stock Award.

(qq) “**Stock Award Agreement**” means a written agreement between the Company and a Participant evidencing the terms and conditions of a Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(rr) “**Subsidiary**” means, with respect to the Company, (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%).

## EMPLOYMENT AGREEMENT

**THIS EMPLOYMENT AGREEMENT** (the “**Agreement**”) is made as of this 6th day of December, 2010, by and between NewLink Genetics Corporation (the “**Company**”), and Charles Link (“**Executive**”) (collectively, the “**Parties**”).

**WHEREAS**, the Company wishes to continue to employ Executive and to assure itself of the continued services of Executive on the terms set forth herein;

**WHEREAS**, Executive wishes to be so employed under the terms set forth herein; and

**WHEREAS**, the Parties intend that this Agreement shall supersede and replace any similar agreements that presently exist or may have previously existed between the Parties regarding the terms of Executive’s employment with the Company.

### AGREEMENT

**NOW, THEREFORE**, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the Parties hereto as follows:

**1. EMPLOYMENT.** The Company will continue to employ Executive and Executive shall continue to serve the Company in the capacity of Chief Executive Officer (“**CEO**”).

**2. AT-WILL EMPLOYMENT.** *It is understood and agreed by the Company and Executive that this Agreement does not contain any promise or representation concerning the duration of Executive’s employment with the Company. Executive specifically acknowledges that his employment with the Company is at-will and may be altered or terminated by either Executive or the Company at any time, with or without cause and/or with or without notice. The nature, terms or conditions of Executive’s employment with the Company cannot be changed by any oral representation, custom, habit or practice, or any other writing. In addition, that the rate of salary, any bonuses, paid time off, other compensation, or vesting schedules are stated in units of years or months or weeks does not alter the at-will nature of the employment, and does not mean and should not be interpreted to mean that Executive is guaranteed employment to the end of any period of time or for any period of time. In the event of conflict between this disclaimer and any other statement, oral or written, present or future, concerning terms and conditions of employment, the at-will relationship confirmed by this disclaimer shall control. This at-will status cannot be altered except in a writing signed by Executive and approved by the Board of Directors of the Company (the “**Board of Directors**”).*

**3. DUTIES.** Executive shall continue to render full-time services to the Company as its CEO and shall also continue to serve as a member of the Company’s Board of Directors pursuant to the Company’s Bylaws. Executive shall report to the Board of Directors. Unless otherwise agreed by the Board of Directors, and except for travel incident to the business of the Company, Executive shall perform services under this agreement primarily at the Ames or Des Moines, Iowa offices of the Company, or such other corporate headquarters as the Board of Directors may establish from time to time, and shall maintain his principal residence in that area.

Subject to the terms of this Agreement, Executive’s responsibilities, working conditions and duties may be changed, added to or eliminated during his employment at the sole discretion of the Board of Directors. During Executive’s employment with the Company he shall devote his best efforts and, subject to section 13 below, his full business time, skill and attention, to the performance of his duties on behalf of the Company.

**4. POLICIES AND PROCEDURES.** Executive agrees that he is subject to and will comply with the policies and procedures of the Company, as such policies and procedures may be modified, added to or eliminated from time to time at the sole discretion of the Company, except to the extent any such policy or procedure specifically conflicts with the express terms of this Agreement. Executive further agrees and acknowledges that any written or oral policies and procedures of the Company do not constitute contracts between the Company and Executive.

**5. BASE SALARY.** For all services rendered and to be rendered hereunder, the Company agrees to pay to the Executive, and the Executive agrees to accept a salary of \$440,682 per annum (“**Base Salary**”) which will be paid periodically in accordance with normal Company payroll practices and shall be subject to such deductions or withholdings as the Company is required to make pursuant to law, or by further agreement with the Executive. Executive’s salary shall be subject to annual review and adjustment by the Board of Directors.

**6. STOCK OPTIONS.** Executive was previously granted options to purchase 2,438,275 shares of Company common stock. Except as expressly modified by this Agreement, the vesting schedule and all other terms, conditions and limitations of the options will be governed by the Company’s 2000 and/or 2009 Equity Incentive Plans (the “**Plans**”) and in the stock option grant notices and stock option agreements approved by the Board and entered into by Executive.

**7. BONUS.** Executive may be eligible to receive an annual performance bonus of up to 50% of his Base Salary subject to employment taxes, withholding and deductions (“**Bonus**”) based upon Executive’s achievements of certain milestones and performance objectives established by the Company (“**Variable Incentive Bonus Plan**”). The Board of Directors or the Compensation Committee, in its sole discretion, shall determine the extent to which Executive has achieved the performance targets upon which Executive’s Bonus is based, the amount of Bonus to be paid to Executive, if any, and whether and to what extent a Bonus will be paid with respect to any year during which Executive’s employment terminated. Bonuses are not earned until they are approved in writing by the Board of Directors or Compensation Committee.

**8. OTHER BENEFITS.** While employed by the Company as provided herein:

**(a) Executive Benefits.** The Executive shall be entitled to all benefits to which other executive officers of the Company are entitled, on terms comparable thereto, including, without limitation, participation in pension and profit sharing plans, 401(k) plan, group insurance policies and plans, medical, health, vision, and disability insurance policies and plans, and the like, which may be maintained by the Company for the benefit of its executives. The Company reserves the right to alter and amend the benefits received by Executive from time to time at the Company’s discretion.

(b) **Expense Reimbursement.** The Executive shall receive, against presentation of proper receipts and vouchers, reimbursement for direct and reasonable out-of-pocket expenses incurred by him in connection with the performance of his duties hereunder, according to the policies of the Company.

(c) **Vacation.** Executive will be entitled to thirty (30) vacation days, which will accrue in monthly increments.

## 9. CONFIDENTIAL INFORMATION, RIGHTS AND DUTIES.

(a) **Proprietary Information.** Executive reaffirms and agrees to execute and abide by the Company's Proprietary Information and Inventions Agreement (the "**Proprietary Information Agreement**"), attached hereto as **Exhibit A**.

(b) **Exclusive Property.** Executive agrees that all Company-related business procured by the Executive, and all Company-related business opportunities and plans made known to Executive while employed by the Company, are and shall remain the permanent and exclusive property of the Company.

(c) **Non-Solicitation and Non-Competition.** Executive agrees that for a period of one year following his last day of employment with the Company, he shall continue to comply with the non-solicitation and non-competition obligations set forth in the Proprietary Information Agreement.

10. **TERMINATION.** Executive and the Company each acknowledge that either party has the right to terminate Executive's employment with the Company at any time for any reason whatsoever, with or without cause or advance notice pursuant to the following:

(a) **Termination by Death or Disability.** Subject to applicable state or federal law, in the event that Executive shall die during his employment hereunder or become permanently disabled, as evidenced by notice to the Company and Executive's inability to carry out his job responsibilities for a continuous period of more than twelve months, Executive's employment and the Company's obligation to make payments hereunder shall terminate on the date of his death, or the date upon which, in the sole determination of the Board of Directors, Executive has become permanently disabled. Vesting of all options shall cease on the date of such termination.

(b) **Voluntary Resignation by Executive.** In the event that Executive voluntarily terminates his employment with the Company, the Company's obligation to make payments hereunder shall cease upon such termination, except the Company shall pay Executive any salary earned but unpaid prior to termination, any benefits accrued prior to termination, all accrued but unused vacation, and any business expenses that were incurred but not reimbursed as of the date of termination. Vesting of all options shall cease on the date of such termination.

(c) **Termination for Cause.** In the event that Executive is terminated by the Company for Cause (as defined below), the Company's obligation to make payments hereunder

shall cease upon the date of receipt by Executive of written notice of such termination (the "**Termination Date**"), except the Company shall pay Executive any salary earned but unpaid prior to the Termination Date, any benefits accrued prior to termination, all accrued but unused vacation and any business expenses that were incurred but not reimbursed as of the date of termination. Vesting of all options shall cease on the Termination Date.

(d) **Termination by the Company without Cause or for Good Reason.** In the event Executive's employment is terminated without Cause (as defined herein) or due to death or disability (as provided in Section 10(a)) or Executive resigns for Good Reason (as defined herein) and upon the execution of a Release in the form of Exhibit B by Executive and written acknowledgment of Executive's continuing obligations under the Proprietary Information Agreement, Executive shall be entitled to receive the equivalent of twenty-four (24) months of his Base Salary as in effect immediately prior to the termination date, payable on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions, commencing on the first regularly scheduled pay date following the Effective Date of the Release. Provided that Executive is eligible for and timely elects continuation of his health insurance pursuant to COBRA, for a period of twenty-four (24) months following a termination without Cause, the Company shall also reimburse Executive for the cost of COBRA premiums to be paid in order for Executive to maintain medical insurance coverage that is substantially equivalent to that which Executive received immediately prior to the termination *provided, however*, that the Company's obligation to pay Executive's COBRA premiums will cease immediately in the event Executive becomes eligible for group health insurance during the twenty-four (24) month period, and Executive hereby agrees to promptly notify the Company if he becomes eligible to be covered by group health insurance in such event (the salary continuation and COBRA reimbursement are collectively referred to as the "**Severance Benefits**"). The Release shall not apply in the event that Executive does not accept the Severance Benefits.

(e) **Definition of Cause.** For purposes of this Agreement, "Cause" means (i) the Executive's incompetence or failure or refusal to perform satisfactorily any duties reasonably required of the Executive by the Company (other than by reason of Disability); (ii) the Executive's conviction of a felony, (iii) Executive's violation of a law or regulation (other than traffic violations, misdemeanors or similar offenses) or cease-and-desist order, court order, judgment, regulatory directive or agreement which violation has resulted or could reasonably be expected to result in material harm to the Company; (iv) the commission or omission of or engaging in any act or practice which constitutes a material breach of the Executive's fiduciary duty to the Company, involves personal dishonesty on the part of the Executive or demonstrates a willful or continuing disregard for the best interests of the Company; or (v) Executive's engaging in dishonorable or disruptive behavior, practices or acts, which have caused or reasonably could be expected to cause harm or bring disrepute to the Company.

(f) **Definition of Good Reason.** For purposes of this Agreement, "**Good Reason**" means that one or more of the following is undertaken without Executive's express written consent: (i) a reduction in Executive's Base Salary, bonus (if any) or benefits that would substantially diminish the aggregate value of Executive's compensation and benefits without Executive's consent; or (ii) the assignment to Executive of duties that are substantially and

materially inconsistent with the position held by Executive prior to the Change in Control and that are not a reasonable advancement of Executive's position within the Company.

#### 11. CHANGE IN CONTROL BENEFITS.

(a) **Change of Control Termination.** If within the thirteen (13) months immediately following a Change in Control or the one (1) month immediately preceding a Change in Control: (i) Executive is involuntarily terminated by the Company (or its successor entity) other than for Cause or (ii) Executive voluntarily terminates his employment with the Company (or its successor entity) for Good Reason (either constituting a "Change of Control Termination"), and in each case Executive signs a Release in the form of Exhibit B and written acknowledgment of Executive's continuing obligations under the Proprietary Information Agreement, Executive shall be entitled to the equivalent of twenty-four (24) months of his Base Salary as in effect immediately prior to the Change of Control Termination Date, payable on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions, commencing on the first regularly scheduled pay date following the Effective Date of the Release. Provided that Executive is eligible for and timely elects continuation of his health insurance pursuant to COBRA, for a period of twenty-four (24) months following a Change in Control Termination, the Company shall also reimburse Executive for the cost of COBRA premiums to be paid in order for Executive to maintain medical insurance coverage that is substantially equivalent to that which Executive received immediately prior to the termination *provided, however*, that the Company's obligation to pay Executive's COBRA premiums will cease immediately in the event Executive becomes eligible for group health insurance during the twenty-four (24) month period, and Executive hereby agrees to promptly notify the Company if he becomes eligible to be covered by group health insurance in such event (the salary continuation and COBRA reimbursement are collectively referred to as the "Change in Control Severance Benefits"). The Release shall not apply in the event that Executive does not accept the Change of Control Severance Benefits.

(b) **Vesting.** In addition, the Company will vest one-hundred percent (100%) of the shares subject to Executive's options and such vesting shall occur upon the occurrence of the Change of Control in the case of a Change of Control Termination occurring prior to the Change in Control or upon termination in the case of a Change of Control Termination occurring after the Change of Control. All other terms and conditions set forth in the options, the Plan, and the applicable stock option agreements shall remain in full force and effect.

(c) **Definition of Change in Control.** For purposes of this Agreement, "Change of Control" of the Company has the same definition as set forth in the Company's 2009 Equity Incentive Plan

12. **CODE SECTION 409A COMPLIANCE.** Because of the uncertainty of the application of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), to payments pursuant to this Agreement, including, without limitation, payments pursuant to Sections 11 and 12 hereof, Executive agrees that if any such payments are subject to the provisions of Section 409A of the Code by reason of this Agreement, or any part thereof, being considered a "nonqualified deferred compensation plan" pursuant to Section 409A of the Code,

then such payments shall be made in accordance with, and this Agreement automatically shall be amended to comply with, Section 409A of the Code, including, without limitation, any necessary delay of six (6) months applicable to payment of deferred compensation to a "specified Executive" (as defined in Section 409A(2)(B)(i) of the Code) upon separation from service. In the event that a six month delay is required, on the first regularly scheduled pay date following the conclusion of the delay period the Executive shall receive a lump sum payment in an amount equal to six (6) months of Executive's Base Salary and thereafter, any remaining Severance Benefits shall be paid on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions.

13. **Other Activities.** The Company acknowledges that the Executive is a partner of Medical Oncology and Hematology Associates Inc., where he holds a position as President, and continues to have a clinical practice one day per week and occasional weekend call duty. The Executive is responsible for paying his own malpractice insurance. The Executive is also currently the President of Charles J. Link Jr. M.D., P.C, a medical practice corporation. The Executive also currently serves as the Executive Director of the Iowa Cancer Research Foundation. Executive may serve as an advisor, officer or director of other companies only with the express permission of the Board of Directors.

#### 14. MISCELLANEOUS.

(a) **Taxes.** Executive agrees to be responsible for the payment of any taxes due on any and all compensation, stock option, or benefit provided by the Company pursuant to this Agreement. Executive agrees to indemnify the Company and hold the Company harmless from any and all claims or penalties asserted against the Company for any failure to pay taxes due on any compensation, stock option, or benefit provided by the Company pursuant to this Agreement. Executive expressly acknowledges that the Company has not made, nor herein makes, any representation about the tax consequences of any consideration provided by the Company to Executive pursuant to this Agreement.

(b) **Modification/Waiver.** This Agreement may not be amended, modified, superseded, canceled, renewed or expanded, or any terms or covenants hereof waived, except by a writing executed by each of the parties hereto or, in the case of a waiver, by the party waiving compliance. Failure of any party at any time or times to require performance of any provision hereof shall in no manner affect his or its right at a later time to enforce the same. No waiver by a party of a breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of agreement contained in the Agreement.

(c) **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of any successor or assignee of the business of the Company. This Agreement shall not be assignable by the Executive.

(d) **Notices.** All notices given hereunder shall be given by certified mail, addressed, or delivered by hand, to the other party at his or its address as set forth herein, or at any other address hereafter furnished by notice given in like manner. Executive promptly shall

notify Company of any change in Executive's address. Each notice shall be dated the date of its mailing or delivery and shall be deemed given, delivered or completed on such date.

(e) **Governing Law; Personal Jurisdiction and Venue.** This Agreement and all disputes relating to this Agreement shall be governed in all respects by the laws of the State of Iowa as such laws are applied to agreements between Iowa residents entered into and performed entirely in Iowa. The Parties acknowledge that this Agreement constitutes the minimum contacts to establish personal jurisdiction in Iowa and agree to Iowa court's exercise of personal jurisdiction.

(f) **Entire Agreement.** This Agreement together with the Exhibits A and B attached hereto, set forth the entire agreement and understanding of the parties hereto with regard to the employment of the Executive by the Company and supersede any and all prior agreements, arrangements and understandings, written or oral, pertaining to the subject matter hereof. No representation, promise or inducement relating to the subject matter hereof has been made to a party that is not embodied in these Agreements, and no party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

**IN WITNESS WHEREOF**, the parties have each duly executed this Employment Agreement as of the day and year first above written.

**NEWLINK GENETICS CORPORATION**

By: /s/ Gordon Link

Its: CFO

/s/ Charles J. Link

Executive

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**EXHIBIT A**

**NEWLINK GENETICS CORPORATION**

**EMPLOYEE PROPRIETARY INFORMATION, INVENTIONS,  
NON-COMPETITION, AND NON-SOLICITATION AGREEMENT**

This Employee Proprietary Information, Inventions, Non-competition, and Non-solicitation Agreement ("Agreement") is made in consideration for my employment or continued employment by **NEWLINK GENETICS CORPORATION** (the "Company"), and the compensation now and hereafter paid to me. I hereby agree as follows:

**1. NONDISCLOSURE.**

**1.1 Recognition of Company's Rights; Nondisclosure.** At all times during my employment and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon or publish any of the Company's Proprietary Information (defined below), except as such disclosure, use or publication may be required in connection with my work for the Company, or unless an officer of the Company expressly authorizes such in writing. I will obtain Company's written approval before publishing or submitting for publication any material (written, verbal, or otherwise) that relates to my work at Company and/or incorporates any Proprietary Information. I hereby assign to the Company any rights I may have or acquire in such Proprietary Information and recognize that all Proprietary Information shall be the sole property of the Company and its assigns.

**1.2 Proprietary Information.** The term "**Proprietary Information**" shall mean any and all confidential and/or proprietary knowledge, data or information of the Company. By way of illustration but not limitation, "**Proprietary Information**" includes (a) tangible and intangible information relating to antibodies and other biological materials, cell lines, samples of assay components, media and/or cell lines and procedures and formulations for producing any such assay components, media and/or cell lines, formulations, products, processes, know-how, designs, formulas, methods, developmental or experimental work, clinical data, improvements, discoveries, plans for research, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers, and information regarding the skills and compensation of other employees of the Company; (b) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques (hereinafter collectively referred to as "**Inventions**"); (c) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and (d) information regarding the skills and compensation of other employees of the Company. Notwithstanding the foregoing, it is understood that, at all such times, I am free to use information which is generally known in the trade or industry, which is not gained as result of a breach of this Agreement, and my own, skill, knowledge, know-how and experience to whatever extent and in whichever way I wish.

**1.3 Third Party Information.** I understand, in addition, that the Company has received and in the future will receive from third parties confidential or proprietary information ("**Third Party Information**") subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than Company personnel who need to know such information in connection with their work for the Company) or use, except in connection with my work for the Company, Third Party Information unless expressly authorized by an officer of the Company in writing.

**1.4 No Improper Use of Information of Prior Employers and Others.** During my employment by the Company I will not improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality, and I will not bring onto the premises of the Company any

unpublished documents or any property belonging to any former employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that former employer or person. I will use in the performance of my duties only information which is generally known and used by persons with training and experience comparable to my own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company.

## 2. ASSIGNMENT OF INVENTIONS.

**2.1 Proprietary Rights.** The term “**Proprietary Rights**” shall mean all trade secret, patent, copyright, mask work and other intellectual property rights throughout the world.

**2.2 Prior Inventions.** Inventions, if any, patented or unpatented, which I made prior to the commencement of my employment with the Company are excluded from the scope of this Agreement. To preclude any possible uncertainty, I have set forth on *Exhibit A* (Previous Inventions) attached hereto a complete list of all Inventions that I have, alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to the commencement of my employment with the Company, that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Agreement (collectively referred to as “Prior Inventions”). If disclosure of any such Prior Invention would cause me to violate any prior confidentiality agreement, I understand that I am not to list such Prior Inventions in Exhibit A but am only to disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. A space is provided on Exhibit A for such purpose. If no such disclosure is attached, I represent that there are no Prior Inventions. If, in the course of my employment with the Company, I incorporate a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company’s prior written consent.

**2.3 Assignment of Inventions.** Subject to Sections 2.4, and 2.6, I hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all my right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto) whether or not patentable or registrable under copyright or similar statutes, made or conceived or reduced to practice or learned by me, either alone or jointly with others, during the period of my employment with the Company. Inventions assigned to the Company, or to a third party as directed by the Company pursuant to this Section 2, are hereinafter referred to as “Company Inventions.”

**2.4 Nonassignable Inventions.** I recognize that, in the event of a specifically applicable state law, regulation, rule, or public policy (“Specific Inventions Law”), this Agreement will not be deemed to require assignment of any invention which qualifies fully for protection under a Specific Inventions Law by virtue of the fact that any such invention was, for example, developed entirely on my own time without using the Company’s equipment, supplies, facilities, or trade secrets and neither related to the Company’s actual or anticipated business, research or development, nor resulted from work performed by me for the Company. In the absence of a Specific Inventions Law, the preceding sentence will not apply.

**2.5 Obligation to Keep Company Informed.** During the period of my employment and for six months after the last day of my employment with the Company, I will promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others. In addition, I will promptly disclose to the Company all patent applications filed by me or on my behalf within a year after termination of employment. At the time of each such disclosure, I will advise the Company in writing of any Inventions that I believe fully qualify for protection under the provisions of a Specific Inventions Law; and I will at that time provide to the Company in writing all evidence necessary to substantiate that belief. The Company will keep in confidence and will not use for any purpose or disclose to third parties without my consent any confidential information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under a Specific Inventions Law. I will preserve the confidentiality of any Invention that does not fully qualify for protection under a Specific Inventions

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Law. Nothing in this Section 2.5 shall imply that the Company has rights to any Inventions disclosed hereunder that are not otherwise within the scope of Section 2.3.

**2.6 Government or Third Party.** I also agree to assign all my right, title and interest in and to any particular Company Invention to a third party, including without limitation the United States, as directed by the Company.

**2.7 Works for Hire.** I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment at the Company and which are protectable by copyright are “works made for hire,” pursuant to United States Copyright Act (17 U.S.C., Section 101).

**2.8 Enforcement of Proprietary Rights.** I will assist the Company in every proper way to obtain, and from time to time enforce, United States and foreign Proprietary Rights relating to Company Inventions in any and all countries. To that end I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Proprietary Rights and the assignment thereof. In addition, I will execute, verify and deliver assignments of such Proprietary Rights to the Company or its designee. My obligation to assist the Company with respect to Proprietary Rights relating to such Company Inventions in any and all countries shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate after my termination for the time actually spent by me at the Company’s request on such assistance.

In the event the Company is unable for any reason, after reasonable effort, to secure my signature on any document needed in connection with the actions specified in the preceding paragraph, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

**3. NO CONFLICTS OR SOLICITATION.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. To protect the Company's Proprietary Information, I agree that during the period of my employment by the Company I will not, without the Company's express written consent, engage in any other employment or business activity directly related to the business in which the Company is now involved or becomes involved, nor will I engage in any other activities which conflict with my obligations to the Company. For the period of my employment by the Company and continuing until one year after my last day of employment with the Company, I will not (a) directly or indirectly induce any employee of the Company to terminate or negatively alter his or her relationship with the Company or (b) induce any strategic partner supplier, vendor, consultant or independent contractor of the Company to terminate or negatively alter his, her or its relationship with the Company. If any restriction set forth in this Section is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

**4. COVENANT NOT TO COMPETE.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. To protect the Company's Proprietary Information, I agree that during my employment with the Company whether full-time or half-time and for a period of one year after my last day of employment with the Company, I will not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in the financing, operation, management or control of, any person, firm, corporation or business that engages in a "Restricted Business" in a "Restricted Territory" (as defined below). It is agreed that ownership of (i) no more than one percent (1%) of the outstanding voting stock of a publicly traded corporation, or (ii) any stock I presently own shall not constitute a violation of this provision.

**4.1 Reasonable.** I agree and acknowledge that the time limitation on the restrictions in this paragraph, combined with the geographic scope, is reasonable. I also acknowledge and agree that this

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paragraph is reasonably necessary for the protection of Company's Proprietary Information as defined in paragraph 1.2 herein, that through my employment I shall receive adequate consideration for any loss of opportunity associated with the provisions herein, and that these provisions provide a reasonable way of protecting Company's business value which will be imparted to me. If any restriction set forth in this paragraph 4 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

**4.2** As used herein, the terms:

**(i)** "Restricted Business" shall mean research, development and/or commercialization of (1) one or more products for the treatment of cancer through the use of ex vivo derived cellular cancer vaccines, immunotherapy vaccines or IDO inhibitors, (2) one or more products directed to any of the bioterrorism or infectious disease targets that the Company or any subsidiary (including BioProtection Systems Corporation) is researching or developing, or is preparing to research or develop, during the term of your employment by the Company, or (3) any other technology that is potentially competitive with any technology that the Company or any subsidiary is researching or developing, or is preparing to research or develop, during the term of your employment by the Company. The term "Restricted Business" includes an individual or entity that is engaged in or preparing to directly or indirectly engage in the research, development and/or commercialization of any of activities set forth in the preceding sentence.

**(ii)** "Restricted Territory" shall mean any state, county, or locality in the United States in which the Company conducts business and any other country, city, state, jurisdiction, or territory in which the Company does business.

**5. RECORDS.** I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Proprietary Information developed by me and all Company Inventions made by me during the period of my employment at the Company, which records shall be available to and remain the sole property of the Company at all times.

**6. NO CONFLICTING OBLIGATION.** I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

**7. RETURN OF COMPANY MATERIALS.** When I leave the employ of the Company, I will deliver to the Company any and all drawings, notes, memoranda, specifications, devices, formulas, and documents, together with all copies thereof, and any other material containing or disclosing any Company Inventions, Third Party Information or Proprietary Information of the Company. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice.

**8. LEGAL AND EQUITABLE REMEDIES.** Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

**9. NOTICES.** Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three days after the date of mailing.

**10. NOTIFICATION OF NEW EMPLOYER.** In the event that I leave the employ of the Company, I hereby consent to the notification of my new employer of my rights and obligations under this Agreement.

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**11. GENERAL PROVISIONS.**

**11.1 Governing Law; Consent to Personal Jurisdiction and Exclusive Forum.** This Agreement will be governed by and construed according to the laws of the State of Iowa as such laws are applied to agreements entered into and to be performed entirely within Iowa between Iowa residents. I hereby expressly understand and consent that my employment is a transaction of business in the State of Iowa and constitutes the minimum contacts necessary to make me subject to the personal jurisdiction of the federal courts located in the State of Iowa, and the state courts located in the County of Story, Iowa, for any lawsuit filed against me by Company arising from or related to this Agreement. I agree and acknowledge that any controversy arising out of or relating to this Agreement or the breach thereof, or any claim or action to enforce this Agreement or portion thereof, or any controversy or claim requiring interpretation of this Agreement must be brought in a forum located within the State of Iowa. No such action may be brought in any forum outside the State of Iowa. Any action brought in contravention of this paragraph by one party is subject to dismissal at any time and at any stage of the proceedings by the other, and no action taken by the other in defending, counter claiming or appealing shall be construed as a waiver of this right to immediate dismissal. A party bringing an action in contravention of this paragraph shall be liable to the other party for the costs, expenses and attorney's fees incurred in successfully dismissing the action or successfully transferring the action to the federal courts located in the State of Iowa, or the state courts located in the County of Story, Iowa.

**11.2 Severability.** In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

**11.3 Successors and Assigns.** This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

**11.4 Survival.** The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee.

**11.5 Employment.** I agree and understand that my employment is at-will which means I or the company each have the right to terminate my employment at will, with or without advanced notice and with or without cause. I further agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by the Company, nor shall it interfere in any way with my right or the Company's right to terminate my employment at any time, with or without cause. Nothing in this Section 11.5 shall affect my rights under my Employment Agreement with the Company dated December 2, 2010.

**11.6 Waiver.** No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

**11.7 Entire Agreement.** The obligations pursuant to Sections 1 through 4 and Sections 6 and 7 (including all subparts) of this Agreement shall apply to any time during which I was previously employed, or am in the future employed, by the Company as a consultant if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement

This Agreement shall be effective as of the first day of my employment with the Company, namely: June 4, 1999.

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**I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT EXHIBIT A TO THIS AGREEMENT.**

Dated: 12/13/10

/s/ Charles J. Link  
Signature

Charles J. Link  
Printed Name

**ACCEPTED AND AGREED TO:**

/s/ Gordon Link

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**EXHIBIT A**

**TO: NewLink Genetics Corporation**

FROM: \_\_\_\_\_

DATE: \_\_\_\_\_

SUBJECT: **Previous Inventions**

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment by **NewLink Genetics Corporation** that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

No inventions or improvements.

See below:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

	<u>Invention or Improvement</u>	<u>Party(ies)</u>	<u>Relationship</u>
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

Additional sheets attached.

**EXHIBIT B**

**RELEASE**

In exchange for the consideration provided to me by this Agreement that I am not otherwise entitled to receive, I hereby generally and completely release the Company and its directors, officers, Executives, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions related to my employment with the Company or the termination of that employment, including, but not limited to: (1) all claims related to my compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (2) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (3) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (4) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), and the Iowa state law (as amended). Notwithstanding the foregoing, nothing contained in this Release is intended to release the Company from any claim arising out of or with regard to: (i) any payment to be made to me by the Company in connection the termination of employment as contemplated by the Employment Agreement, or (ii) any statutory obligation that the Company may have with regard to the continuation of benefits.

**ADEA Waiver and Release.** I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, as amended. I also acknowledge that the consideration given for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my waiver and release does not apply to any rights or claims that may arise after the execution date of this Agreement; (b) I have been advised that I have the right to consult with an attorney prior to executing this Agreement; (c) I have been given twenty-one (21) days to consider this Agreement; (d) I have seven (7) days following the execution of this Agreement by the parties to revoke the Agreement; and (e) this Agreement will not be effective until the date upon which the revocation period has expired, which will be the eighth day after this Agreement is executed by you, provided that the Company has also executed this Agreement by that date ("Effective Date"). *The parties acknowledge and agree that revocation by you of the ADEA Waiver and Release is not effective to revoke your waiver or release of any other claims pursuant to this Agreement.*

By: \_\_\_\_\_

Date: \_\_\_\_\_

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made as of this 22nd day of November, 2010, by and between NewLink Genetics Corporation (the "Company"), and Nick Vahanian ("Executive") (collectively, the "Parties").

WHEREAS, the Company wishes to continue to employ Executive and to assure itself of the continued services of Executive on the terms set forth herein;

WHEREAS, Executive wishes to be so employed under the terms set forth herein; and

WHEREAS, the Parties intend that this Agreement shall supersede and replace any similar agreements that presently exist or may have previously existed between the Parties regarding the terms of Executive's employment with the Company.

## AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the Parties hereto as follows:

1. **EMPLOYMENT.** The Company will continue to employ Executive and Executive shall continue to serve the Company in the capacity of President and Chief Medical Officer ("**CMO**").

2. **AT-WILL EMPLOYMENT.** *It is understood and agreed by the Company and Executive that this Agreement does not contain any promise or representation concerning the duration of Executive's employment with the Company. Executive specifically acknowledges that his employment with the Company is at-will and may be altered or terminated by either Executive or the Company at any time, with or without cause and/or with or without notice. The nature, terms or conditions of Executive's employment with the Company cannot be changed by any oral representation, custom, habit or practice, or any other writing. In addition, that the rate of salary, any bonuses, paid time off, other compensation, or vesting schedules are stated in units of years or months or weeks does not alter the at-will nature of the employment, and does not mean and should not be interpreted to mean that Executive is guaranteed employment to the end of any period of time or for any period of time. In the event of conflict between this disclaimer and any other statement, oral or written, present or future, concerning terms and conditions of employment, the at-will relationship confirmed by this disclaimer shall control. This at-will status cannot be altered except in a writing signed by Executive and approved by the Board of Directors of the Company (the "Board of Directors").*

3. **DUTIES.** Executive shall continue to render exclusive, full-time services to the Company as its CMO. Executive shall report to Chief Executive Officer. Executive shall perform services under this Agreement primarily at the Ames or Des Moines, Iowa, offices of the Company, and from time to time at such other locations as is necessary to perform the duties of CMO under this Agreement. Subject to the terms of this Agreement, Executive's responsibilities, working conditions and duties may be changed, added to or eliminated during

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his employment at the sole discretion of the Chief Executive Officer. During Executive's employment with the Company he shall devote his best efforts and his full business time, skill and attention to the performance of his duties on behalf of the Company.

4. **POLICIES AND PROCEDURES.** Executive agrees that he is subject to and will comply with the policies and procedures of the Company, as such policies and procedures may be modified, added to or eliminated from time to time at the sole discretion of the Company, except to the extent any such policy or procedure specifically conflicts with the express terms of this Agreement. Executive further agrees and acknowledges that any written or oral policies and procedures of the Company do not constitute contracts between the Company and Executive.

5. **BASE SALARY.** For all services rendered and to be rendered hereunder, the Company agrees to pay to the Executive, and the Executive agrees to accept a salary of \$312,322 per annum ("**Base Salary**") which will be paid periodically in accordance with normal Company payroll practices and shall be subject to such deductions or withholdings as the Company is required to make pursuant to law, or by further agreement with the Executive. Executive's salary shall be subject to annual review and adjustment by the Board of Directors.

6. **STOCK OPTIONS.** Executive was previously granted options to purchase 1,975,725 shares of Company common stock. Except as expressly modified by this Agreement, the vesting schedule and all other terms, conditions and limitations of the options will be governed by the Company's 2000 and/or 2009 Equity Incentive Plans (the "**Plans**") and in the stock option grant notices and stock option agreements approved by the Board and entered into by Executive.

7. **BONUS.** Executive may be eligible to receive an annual performance bonus of up to 35% of his Base Salary subject to employment taxes, withholding and deductions ("**Bonus**") based upon Executive's achievements of certain milestones and performance objectives established by the Company ("**Variable Incentive Bonus Plan**"). Except as expressly provided otherwise herein, Executive must remain employed with the Company throughout the applicable bonus year in order to be eligible for any Bonus. The Board of Directors or the Compensation Committee, in its sole discretion, shall determine the extent to which Executive has achieved the performance targets upon which Executive's Bonus is based, and the amount of Bonus to be paid to Executive, if any. Bonuses are not earned until they are approved in writing by the Board of Directors or Compensation Committee.

8. **OTHER BENEFITS.** While employed by the Company as provided herein:

(a) **Executive Benefits.** The Executive shall be entitled to all benefits to which other executive officers of the Company are entitled, on terms comparable thereto, including, without limitation, participation in pension and profit sharing plans, 401(k) plan, group insurance policies and plans, medical, health, vision, and disability insurance policies and plans, and the like, which may be maintained by the Company for the benefit of its executives. The Company reserves the right to alter and amend the benefits received by Executive from time to time at the Company's discretion.

(b) **Expense Reimbursement.** The Executive shall receive, against presentation of proper receipts and vouchers, reimbursement for direct and reasonable out-of-pocket expenses incurred by him in connection with the performance of his duties hereunder, according to the policies of the Company.

(c) **Vacation.** Executive will be entitled to twenty (20) vacation days, which will accrue in monthly increments.

9. **CONFIDENTIAL INFORMATION, RIGHTS AND DUTIES.**

(a) **Proprietary Information.** Executive reaffirms and agrees to execute and abide by the Company's Proprietary Information and Inventions Agreement (the "**Proprietary Information Agreement**"), attached hereto as **Exhibit A**.

(b) **Exclusive Property.** Executive agrees that all Company-related business procured by the Executive, and all Company-related business opportunities and plans made known to Executive while employed by the Company, are and shall remain the permanent and exclusive property of the Company.

(c) **Non-Competition and Non-Solicitation.** Executive agrees that for a period of one year following his last day of employment with the Company, he shall continue to comply with the non-competition and non-solicitation obligations set forth in the Proprietary Information Agreement.

10. **TERMINATION.** Executive and the Company each acknowledge that either party has the right to terminate Executive's employment with the Company at any time for any reason whatsoever, with or without cause or advance notice pursuant to the following:

(a) **Termination by Death or Disability.** Subject to applicable state or federal law, in the event that Executive shall die during his employment hereunder or become permanently disabled, as evidenced by notice to the Company and Executive's inability to carry out his job responsibilities for a continuous period of more than six months, Executive's employment and the Company's obligation to make payments hereunder shall terminate on the date of his death, or the date upon which, in the sole determination of the Board of Directors, Executive has become permanently disabled. Vesting of all options shall cease on the date of such termination.

(b) **Voluntary Resignation by Executive.** In the event that Executive voluntarily terminates his employment with the Company, the Company's obligation to make payments hereunder shall cease upon such termination, except the Company shall pay Executive any salary earned but unpaid prior to termination, any benefits accrued prior to termination, all accrued but unused vacation, and any business expenses that were incurred but not reimbursed as of the date of termination. Vesting of all options shall cease on the date of such termination.

(c) **Termination for Cause.** In the event that Executive is terminated by the Company for Cause (as defined below), the Company's obligation to make payments hereunder

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shall cease upon the date of receipt by Executive of written notice of such termination (the "**Termination Date**"), except the Company shall pay Executive any salary earned but unpaid prior to the Termination Date, any benefits accrued prior to termination, all accrued but unused vacation and any business expenses that were incurred but not reimbursed as of the date of termination. Vesting of all options shall cease on the Termination Date.

(d) **Termination by the Company without Cause or for Good Reason.** In the event Executive's employment is terminated without Cause (as defined herein) or due to death or disability (as provided in Section 10(a)) or Executive resigns for Good Reason (as defined herein) and upon the execution of a Release by Executive and written acknowledgment of Executive's continuing obligations under the Proprietary Information Agreement, Executive shall be entitled to receive the equivalent of twelve (12) months of his Base Salary as in effect immediately prior to the termination date, payable on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions, commencing on the first regularly scheduled pay date following the Effective Date of the Release. Provided that Executive is eligible for and timely elects continuation of his health insurance pursuant to COBRA, for a period of twelve (12) months following a termination without Cause, the Company shall also reimburse Executive for the cost of COBRA premiums to be paid in order for Executive to maintain medical insurance coverage that is substantially equivalent to that which Executive received immediately prior to the termination *provided, however*, that the Company's obligation to pay Executive's COBRA premiums will cease immediately in the event Executive becomes eligible for group health insurance during the twelve (12) month period, and Executive hereby agrees to promptly notify the Company if he becomes eligible to be covered by group health insurance in such event (the salary continuation and COBRA reimbursement are collectively referred to as the "**Severance Benefits**").

(e) **Definition of Cause.** For purposes of this Agreement, "Cause" means (i) the Executive's incompetence or failure or refusal to perform satisfactorily any duties reasonably required of the Executive by the Company (other than by reason of Disability); (ii) the Executive's violation of any law, rule or regulation (other than traffic violations, misdemeanors or similar offenses) or cease-and-desist order, court order, judgment, regulatory directive or agreement; (iii) the commission or omission of or engaging in any act or practice which constitutes a material breach of the Executive's fiduciary duty to the Company, involves personal dishonesty on the part of the Executive or demonstrates a willful or continuing disregard for the best interests of the Company; or (iv) the Executive's engaging in dishonorable or disruptive behavior, practices or acts which would be reasonably expected to harm or bring disrepute to the Company, its business or any of its customers, Executives or vendors.

(f) **Definition of Good Reason.** For purposes of this Agreement, "**Good Reason**" means that one or more of the following is undertaken without Executive's express written consent: (i) a reduction in Executive's Base Salary, bonus (if any) or benefits that would substantially diminish the aggregate value of Executive's compensation and benefits without Executive's consent; or (ii) the assignment to Executive of duties that are substantially and materially inconsistent with the position held by Executive prior to the Change in Control and that are not a reasonable advancement of Executive's position within the Company.

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## 11. CHANGE IN CONTROL BENEFITS.

(a) **Change of Control Termination.** If within the thirteen (13) months immediately following a Change in Control or the one (1) month immediately preceding a Change in Control: (i) Executive is involuntarily terminated by the Company (or its successor entity) other than for Cause or (ii) Executive voluntarily terminates his employment with the Company (or its successor entity) for Good Reason (either constituting a “**Change of Control Termination**”), and in each case Executive signs a Release and written acknowledgment of Executive’s continuing obligations under the Proprietary Information Agreement, Executive shall be entitled to the equivalent of twelve (12) months of his Base Salary as in effect immediately prior to the Change of Control Termination Date, payable on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions, commencing on the first regularly scheduled pay date following the Effective Date of the Release. Provided that Executive is eligible for and timely elects continuation of his health insurance pursuant to COBRA, for a period of twelve (12) months following a Change in Control Termination, the Company shall also reimburse Executive for the cost of COBRA premiums to be paid in order for Executive to maintain medical insurance coverage that is substantially equivalent to that which Executive received immediately prior to the termination *provided, however*, that the Company’s obligation to pay Executive’s COBRA premiums will cease immediately in the event Executive becomes eligible for group health insurance during the twelve (12) month period, and Executive hereby agrees to promptly notify the Company if he becomes eligible to be covered by group health insurance in such event (the salary continuation and COBRA reimbursement are collectively referred to as the “**Change in Control Severance Benefits**”).

In addition, the Company will vest one-hundred percent (100%) of the shares subject to Executive’s options and such vesting shall occur upon the occurrence of the Change of Control in the case of a Change of Control Termination occurring prior to the Change in Control or upon termination in the case of a Change of Control Termination occurring after the Change of Control. All other terms and conditions set forth in the options, the Plan, and the applicable stock option agreements shall remain in full force and effect.

(b) **Definition of Change in Control.** For purposes of this Agreement, “**Change of Control**” of the Company has the same definition as set forth in the Company’s 2009 Equity Incentive Plan.

12. **CODE SECTION 409A COMPLIANCE.** Because of the uncertainty of the application of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), to payments pursuant to this Agreement, including, without limitation, payments pursuant to Sections 11 and 12 hereof, Executive agrees that if any such payments are subject to the provisions of Section 409A of the Code by reason of this Agreement, or any part thereof, being considered a “nonqualified deferred compensation plan” pursuant to Section 409A of the Code, then such payments shall be made in accordance with, and this Agreement automatically shall be amended to comply with, Section 409A of the Code, including, without limitation, any necessary delay of six (6) months applicable to payment of deferred compensation to a “specified Executive” (as defined in Section 409A(2)(B)(i) of the Code) upon separation from service. In the event that a six month delay is required, on the first regularly scheduled pay date following

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the conclusion of the delay period the Executive shall receive a lump sum payment in an amount equal to six (6) months of Executive’s Base Salary and thereafter, any remaining Severance Benefits shall be paid on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions.

## 13. MISCELLANEOUS.

(a) **Taxes.** Executive agrees to be responsible for the payment of any taxes due on any and all compensation, stock option, or benefit provided by the Company pursuant to this Agreement. Executive agrees to indemnify the Company and hold the Company harmless from any and all claims or penalties asserted against the Company for any failure to pay taxes due on any compensation, stock option, or benefit provided by the Company pursuant to this Agreement. Executive expressly acknowledges that the Company has not made, nor herein makes, any representation about the tax consequences of any consideration provided by the Company to Executive pursuant to this Agreement.

(b) **Modification/Waiver.** This Agreement may not be amended, modified, superseded, canceled, renewed or expanded, or any terms or covenants hereof waived, except by a writing executed by each of the parties hereto or, in the case of a waiver, by the party waiving compliance. Failure of any party at any time or times to require performance of any provision hereof shall in no manner affect his or its right at a later time to enforce the same. No waiver by a party of a breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of agreement contained in the Agreement.

(c) **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of any successor or assignee of the business of the Company. This Agreement shall not be assignable by the Executive.

(d) **Notices.** All notices given hereunder shall be given by certified mail, addressed, or delivered by hand, to the other party at his or its address as set forth herein, or at any other address hereafter furnished by notice given in like manner. Executive promptly shall notify Company of any change in Executive’s address. Each notice shall be dated the date of its mailing or delivery and shall be deemed given, delivered or completed on such date.

(e) **Governing Law; Personal Jurisdiction and Venue.** This Agreement and all disputes relating to this Agreement shall be governed in all respects by the laws of the State of Iowa as such laws are applied to agreements between Iowa residents entered into and performed entirely in Iowa. The Parties acknowledge that this Agreement constitutes the minimum contacts to establish personal jurisdiction in Iowa and agree to Iowa court’s exercise of personal jurisdiction.

(f) **Entire Agreement.** This Agreement together with the Exhibits A and B attached hereto, set forth the entire agreement and understanding of the parties hereto with regard to the employment of the Executive by the Company and supersede any and all prior agreements, arrangements and understandings, written or oral, pertaining to the subject matter hereof. No

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representation, promise or inducement relating to the subject matter hereof has been made to a party that is not embodied in these Agreements, and no party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

[Signature Page Follows]

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IN WITNESS WHEREOF, the parties have each duly executed this Employment Agreement as of the day and year first above written.

**NEWLINK GENETICS CORPORATION**

/s/ Gordon Link

Print Name: Gordon Link

Its: Chief Financial Officer

**EMPLOYEE**

/s/ Nicholas N. Vahanian

Print Name: Nicholas N. Vahanian

**Exhibit A**

**EMPLOYEE PROPRIETARY INFORMATION  
AND INVENTIONS AGREEMENT**

In consideration of my employment or continued employment by **NEWLINK GENETICS CORPORATION** (the “**Company**”), and the compensation now and hereafter paid to me. I hereby agree as follows:

**1. Nondisclosure.**

**1.1 Recognition of Company’s Rights; Nondisclosure.** At all times during my employment and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon or publish any of the Company’s Proprietary Information (defined below), except as such disclosure, use or publication may be required in connection with my work for the Company, or unless an officer of the Company expressly authorizes such in writing. I will obtain Company’s written approval before publishing or submitting for publication any material (written, verbal, or otherwise) that relates to my work at Company and/or incorporates any Proprietary Information. I hereby assign to the Company any rights I may have or acquire in such Proprietary Information and recognize that all Proprietary Information shall be the sole property of the Company and its assigns.

**1.2 Proprietary Information.** The term “**Proprietary Information**” shall mean any and all confidential and/or proprietary knowledge, data or information of the Company. “Proprietary Information” includes (a) tangible and intangible information relating to antibodies and other biological materials, cell lines, samples of assay components, media and/or cell lines and procedures and formulations for producing any such assay components, media and/or cell lines, formulations, products, processes, know-how, designs, formulas, methods, developmental or experimental work, clinical data, improvements, discoveries, plans for research, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers, and information regarding the skills and compensation of other employees of the Company.” Notwithstanding the foregoing, it is understood that, at all such times, I am free to use information which is generally known in the trade or industry, which is not gained as result of a breach of this Agreement, and my own, skill, knowledge, know-how and experience to whatever extent and in whichever way I wish.

**1.3 Third Party Information.** I understand, in addition, that the Company has received and in the future will receive from third parties confidential or proprietary information (“**Third Party Information**”) subject to a duty on the Company’s part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than Company personnel who need to know such information in connection with their work for the Company) or use, except in connection with my work for the Company, Third Party Information unless expressly authorized by an officer of the Company in writing.

**1.4 No Improper Use of Information of Prior Employers and Others.** During my employment by the Company I will not improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality, and I will not bring onto the premises of the Company any unpublished documents or any property belonging to any former employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that former employer or person. I will use in the performance of my duties only information which is generally known and used by persons with training and experience comparable to my own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company.

**2. ASSIGNMENT OF INVENTIONS.**

**2.1 Proprietary Rights.** The term “**Proprietary Rights**” shall mean all trade secret, patent, copyright, mask work and other intellectual property rights throughout the world.

**2.2 Prior Inventions.** Inventions, if any, patented or unpatented, which I made prior to the commencement of my employment with the Company are excluded from the scope of this Agreement. To preclude any possible uncertainty, I have set forth on *Exhibit A* (Previous Inventions) attached hereto a complete list of all inventions that I have, alone or jointly with others, conceived, developed or reduced to

practice or caused to be conceived, developed or reduced to practice prior to the commencement of my employment with the Company, that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Agreement (collectively referred to as “**Prior Inventions**”). If disclosure of any such Prior Invention would cause me to violate any prior confidentiality agreement, I understand that I am not to list such Prior Inventions in *Exhibit A* but am only to disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. A space is provided on *Exhibit A* for such purpose. If no such disclosure is attached, I represent that there are no Prior Inventions. If, in the course of my employment with the Company, I incorporate a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company’s prior written consent.

**2.3 Assignment of Inventions.** Subject to Sections 2.4, and 2.6, I hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all my right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto) whether or not patentable or registrable under copyright or similar statutes, made or conceived or reduced to practice or learned by me, either alone or jointly with others, during the period of my employment with the Company. Inventions assigned to the Company, or to a third party as directed by the Company pursuant to this Section 2, are hereinafter referred to as “**Company Inventions.**”

**2.4 Nonassignable Inventions.** I recognize that, in the event of a specifically applicable state law, regulation, rule, or public policy (“**Specific Inventions Law**”), this Agreement will not be deemed to require assignment of any invention which qualifies fully for protection under a Specific Inventions Law by virtue of the fact that any such invention was, for example, developed entirely on my own time without using the Company’s equipment, supplies, facilities, or trade secrets and neither related to the Company’s actual or anticipated business, research or development, nor resulted from work performed by me for the Company. In the absence of a Specific Inventions Law, the preceding sentence will not apply.

**2.5 Obligation to Keep Company Informed.** During the period of my employment and for six (6) months after termination of my employment with the Company, I will promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others. In addition, I will promptly disclose to the Company all patent applications filed by me or on my behalf within a year after termination of employment. At the time of each such disclosure, I will advise the Company in writing of any Inventions that I believe fully qualify for protection under the provisions of a Specific Inventions Law; and I will at that time provide to the Company in writing all evidence necessary to substantiate that belief. The Company will keep in confidence and will not use for any purpose or disclose to third parties without my consent any confidential information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under a Specific Inventions Law. I will preserve the confidentiality of any Invention that does not fully qualify for protection under a Specific Inventions Law.

**2.6 Government or Third Party.** I also agree to assign all my right, title and interest in and to any particular Company Invention to a third party, including without limitation the United States, as directed by the Company.

**2.7 Works for Hire.** I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment and which are protectable by copyright are “works made for hire,” pursuant to United States Copyright Act (17 U.S.C., Section 101).

**2.8 Enforcement of Proprietary Rights.** I will assist the Company in every proper way to obtain, and from time to time enforce United States and foreign Proprietary Rights relating to Company Inventions in any and all countries. To that end I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Proprietary Rights and the assignment thereof. In addition, I will execute, verify and deliver assignments of such Proprietary Rights to the Company or its designee. My obligation to assist the Company with respect to Proprietary Rights relating to such Company Inventions in any and all countries shall continue beyond the termination

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of my employment, but the Company shall compensate me at a reasonable rate after my termination for the time actually spent by me at the Company’s request on such assistance.

In the event the Company is unable for any reason, after reasonable effort, to secure my signature on any document needed in connection with the actions specified in the preceding paragraph, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

**3. RECORDS.** I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Proprietary Information developed by me and all Inventions made by me during the period of my employment at the Company, which records shall be available to and remain the sole property of the Company at all times.

**4. ADDITIONAL ACTIVITIES.** I agree that during the period of my employment by the Company I will not, without the Company’s express written consent, engage in any employment or business activity which is competitive with, or would otherwise conflict with, my employment by the Company. I agree further that for the period of my employment by the Company and for one (1) year after the date of termination of my employment by the Company I will not, either directly or through others, solicit or attempt to solicit any employee, independent contractor or consultant of the Company to terminate his or her relationship with the Company in order to become an employee, consultant or independent contractor to or for any other person or entity.

**5. NO CONFLICTING OBLIGATION.** I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

**6. RETURN OF COMPANY DOCUMENTS.** When I leave the employ of the Company, I will deliver to the Company any and all drawings, notes, memoranda, specifications, devices, formulas, and documents, together with all copies thereof, and any other material containing or disclosing any

Company Inventions, Third Party Information or Proprietary Information of the Company. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, tiling cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice. Prior to leaving, I will cooperate with the Company in completing and signing the Company's termination statement.

7. **LEGAL AND EQUITABLE REMEDIES.** Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.
8. **NOTICES.** Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three (3) days after the date of mailing.
9. **NOTIFICATION OF NEW EMPLOYER.** In the event that I leave the employ of the Company, I hereby consent to the notification of my new employer of my rights and obligations under this Agreement.
10. **GENERAL PROVISIONS.**

**10.1 Governing Law; Consent to Personal Jurisdiction.** This Agreement will be governed by and construed according to the laws of the State of Iowa, as such laws are applied to agreements entered into and to be performed entirely within Iowa between Iowa residents. I hereby

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expressly consent to the personal jurisdiction of the state and federal courts located in Story County, Iowa for any lawsuit filed there against me by Company arising from or related to this Agreement.

**10.2 Severability.** In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

**10.3 Successors and Assigns.** This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

**10.4 Survival.** The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee.

**10.5 Employment.** I agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by the Company, nor shall it interfere in any way with my right or the Company's right to terminate my employment at any time, with or without cause.

**10.6 Waiver.** No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

**10.7 Advice of Counsel.** *I ACKNOWLEDGE THAT, IN EXECUTING THIS AGREEMENT, I HAVE HAD THE OPPORTUNITY TO SEEK THE ADVICE OF INDEPENDENT LEGAL COUNSEL, AND I HAVE READ AND UNDERSTOOD ALL OF THE TERMS AND PROVISIONS OF THIS AGREEMENT. THIS AGREEMENT SHALL NOT BE CONSTRUED AGAINST ANY PARTY BY REASON OF THE DRAFTING OR PREPARATION HEREOF.*

**10.8 Entire Agreement.** The obligations pursuant to Sections 1 and 2 of this Agreement shall apply to any time during which I was previously employed, or am in the future employed, by the Company as a consultant if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

This Agreement shall be effective as of the first day of my employment with the Company, namely: \_\_\_\_\_, 20 \_\_\_\_.

**I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT EXHIBIT A TO THIS AGREEMENT.**

Dated: 1/15/01

/s/ Nicholas Vahanian  
(Signature)

Nicholas Vahanian M.D.  
(Printed Name)

**ACCEPTED AND AGREED TO:**

By: /s/ Charles Link

Title: Chairman

(Address)

Dated: 1/15/01

**EXHIBIT A**

**PREVIOUS INVENTIONS**

**TO:** NewLink Genetics Corporation  
**FROM:** Nicholas Vahanian  
**DATE:** January 15, 2001  
**SUBJECT:** Previous Inventions

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment by **NewLink Genetics Corporation** (the "**Company**") that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

x No inventions or improvements.

o See below:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

o Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

	<b>Invention or Improvement</b>	<b>Party(ies)</b>	<b>Relationship</b>
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

o Additional sheets attached.

**NEWLINK GENETICS CORPORATION**

**AMENDMENT TO PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT**

**THIS AMENDMENT TO PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT** ("**Amendment**") is entered into by and between **NEWLINK GENETICS CORPORATION** ("**Company**"), a Delaware corporation, and Nicholas Vahanian ("**Employee**"), effective as of October , 2001. Capitalized terms used but not defined herein shall have the same meanings given them in the Agreement (as defined below).

**WHEREAS**, Employee and the Company previously entered into a Proprietary Information and Inventions Agreement dated Sept. 14, 2001 (the "**Agreement**"), and

**WHEREAS**, the parties now wish to amend the Agreement.

**NOW, THEREFORE**, in consideration of Employee's continued employment by the Company and an increase in the compensation paid to Employee, Employee and the Company hereby agree that the Prior Agreement shall be amended to add the following provisions:

**5.1 NO CONFLICTS OR SOLICITATION.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. To protect the Company's Proprietary Information, I agree that during the period of my employment by the Company I will not, without the Company's express written consent, engage in any other employment or business activity directly related to the business in which the Company is now involved or becomes involved, nor will I engage in any other activities which conflict with my obligations to the Company. For the period of my employment by the Company and continuing until one year after my last day of employment with the Company, I will not (a) directly or indirectly induce any employee of the Company to terminate or negatively alter his or her relationship with the Company or (b) solicit the business of any client or customer of the Company (other than on behalf of the Company) or (c) induce any supplier, vendor, consultant or independent contractor of the Company to terminate or negatively alter his, her or its relationship with the Company. If any restriction set forth in this Section is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

**5.2 COVENANT NOT TO COMPETE.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. To protect the Company's Proprietary Information, I agree that during my employment with the Company whether full-time or half-time and for a period of one year after my last day of employment with the Company, I will not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in the financing, operation, management or control of, any person, firm, corporation or business that engages in a "Restricted Business" in a "Restricted Territory" (as defined below). It is agreed that ownership of (i) no more than one percent (1%) of the outstanding voting stock of a publicly traded corporation, or (ii) any stock I presently own shall not constitute a violation of this provision.

**5.3 REASONABLE.** I agree and acknowledge that the time limitation on the restrictions in this paragraph, combined with the geographic scope, is reasonable. I also acknowledge and agree that this paragraph is reasonably necessary for the protection of Company's Proprietary Information as defined in paragraph 1.2 herein, that through my employment I shall receive adequate consideration for any loss of opportunity associated with the provisions herein, and that these provisions provide a reasonable way of protecting Company's business value which will be imparted to me. If any restriction set forth in this

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paragraph 4 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

**5.4** As used herein, the terms:

**(i)** "Restricted Business" shall mean any business engaged in areas similar to those the Company is pursuing, including but not limited to: [add description] and companies engaged in substantially similar development or commerce that competes with, or is perceived to be a competitor of, the Company's products or services, whether current or planned.

**(ii)** "Restricted Territory" shall mean any state, county, or locality in the United States in which the Company conducts business and any other country, city, state, jurisdiction, or territory in which the Company does business.

This Amendment shall be effective as of the first date set forth above.

**I HAVE READ THIS AMENDMENT CAREFULLY AND UNDERSTAND ITS TERMS.**

Dated: 9/14/2001

/s/ Nicholas N. Vahanian  
(Signature)

Nicholas Vahanian  
(Name)

**ACCEPTED AND AGREED TO:**

**NEWLINK GENETICS CORPORATION**

By: /s/ Charles Link

Name: Charles Link

Title: President, Chairman

Dated: 9/14/2001

**RELEASE**

In exchange for the consideration provided to me by this Agreement that I am not otherwise entitled to receive, I hereby generally and completely release the Company and its directors, officers, Executives, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions related to my employment with the Company or the termination of that employment, including, but not limited to: (1) all claims related to my compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (2) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (3) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (4) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), and the Iowa state law (as amended). Notwithstanding the foregoing, nothing contained in this Release is intended to release the Company from any claim arising out of or with regard to: (i) any payment to be made to me by the Company in connection the termination of employment as contemplated by the Employment Agreement, or (ii) any statutory obligation that the Company may have with regard to the continuation of benefits.

**[IF APPLICABLE] ADEA Waiver and Release.** I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, as amended. I also acknowledge that the consideration given for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my waiver and release does not apply to any rights or claims that may arise after the execution date of this Agreement; (b) I have been advised that I have the right to consult with an attorney prior to executing this Agreement; (c) I have been given twenty-one (21) days to consider this Agreement; (d) I have seven (7) days following the execution of this Agreement by the parties to revoke the Agreement; and (e) this Agreement will not be effective until the date upon which the revocation period has expired, which will be the eighth day after this Agreement is executed by you, provided that the Company has also executed this Agreement by that date ("Effective Date"). *The parties acknowledge and agree that revocation by you of the ADEA Waiver and Release is not effective to revoke your waiver or release of any other claims pursuant to this Agreement.*

By: \_\_\_\_\_

Date: \_\_\_\_\_

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ISU Research Park  
2901 South Loop Drive  
Building 3 Suite 3900  
Ames, Iowa 50010  
Phone (515) 296-5555  
Fax (515) 296-5557

June 26, 2008

Gordon Link  
8947 Prairie Knoll Drive  
Longmont, CO 80503

Dear Gordon,

On behalf of NewLink Genetics, I would like to extend an offer to you for the position of Chief Financial Officer with NewLink Genetics. You will be compensated at the rate \$18,750 per month to be paid on a semi-monthly basis. You will also be eligible for an annual performance bonus of up to 25% of your base compensation. This will be based on mutual agreed upon performance objectives. In addition, you will be granted 210,000 shares of NewLink Genetics Corporation stock options subject to the Board of Directors approval. This gives you the right to purchase company stock and is on a graded vesting schedule over four years with a one-year cliff provision.

Overview of the Compensation Package:

Base Salary:	\$225,000 when considered on an annual basis
Performance Bonus:	\$56,250*
Moving Expenses;	\$30,000 up to with receipts
401(K):	3% of contribution equal to \$6,750
Stock Options NLG:	210,000**
Stock Options BPSC:	.25% equity in BioProtection Systems Corporation
Healthcare Coverage	Majority Company paid
20 Days PTO + 8 Holiday	
Loan	\$500,000 interest free loan up to 18 months or until your home is sold
<b>Total Package:</b>	<b>\$318,000</b>

\* Up to 25% of base compensation dependent on meeting performance objectives

\*\* Approximately 1% of total outstanding shares, 20,863,969, post Series C round

NewLink also offers an attractive benefits package including group health insurance and a flexible spending tax savings plan. We offer Paid Time Off. Employees earn six hours per pay period towards Paid Time Off which is equivalent to 20 days of Paid Time Off. You will receive an additional two days. Additionally, after completing six months of employment with the Company you become eligible to participate in our 401k Plan with January 1st and July 1st enrollment dates. NewLink Genetics will make a special company contribution to the 401K plan on your behalf equal to 3% of your total compensation each pay period. You will be immediately 100% vested in this special company contribution. You will receive the 401k contribution regardless of whether you defer any of your compensation into the plan. You may also elect to participate in our dental, life and/or disability plans with an effective date of the first of the month after three months of employment.

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We are looking forward to working with you and feel this will be a mutually rewarding relationship for yourself and NewLink Genetics. We would like a response no later than July 3, 2008. If you accept, we would like you to begin employment on-site any time between July 7 and August 15, 2008. If this is agreeable, please sign one copy of this letter.

If you have any questions, please don't hesitate to call. I can be reached at (515) 296-4029.

Sincerely,

Ronee Wagener, MBA, SPHR  
Human Resources Manager

Gordon H. Link, Jr.

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## QuickLinks

[Exhibit 10.14](#)

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the “**Agreement**”) is made as of this 22nd day of November, 2010, by and between NewLink Genetics Corporation (the “**Company**”), and Gordon Link (“**Executive**”) (collectively, the “**Parties**”).

WHEREAS, the Company wishes to continue to employ Executive and to assure itself of the continued services of Executive on the terms set forth herein;

WHEREAS, Executive wishes to be so employed under the terms set forth herein;

WHEREAS, Executive and the Company are parties to an offer letter dated 6/2/2008.

WHEREAS, the Parties desire to amend and restate the offer letter to reflect certain additional and revised terms of Executive’s employment; and

WHEREAS, the Parties intend that this Agreement shall supersede and replace any similar agreements that presently exist or may have previously existed between the Parties regarding the terms of Executive’s employment with the Company.

## AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the Parties hereto as follows:

1. **EMPLOYMENT.** The Company will continue to employ Executive and Executive shall continue to serve the Company in the capacity of Chief Financial Officer (“**CFO**”).

2. **AT-WILL EMPLOYMENT.** *It is understood and agreed by the Company and Executive that this Agreement does not contain any promise or representation concerning the duration of Executive’s employment with the Company. Executive specifically acknowledges that his employment with the Company is at-will and may be altered or terminated by either Executive or the Company at any time, with or without cause and/or with or without notice. The nature, terms or conditions of Executive’s employment with the Company cannot be changed by any oral representation, custom, habit or practice, or any other writing. In addition, that the rate of salary, any bonuses, paid time off, other compensation, or vesting schedules are stated in units of years or months or weeks does not alter the at-will nature of the employment, and does not mean and should not be interpreted to mean that Executive is guaranteed employment to the end of any period of time or for any period of time. In the event of conflict between this disclaimer and any other statement, oral or written, present or future, concerning terms and conditions of employment, the at-will relationship confirmed by this disclaimer shall control. This at-will status cannot be altered except in a writing signed by Executive and approved by the Board of Directors of the Company (the “**Board of Directors**”).*

3. **DUTIES.** Executive shall continue to render exclusive, full-time services to the Company as its CFO. Executive shall report to Chief Executive Officer. Executive shall

perform services under this Agreement primarily at the Ames or Des Moines, Iowa, offices of the Company, and from time to time at such other locations as is necessary to perform the duties of CFO under this Agreement. Subject to the terms of this Agreement, Executive’s responsibilities, working conditions and duties may be changed, added to or eliminated during his employment at the sole discretion of the Chief Executive Officer. During Executive’s employment with the Company he shall devote his best efforts and his full business time, skill and attention to the performance of his duties on behalf of the Company.

4. **POLICIES AND PROCEDURES.** Executive agrees that he is subject to and will comply with the policies and procedures of the Company, as such policies and procedures may be modified, added to or eliminated from time to time at the sole discretion of the Company, except to the extent any such policy or procedure specifically conflicts with the express terms of this Agreement. Executive further agrees and acknowledges that any written or oral policies and procedures of the Company do not constitute contracts between the Company and Executive.

5. **BASE SALARY.** For all services rendered and to be rendered hereunder, the Company agrees to pay to the Executive, and the Executive agrees to accept a salary of \$239,794 per annum (“**Base Salary**”) which will be paid periodically in accordance with normal Company payroll practices and shall be subject to such deductions or withholdings as the Company is required to make pursuant to law, or by further agreement with the Executive. Executive’s salary shall be subject to annual review and adjustment by the Board of Directors.

6. **STOCK OPTIONS.** Executive was previously granted options to purchase 210,000 shares of Company common stock. Except as expressly modified by this Agreement, the vesting schedule and all other terms, conditions and limitations of the options will be governed by the Company’s 2000 and/or 2009 Equity Incentive Plans (the “**Plans**”) and in the stock option grant notices and stock option agreements approved by the Board and entered into by Executive.

7. **BONUS.** Executive may be eligible to receive an annual performance bonus of up to 25% of his Base Salary subject to employment taxes, withholding and deductions (“**Bonus**”) based upon Executive’s achievements of certain milestones and performance objectives established by the Company (“**Variable Incentive Bonus Plan**”). Except as expressly provided otherwise herein, Executive must remain employed with the Company throughout the applicable bonus year in order to be eligible for any Bonus. The Board of Directors or the Compensation Committee, in its sole discretion, shall determine the extent to which Executive has achieved the performance targets upon which Executive’s Bonus is based, and the amount of Bonus to be paid to Executive, if any. Bonuses are not earned until they are approved in writing by the Board of Directors or Compensation Committee.

8. **OTHER BENEFITS.** While employed by the Company as provided herein:

(a) **Executive Benefits.** The Executive shall be entitled to all benefits to which other executive officers of the Company are entitled, on terms comparable thereto, including, without limitation, participation in pension and profit sharing plans, 401(k) plan, group insurance policies and plans,

The Company reserves the right to alter and amend the benefits received by Executive from time to time at the Company's discretion.

(b) **Expense Reimbursement.** The Executive shall receive, against presentation of proper receipts and vouchers, reimbursement for direct and reasonable out-of-pocket expenses incurred by him in connection with the performance of his duties hereunder, according to the policies of the Company.

(c) **Vacation.** Executive will be entitled to twenty (20) vacation days, which will accrue in monthly increments.

## 9. CONFIDENTIAL INFORMATION, RIGHTS AND DUTIES.

(a) **Proprietary Information.** Executive reaffirms and agrees to execute and abide by the Company's Proprietary Information and Inventions Agreement (the "**Proprietary Information Agreement**"), attached hereto as **Exhibit A**.

(b) **Exclusive Property.** Executive agrees that all Company-related business procured by the Executive, and all Company-related business opportunities and plans made known to Executive while employed by the Company, are and shall remain the permanent and exclusive property of the Company.

(c) **Non-Competition and Non-Solicitation.** Executive agrees that for a period of one year following his last day of employment with the Company, he shall continue to comply with the non-competition and non-solicitation obligations set forth in the Proprietary Information Agreement.

10. **TERMINATION.** Executive and the Company each acknowledge that either party has the right to terminate Executive's employment with the Company at any time for any reason whatsoever, with or without cause or advance notice pursuant to the following:

(a) **Termination by Death or Disability.** Subject to applicable state or federal law, in the event that Executive shall die during his employment hereunder or become permanently disabled, as evidenced by notice to the Company and Executive's inability to carry out his job responsibilities for a continuous period of more than six months, Executive's employment and the Company's obligation to make payments hereunder shall terminate on the date of his death, or the date upon which, in the sole determination of the Board of Directors, Executive has become permanently disabled. Vesting of all options shall cease on the date of such termination.

(b) **Voluntary Resignation by Executive.** In the event that Executive voluntarily terminates his employment with the Company, the Company's obligation to make payments hereunder shall cease upon such termination, except the Company shall pay Executive any salary earned but unpaid prior to termination, any benefits accrued prior to termination, all accrued but unused vacation, and any business expenses that were incurred but not reimbursed as of the date of termination. Vesting of all options shall cease on the date of such termination.

(c) **Termination for Cause.** In the event that Executive is terminated by the Company for Cause (as defined below), the Company's obligation to make payments hereunder shall cease upon the date of receipt by Executive of written notice of such termination (the "**Termination Date**"), except the Company shall pay Executive any salary earned but unpaid prior to the Termination Date, any benefits accrued prior to termination, all accrued but unused vacation and any business expenses that were incurred but not reimbursed as of the date of termination. Vesting of all options shall cease on the Termination Date.

(d) **Termination by the Company without Cause or for Good Reason.** In the event Executive's employment is terminated without Cause (as defined herein) or due to death or disability (as provided in Section 10(a)) or Executive resigns for Good Reason (as defined herein) and upon the execution of a Release by Executive and written acknowledgment of Executive's continuing obligations under the Proprietary Information Agreement, Executive shall be entitled to receive the equivalent of six (6) months of his Base Salary as in effect immediately prior to the termination date, payable on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions, commencing on the first regularly scheduled pay date following the Effective Date of the Release. Provided that Executive is eligible for and timely elects continuation of his health insurance pursuant to COBRA, for a period of six (6) months following a termination without Cause, the Company shall also reimburse Executive for the cost of COBRA premiums to be paid in order for Executive to maintain medical insurance coverage that is substantially equivalent to that which Executive received immediately prior to the termination *provided, however*, that the Company's obligation to pay Executive's COBRA premiums will cease immediately in the event Executive becomes eligible for group health insurance during the six (6) month period, and Executive hereby agrees to promptly notify the Company if he becomes eligible to be covered by group health insurance in such event (the salary continuation and COBRA reimbursement are collectively referred to as the "**Severance Benefits**").

(e) **Definition of Cause.** For purposes of this Agreement, "Cause" means (i) the Executive's incompetence or failure or refusal to perform satisfactorily any duties reasonably required of the Executive by the Company (other than by reason of Disability); (ii) the Executive's violation of any law, rule or regulation (other than traffic violations, misdemeanors or similar offenses) or cease-and-desist order, court order, judgment, regulatory directive or agreement; (iii) the commission or omission of or engaging in any act or practice which constitutes a material breach of the Executive's fiduciary duty to the Company, involves personal dishonesty on the part of the Executive or demonstrates a willful or continuing disregard for the best interests of the Company; or (iv) the Executive's engaging in dishonorable or disruptive behavior, practices or acts which would be reasonably expected to harm or bring disrepute to the Company, its business or any of its customers, Executives or vendors.

(f) **Definition of Good Reason.** For purposes of this Agreement, "**Good Reason**" means that one or more of the following is undertaken without Executive's express written consent: (i) a reduction in Executive's Base Salary, bonus (if any) or benefits that would substantially diminish the aggregate value of Executive's compensation and benefits without Executive's consent; or (ii) the assignment to Executive of duties that are substantially and

materially inconsistent with the position held by Executive prior to the Change in Control and that are not a reasonable advancement of Executive's position within the Company.

#### 11. CHANGE IN CONTROL BENEFITS.

(a) **Change of Control Termination.** If within the thirteen (13) months immediately following a Change in Control or the one (1) month immediately preceding a Change in Control: (i) Executive is involuntarily terminated by the Company (or its successor entity) other than for Cause or (ii) Executive voluntarily terminates his employment with the Company (or its successor entity) for Good Reason (either constituting a "**Change of Control Termination**"), and in each case Executive signs a Release and written acknowledgment of Executive's continuing obligations under the Proprietary Information Agreement, Executive shall be entitled to the equivalent of six (6) months of his Base Salary as in effect immediately prior to the Change of Control Termination Date, payable on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions, commencing on the first regularly scheduled pay date following the Effective Date of the Release. Provided that Executive is eligible for and timely elects continuation of his health insurance pursuant to COBRA, for a period of six (6) months following a Change in Control Termination, the Company shall also reimburse Executive for the cost of COBRA premiums to be paid in order for Executive to maintain medical insurance coverage that is substantially equivalent to that which Executive received immediately prior to the termination *provided, however*, that the Company's obligation to pay Executive's COBRA premiums will cease immediately in the event Executive becomes eligible for group health insurance during the six (6) month period, and Executive hereby agrees to promptly notify the Company if he becomes eligible to be covered by group health insurance in such event (the salary continuation and COBRA reimbursement are collectively referred to as the "**Change in Control Severance Benefits**").

In addition, the Company will vest one-hundred percent (100%) of the shares subject to Executive's options and such vesting shall occur upon the occurrence of the Change of Control in the case of a Change of Control Termination occurring prior to the Change in Control or upon termination in the case of a Change of Control Termination occurring after the Change of Control. All other terms and conditions set forth in the options, the Plan, and the applicable stock option agreements shall remain in full force and effect.

(b) **Definition of Change in Control.** For purposes of this Agreement, "**Change of Control**" of the Company has the same definition as set forth in the Company's 2009 Equity Incentive Plan.

12. **CODE SECTION 409A COMPLIANCE.** Because of the uncertainty of the application of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), to payments pursuant to this Agreement, including, without limitation, payments pursuant to Sections 11 and 12 hereof, Executive agrees that if any such payments are subject to the provisions of Section 409A of the Code by reason of this Agreement, or any part thereof, being considered a "nonqualified deferred compensation plan" pursuant to Section 409A of the Code, then such payments shall be made in accordance with, and this Agreement automatically shall be amended to comply with, Section 409A of the Code, including, without limitation, any necessary

delay of six (6) months applicable to payment of deferred compensation to a "specified Executive" (as defined in Section 409A(2)(B)(i) of the Code) upon separation from service. In the event that a six month delay is required, on the first regularly scheduled pay date following the conclusion of the delay period the Executive shall receive a lump sum payment in an amount equal to six (6) months of Executive's Base Salary and thereafter, any remaining Severance Benefits shall be paid on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions.

#### 13. MISCELLANEOUS.

(a) **Taxes.** Executive agrees to be responsible for the payment of any taxes due on any and all compensation, stock option, or benefit provided by the Company pursuant to this Agreement. Executive agrees to indemnify the Company and hold the Company harmless from any and all claims or penalties asserted against the Company for any failure to pay taxes due on any compensation, stock option, or benefit provided by the Company pursuant to this Agreement. Executive expressly acknowledges that the Company has not made, nor herein makes, any representation about the tax consequences of any consideration provided by the Company to Executive pursuant to this Agreement.

(b) **Modification/Waiver.** This Agreement may not be amended, modified, superseded, canceled, renewed or expanded, or any terms or covenants hereof waived, except by a writing executed by each of the parties hereto or, in the case of a waiver, by the party waiving compliance. Failure of any party at any time or times to require performance of any provision hereof shall in no manner affect his or its right at a later time to enforce the same. No waiver by a party of a breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of agreement contained in the Agreement.

(c) **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of any successor or assignee of the business of the Company. This Agreement shall not be assignable by the Executive.

(d) **Notices.** All notices given hereunder shall be given by certified mail, addressed, or delivered by hand, to the other party at his or its address as set forth herein, or at any other address hereafter furnished by notice given in like manner. Executive promptly shall notify Company of any change in Executive's address. Each notice shall be dated the date of its mailing or delivery and shall be deemed given, delivered or completed on such date.

(e) **Governing Law; Personal Jurisdiction and Venue.** This Agreement and all disputes relating to this Agreement shall be governed in all respects by the laws of the State of Iowa as such laws are applied to agreements between Iowa residents entered into and performed entirely in Iowa. The Parties acknowledge that this Agreement constitutes the minimum contacts to establish personal jurisdiction in Iowa and agree to Iowa court's exercise of personal jurisdiction.

(f) **Entire Agreement.** This Agreement together with the Exhibits A and B attached hereto, set forth the entire agreement and understanding of the parties hereto with regard to the employment of the Executive by the Company and supersede any and all prior agreements, arrangements and understandings, written or oral, pertaining to the subject matter hereof. No representation, promise or inducement relating to the subject matter hereof has been made to a party that is not embodied in these Agreements, and no party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

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IN WITNESS WHEREOF, the parties have each duly executed this Employment Agreement as of the day and year first above written.

**NEWLINK GENETICS CORPORATION**

/s/ Nicholas N. Vahanian

Print Name: Nicholas N. Vahanian

Its: President

**EMPLOYEE**

/s/ Gordon Link

Print Name: Gordon Link

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**Exhibit A**

**NEWLINK GENETICS CORPORATION**

**EMPLOYEE PROPRIETARY INFORMATION, INVENTIONS,  
NON-COMPETITION, AND NON-SOLICITATION AGREEMENT**

This Employee Proprietary Information, Inventions, Non-competition, and Non-solicitation Agreement (“Agreement”) is made in consideration for my employment or continued employment by **NEWLINK GENETICS CORPORATION** (the “Company”), and the compensation now and hereafter paid to me. I hereby agree as follows:

**1. NONDISCLOSURE.**

**1.1 Recognition of Company’s Rights; Nondisclosure.** At all times during my employment and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon or publish any of the Company’s Proprietary Information (defined below), except as such disclosure, use or publication may be required in connection with my work for the Company, or unless an officer of the Company expressly authorizes such in writing. I will obtain Company’s written approval before publishing or submitting for publication any material (written, verbal, or otherwise) that relates to my work at Company and/or incorporates any Proprietary Information. I hereby assign to the Company any rights I may have or acquire in such Proprietary Information and recognize that all Proprietary Information shall be the sole property of the Company and its assigns.

**1.2 Proprietary Information.** The term “**Proprietary Information**” shall mean any and all confidential and/or proprietary knowledge, data or information of the Company. By way of illustration but not limitation, “Proprietary Information” includes (a) tangible and intangible information relating to antibodies and other biological materials, cell lines, samples of assay components, media and/or cell lines and procedures and formulations for producing any such assay components, media and/or cell lines, formulations, products, processes, know-how, designs, formulas, methods, developmental or experimental work, clinical data, improvements, discoveries, plans for research, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers, and information regarding the skills and compensation of other employees of the Company; (b) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques (hereinafter collectively referred to as “Inventions”); (c) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and (d) information regarding the skills and compensation of other employees of the Company. Notwithstanding the foregoing, it is understood that, at all such times, I am free to use information which is generally known in the trade or industry, which is not gained as result of a breach of this Agreement, and my own, skill, knowledge, know-how and experience to whatever extent and in whichever way I wish.

**1.3 Third Party Information.** I understand, in addition, that the Company has received and in the future will receive from third parties confidential or proprietary information (“Third Party Information”) subject to a duty on the Company’s part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than Company personnel who need to know such information in connection with their work for the Company) or use, except in connection with my work for the Company, Third Party Information unless expressly authorized by an officer of the Company in writing.

**1.4 No Improper Use of Information of Prior Employers and Others.** During my employment by the Company I will not improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom have an obligation of confidentiality, and I will not bring onto the premises of the Company any unpublished documents or any property belonging to any former employer or any other person to whom I

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have an obligation of confidentiality unless consented to in writing by that former employer or person. I will use in the performance of my duties only information which is generally known and used by persons with training and experience comparable to my own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company.

## 2. ASSIGNMENT OF INVENTIONS.

**2.1 Proprietary Rights.** The term “**Proprietary Rights**” shall mean all trade secret, patent, copyright, mask work and other intellectual property rights throughout the world.

**2.2 Prior Inventions.** Inventions, if any, patented or unpatented, which I made prior to the commencement of my employment with the Company are excluded from the scope of this Agreement. To preclude any possible uncertainty, I have set forth on Exhibit A (Previous Inventions) attached hereto a complete list of all Inventions that I have, alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to the commencement of my employment with the Company, that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Agreement (collectively referred to as “Prior Inventions”). If disclosure of any such Prior Invention would cause me to violate any prior confidentiality agreement, I understand that I am not to list such Prior Inventions in Exhibit A but am only to disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. A space is provided on Exhibit A for such purpose. If no such disclosure is attached, I represent that there are no Prior Inventions. If, in the course of my employment with the Company, I incorporate a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company’s prior written consent.

**2.3 Assignment of Inventions.** Subject to Sections 2.4, and 2.6, I hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all my right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto) whether or not patentable or registrable under copyright or similar statutes, made or conceived or reduced to practice or learned by me, either alone or jointly with others, during the period of my employment with the Company. Inventions assigned to the Company, or to a third party as directed by the Company pursuant to this Section 2, are hereinafter referred to as “Company Inventions.”

**2.4 Nonassignable Inventions.** I recognize that, in the event of a specifically applicable state law, regulation, rule, or public policy (“Specific Inventions Law”), this Agreement will not be deemed to require assignment of any invention which qualifies fully for protection under a Specific Inventions Law by virtue of the fact that any such invention was, for example, developed entirely on my own time without using the Company’s equipment, supplies, facilities, or trade secrets and neither related to the Company’s actual or anticipated business, research or development, nor resulted from work performed by me for the Company. In the absence of a Specific Inventions Law, the preceding sentence will not apply.

**2.5 Obligation to Keep Company Informed.** During the period of my employment and for six months after the last day of my employment with the Company, I will promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others. In addition, I will promptly disclose to the Company all patent applications filed by me or on my behalf within a year after termination of employment. At the time of each such disclosure, I will advise the Company in writing of any Inventions that I believe fully qualify for protection under the provisions of a Specific Inventions Law; and I will at that time provide to the Company in writing all evidence necessary to substantiate that belief. The Company will keep in confidence and will not use for any purpose or disclose to third parties without my consent any confidential information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under a Specific Inventions Law. I will preserve the confidentiality of

any Invention that does not fully qualify for protection under a Specific Inventions Law.

**2.6 Government or Third Party.** I also agree to assign all my right, title and interest in and to any particular Invention to a third party, including without limitation the United States, as directed by the Company.

**2.7 Works for Hire.** I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment and which are protectable by copyright are “works made for hire,” pursuant to United States Copyright Act (17 U.S.C., Section 101).

**2.8 Enforcement of Proprietary Rights.** I will assist the Company in every proper way to obtain, and from time to time enforce, United States and foreign Proprietary Rights relating to Company Inventions in any and all countries. To that end I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Proprietary Rights and the assignment thereof. In addition, I will execute, verify and deliver assignments of such Proprietary Rights to the Company or its designee. My obligation to assist the Company with respect to Proprietary Rights relating to such Company Inventions in any and all countries shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate after my termination for the time actually spent by me at the Company’s request on such assistance.

In the event the Company is unable for any reason, after reasonable effort, to secure my signature on any document needed in connection with the actions specified in the preceding paragraph, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

**3. NO CONFLICTS OR SOLICITATION.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. To protect the Company’s Proprietary Information, I agree that during the period of my employment by the Company I will not, without the Company’s express written consent, engage in any other employment or business activity directly related to the business in which the Company is now involved or becomes involved, nor will I engage in any other activities which conflict with my obligations to the Company. For the period of my employment by the Company and continuing until one year after my last day of employment with the Company, I will not (a) directly or indirectly induce any employee of the Company to terminate or negatively alter his or her relationship with the Company or (b) solicit the business of any client or customer of the Company

(other than on behalf of the Company) or (c) induce any supplier, vendor, consultant or independent contractor of the Company to terminate or negatively alter his, her or its relationship with the Company. If any restriction set forth in this Section is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

**4. COVENANT NOT TO COMPETE.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. To protect the Company's Proprietary Information, I agree that during my employment with the Company whether full-time or half-time and for a period of one year after my last day of employment with the Company, I will not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in the financing, operation, management or control of, any person, firm, corporation or business that engages in a "Restricted Business" in a "Restricted Territory" (as defined below). It is agreed that ownership of (i) no more than one percent (1%) of the outstanding voting stock of a publicly traded corporation, or (ii) any stock I presently own shall not constitute a violation of this provision.

**4.1 Reasonable.** I agree and acknowledge that the time limitation on the restrictions in this paragraph, combined with the geographic scope, is reasonable. I also acknowledge and agree that this

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paragraph is reasonably necessary for the protection of Company's Proprietary Information as defined in paragraph 1.2 herein, that through my employment I shall receive adequate consideration for any loss of opportunity associated with the provisions herein, and that these provisions provide a reasonable way of protecting Company's business value which will be imparted to me. If any restriction set forth in this paragraph 4 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

**4.2** As used herein, the terms:

**(i)** "Restricted Business" shall mean any business engaged in areas similar to those the Company is pursuing, including but not limited to: **[add description]** and companies engaged in substantially similar development or commerce that competes with, or is perceived to be a competitor of, the Company's products or services, whether current or planned.

**(ii)** "Restricted Territory" shall mean any state, county, or locality in the United States in which the Company conducts business and any other country, city, state, jurisdiction, or territory in which the Company does business.

**5. RECORDS.** I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Proprietary Information developed by me and all Inventions made by me during the period of my employment at the Company, which records shall be available to and remain the sole property of the Company at all times.

**6. NO CONFLICTING OBLIGATION.** I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

**7. RETURN OF COMPANY MATERIALS.** When I leave the employ of the Company, I will deliver to the Company any and all drawings, notes, memoranda, specifications, devices, formulas, and documents, together with all copies thereof, and any other material containing or disclosing any Company Inventions, Third Party Information or Proprietary Information of the Company. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice.

**8. LEGAL AND EQUITABLE REMEDIES.** Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

**9. NOTICES.** Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three days after the date of mailing.

**10. NOTIFICATION OF NEW EMPLOYER.** In the event that I leave the employ of the Company, I hereby consent to the notification of my new employer of my rights and obligations under this Agreement.

**11. GENERAL PROVISIONS.**

**11.1 Governing Law; Consent to Personal Jurisdiction and Exclusive Forum.** This Agreement will be governed by and construed according to the laws of the State of Iowa as such laws are applied to agreements entered into and to be performed entirely within Iowa between Iowa residents. I hereby expressly understand and consent that my employment is a transaction of business in the State of Iowa and constitutes the minimum contacts necessary to make me subject to the personal jurisdiction of the federal courts located in the State of Iowa, and the state courts located in the County of Story, Iowa, for any lawsuit filed against me by Company arising from or related to this Agreement. I agree and acknowledge that any controversy arising out of or relating to this Agreement or the breach thereof, or any claim or action to enforce this

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Agreement or portion thereof, or any controversy or claim requiring interpretation of this Agreement must be brought in a forum located within the State of Iowa. No such action may be brought in any forum outside the State of Iowa. Any action brought in contravention of this paragraph by one party is subject

to dismissal at any time and at any stage of the proceedings by the other, and no action taken by the other in defending, counter claiming or appealing shall be construed as a waiver of this right to immediate dismissal. A party bringing an action in contravention of this paragraph shall be liable to the other party for the costs, expenses and attorney's fees incurred in successfully dismissing the action or successfully transferring the action to the federal courts located in the State of Iowa, or the state courts located in the County of Story, Iowa.

**11.2 Severability.** In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

**11.3 Successors and Assigns.** This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

**11.4 Survival.** The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee.

**11.5 Employment.** I agree and understand that my employment is at-will which means I or the company each have the right to terminate my employment at will, with or without advanced notice and with or without cause. I further agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by the Company, nor shall it interfere in any way with my right or the Company's right to terminate my employment at any time, with or without cause.

**11.6 Waiver.** No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

**11.7 Entire Agreement.** The obligations pursuant to Sections 1 through 4 and Sections 6 and 7 (including all subparts) of this Agreement shall apply to any time during which I was previously employed, or am in the future employed, by the Company as a consultant if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement

This Agreement shall be effective as of the first day of my employment with the Company, namely: \_\_\_\_\_, \_\_\_\_\_.

**I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT EXHIBIT A TO THIS AGREEMENT.**

Dated: \_\_\_\_\_

/s/ Gordon Link  
Signature

Gordon Link  
Printed Name

ACCEPTED AND AGREED TO:

\_\_\_\_\_

**EXHIBIT A**

**TO:** NewLink Genetics Corporation  
**FROM:** Gordon Link  
**DATE:** \_\_\_\_\_  
**SUBJECT:** Previous Inventions

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment by **NewLink Genetics Corporation** that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

- x No inventions or improvements.
- o See below:

o Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

	Invention or Improvement	Party(ies)	Relationship
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

o Additional sheets attached.

**EXHIBIT B**

**RELEASE**

In exchange for the consideration provided to me by this Agreement that I am not otherwise entitled to receive, I hereby generally and completely release the Company and its directors, officers, Executives, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions related to my employment with the Company or the termination of that employment, including, but not limited to: (1) all claims related to my compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (2) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (3) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (4) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), and the Iowa state law (as amended). Notwithstanding the foregoing, nothing contained in this Release is intended to release the Company from any claim arising out of or with regard to: (i) any payment to be made to me by the Company in connection the termination of employment as contemplated by the Employment Agreement, or (ii) any statutory obligation that the Company may have with regard to the continuation of benefits.

**[IF APPLICABLE] ADEA Waiver and Release.** I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, as amended. I also acknowledge that the consideration given for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my waiver and release does not apply to any rights or claims that may arise after the execution date of this Agreement; (b) I have been advised that I have the right to consult with an attorney prior to executing this Agreement; (c) I have been given twenty-one (21) days to consider this Agreement; (d) I have seven (7) days following the execution of this Agreement by the parties to revoke the Agreement; and (e) this Agreement will not be effective until the date upon which the revocation period has expired, which will be the eighth day after this Agreement is executed by you, provided that the Company has also executed this Agreement by that date ("Effective Date"). *The parties acknowledge and agree that revocation by you of the ADEA Waiver and Release is not effective to revoke your waiver or release of any other claims pursuant to this Agreement.*

By: \_\_\_\_\_

Date: \_\_\_\_\_

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the “**Agreement**”) is made as of this 22nd day of November, 2010, by and between NewLink Genetics Corporation (the “**Company**”), and Kenneth Lynn (“**Executive**”) (collectively, the “**Parties**”).

WHEREAS, the Company wishes to continue to employ Executive and to assure itself of the continued services of Executive on the terms set forth herein;

WHEREAS, Executive wishes to be so employed under the terms set forth herein;

WHEREAS, Executive and the Company are parties to an offer letter dated 1/18/2008.

WHEREAS, the Parties desire to amend and restate the offer letter to reflect certain additional and revised terms of Executive’s employment; and

WHEREAS, the Parties intend that this Agreement shall supersede and replace any similar agreements that presently exist or may have previously existed between the Parties regarding the terms of Executive’s employment with the Company.

## AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the Parties hereto as follows:

1. **EMPLOYMENT.** The Company will continue to employ Executive and Executive shall continue to serve the Company in the capacity of Executive Vice President, Business Development (“**EVP, BD**”).

2. **AT-WILL EMPLOYMENT.** *It is understood and agreed by the Company and Executive that this Agreement does not contain any promise or representation concerning the duration of Executive’s employment with the Company. Executive specifically acknowledges that his employment with the Company is at-will and may be altered or terminated by either Executive or the Company at any time, with or without cause and/or with or without notice. The nature, terms or conditions of Executive’s employment with the Company cannot be changed by any oral representation, custom, habit or practice, or any other writing. In addition, that the rate of salary, any bonuses, paid time off, other compensation, or vesting schedules are stated in units of years or months or weeks does not alter the at-will nature of the employment, and does not mean and should not be interpreted to mean that Executive is guaranteed employment to the end of any period of time or for any period of time. In the event of conflict between this disclaimer and any other statement, oral or written, present or future, concerning terms and conditions of employment, the at-will relationship confirmed by this disclaimer shall control. This at-will status cannot be altered except in a writing signed by Executive and approved by the Board of Directors of the Company (the “Board of Directors”).*

3. **DUTIES.** Executive shall continue to render exclusive, full-time services to the Company as its EVP, BD. Executive shall report to Chief Executive Officer. Executive shall perform services under this Agreement primarily at the Ames or Des Moines, Iowa, offices of the Company, and from time to time at such other locations as is necessary to perform the duties of EVP, BD under this Agreement. Subject to the terms of this Agreement, Executive’s responsibilities, working conditions and duties may be changed, added to or eliminated during his employment at the sole discretion of the Chief Executive Officer. During Executive’s employment with the Company he shall devote his best efforts and his full business time, skill and attention to the performance of his duties on behalf of the Company.

4. **POLICIES AND PROCEDURES.** Executive agrees that he is subject to and will comply with the policies and procedures of the Company, as such policies and procedures may be modified, added to or eliminated from time to time at the sole discretion of the Company, except to the extent any such policy or procedure specifically conflicts with the express terms of this Agreement. Executive further agrees and acknowledges that any written or oral policies and procedures of the Company do not constitute contracts between the Company and Executive.

5. **BASE SALARY.** For all services rendered and to be rendered hereunder, the Company agrees to pay to the Executive, and the Executive agrees to accept a salary of \$243,338 per annum (“**Base Salary**”) which will be paid periodically in accordance with normal Company payroll practices and shall be subject to such deductions or withholdings as the Company is required to make pursuant to law, or by further agreement with the Executive. Executive’s salary shall be subject to annual review and adjustment by the Board of Directors.

6. **STOCK OPTIONS.** Executive was previously granted options to purchase 210,000 shares of Company common stock. Except as expressly modified by this Agreement, the vesting schedule and all other terms, conditions and limitations of the options will be governed by the Company’s 2000 and/or 2009 Equity Incentive Plans (the “**Plans**”) and in the stock option grant notices and stock option agreements approved by the Board and entered into by Executive.

7. **BONUS.** Executive may be eligible to receive an annual performance bonus of up to 40% of his Base Salary subject to employment taxes, withholding and deductions (“**Bonus**”) based upon Executive’s achievements of certain milestones and performance objectives established by the Company (“**Variable Incentive Bonus Plan**”). Except as expressly provided otherwise herein, Executive must remain employed with the Company throughout the applicable bonus year in order to be eligible for any Bonus. The Board of Directors or the Compensation Committee, in its sole discretion, shall determine the extent to which Executive has achieved the performance targets upon which Executive’s Bonus is based, and the amount of Bonus to be paid to Executive, if any. Bonuses are not earned until they are approved in writing by the Board of Directors or Compensation Committee.

8. **OTHER BENEFITS.** While employed by the Company as provided herein:

(a) **Executive Benefits.** The Executive shall be entitled to all benefits to which other executive officers of the Company are entitled, on terms comparable thereto, including, without limitation, participation in pension and profit sharing plans, 401(k) plan,

group insurance policies and plans, medical, health, vision, and disability insurance policies and plans, and the like, which may be maintained by the Company for the benefit of its executives. The Company reserves the right to alter and amend the benefits received by Executive from time to time at the Company's discretion.

(b) **Expense Reimbursement.** The Executive shall receive, against presentation of proper receipts and vouchers, reimbursement for direct and reasonable out-of-pocket expenses incurred by him in connection with the performance of his duties hereunder, according to the policies of the Company.

(c) **Vacation.** Executive will be entitled to twenty (20) vacation days, which will accrue in monthly increments.

## 9. CONFIDENTIAL INFORMATION, RIGHTS AND DUTIES.

(a) **Proprietary Information.** Executive reaffirms and agrees to execute and abide by the Company's Proprietary Information and Inventions Agreement (the "**Proprietary Information Agreement**"), attached hereto as **Exhibit A**.

(b) **Exclusive Property.** Executive agrees that all Company-related business procured by the Executive, and all Company-related business opportunities and plans made known to Executive while employed by the Company, are and shall remain the permanent and exclusive property of the Company.

(c) **Non-Competition and Non-Solicitation.** Executive agrees that for a period of one year following his last day of employment with the Company, he shall continue to comply with the non-competition and non-solicitation obligations set forth in the Proprietary Information Agreement.

10. **TERMINATION.** Executive and the Company each acknowledge that either party has the right to terminate Executive's employment with the Company at any time for any reason whatsoever, with or without cause or advance notice pursuant to the following:

(a) **Termination by Death or Disability.** Subject to applicable state or federal law, in the event that Executive shall die during his employment hereunder or become permanently disabled, as evidenced by notice to the Company and Executive's inability to carry out his job responsibilities for a continuous period of more than six months, Executive's employment and the Company's obligation to make payments hereunder shall terminate on the date of his death, or the date upon which, in the sole determination of the Board of Directors, Executive has become permanently disabled. Vesting of all options shall cease on the date of such termination.

(b) **Voluntary Resignation by Executive.** In the event that Executive voluntarily terminates his employment with the Company, the Company's obligation to make payments hereunder shall cease upon such termination, except the Company shall pay Executive any salary earned but unpaid prior to termination, any benefits accrued prior to termination, all

accrued but unused vacation, and any business expenses that were incurred but not reimbursed as of the date of termination. Vesting of all options shall cease on the date of such termination.

(c) **Termination for Cause.** In the event that Executive is terminated by the Company for Cause (as defined below), the Company's obligation to make payments hereunder shall cease upon the date of receipt by Executive of written notice of such termination (the "**Termination Date**"), except the Company shall pay Executive any salary earned but unpaid prior to the Termination Date, any benefits accrued prior to termination, all accrued but unused vacation and any business expenses that were incurred but not reimbursed as of the date of termination. Vesting of all options shall cease on the Termination Date.

(d) **Termination by the Company without Cause or for Good Reason.** In the event Executive's employment is terminated without Cause (as defined herein) or due to death or disability (as provided in Section 10(a)) or Executive resigns for Good Reason (as defined herein) and upon the execution of a Release by Executive and written acknowledgment of Executive's continuing obligations under the Proprietary Information Agreement, Executive shall be entitled to receive the equivalent of six (6) months of his Base Salary as in effect immediately prior to the termination date, payable on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions, commencing on the first regularly scheduled pay date following the Effective Date of the Release. Provided that Executive is eligible for and timely elects continuation of his health insurance pursuant to COBRA, for a period of six (6) months following a termination without Cause, the Company shall also reimburse Executive for the cost of COBRA premiums to be paid in order for Executive to maintain medical insurance coverage that is substantially equivalent to that which Executive received immediately prior to the termination *provided, however*, that the Company's obligation to pay Executive's COBRA premiums will cease immediately in the event Executive becomes eligible for group health insurance during the six (6) month period, and Executive hereby agrees to promptly notify the Company if he becomes eligible to be covered by group health insurance in such event (the salary continuation and COBRA reimbursement are collectively referred to as the "**Severance Benefits**").

(e) **Definition of Cause.** For purposes of this Agreement, "Cause" means (i) the Executive's incompetence or failure or refusal to perform satisfactorily any duties reasonably required of the Executive by the Company (other than by reason of Disability); (ii) the Executive's violation of any law, rule or regulation (other than traffic violations, misdemeanors or similar offenses) or cease-and-desist order, court order, judgment, regulatory directive or agreement; (iii) the commission or omission of or engaging in any act or practice which constitutes a material breach of the Executive's fiduciary duty to the Company, involves personal dishonesty on the part of the Executive or demonstrates a willful or continuing disregard for the best interests of the Company; or (iv) the Executive's engaging in dishonorable or disruptive behavior, practices or acts which would be reasonably expected to harm or bring disrepute to the Company, its business or any of its customers, Executives or vendors.

(f) **Definition of Good Reason.** For purposes of this Agreement, "**Good Reason**" means that one or more of the following is undertaken without Executive's express written consent: (i) a reduction in Executive's Base Salary, bonus (if any) or benefits that would

substantially diminish the aggregate value of Executive's compensation and benefits without Executive's consent; or (ii) the assignment to Executive of duties that are substantially and materially inconsistent with the position held by Executive prior to the Change in Control and that are not a reasonable advancement of Executive's position within the Company.

#### 11. CHANGE IN CONTROL BENEFITS.

(a) **Change of Control Termination.** If within the thirteen (13) months immediately following a Change in Control or the one (1) month immediately preceding a Change in Control: (i) Executive is involuntarily terminated by the Company (or its successor entity) other than for Cause or (ii) Executive voluntarily terminates his employment with the Company (or its successor entity) for Good Reason (either constituting a "**Change of Control Termination**"), and in each case Executive signs a Release and written acknowledgment of Executive's continuing obligations under the Proprietary Information Agreement, Executive shall be entitled to the equivalent of six (6) months of his Base Salary as in effect immediately prior to the Change of Control Termination Date, payable on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions, commencing on the first regularly scheduled pay date following the Effective Date of the Release. Provided that Executive is eligible for and timely elects continuation of his health insurance pursuant to COBRA, for a period of six (6) months following a Change in Control Termination, the Company shall also reimburse Executive for the cost of COBRA premiums to be paid in order for Executive to maintain medical insurance coverage that is substantially equivalent to that which Executive received immediately prior to the termination *provided, however*, that the Company's obligation to pay Executive's COBRA premiums will cease immediately in the event Executive becomes eligible for group health insurance during the six (6) month period, and Executive hereby agrees to promptly notify the Company if he becomes eligible to be covered by group health insurance in such event (the salary continuation and COBRA reimbursement are collectively referred to as the "**Change in Control Severance Benefits**").

In addition, the Company will vest one-hundred percent (100%) of the shares subject to Executive's options and such vesting shall occur upon the occurrence of the Change of Control in the case of a Change of Control Termination occurring prior to the Change in Control or upon termination in the case of a Change of Control Termination occurring after the Change of Control. All other terms and conditions set forth in the options, the Plan, and the applicable stock option agreements shall remain in full force and effect.

(b) **Definition of Change in Control.** For purposes of this Agreement, "**Change of Control**" of the Company has the same definition as set forth in the Company's 2009 Equity Incentive Plan.

12. **CODE SECTION 409A COMPLIANCE.** Because of the uncertainty of the application of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), to payments pursuant to this Agreement, including, without limitation, payments pursuant to Sections 11 and 12 hereof, Executive agrees that if any such payments are subject to the provisions of Section 409A of the Code by reason of this Agreement, or any part thereof, being considered a "nonqualified deferred compensation plan" pursuant to Section 409A of the Code,

then such payments shall be made in accordance with, and this Agreement automatically shall be amended to comply with, Section 409A of the Code, including, without limitation, any necessary delay of six (6) months applicable to payment of deferred compensation to a "specified Executive" (as defined in Section 409A(2)(B)(i) of the Code) upon separation from service. In the event that a six month delay is required, on the first regularly scheduled pay date following the conclusion of the delay period the Executive shall receive a lump sum payment in an amount equal to six (6) months of Executive's Base Salary and thereafter, any remaining Severance Benefits shall be paid on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions.

#### 13. MISCELLANEOUS.

(a) **Taxes.** Executive agrees to be responsible for the payment of any taxes due on any and all compensation, stock option, or benefit provided by the Company pursuant to this Agreement. Executive agrees to indemnify the Company and hold the Company harmless from any and all claims or penalties asserted against the Company for any failure to pay taxes due on any compensation, stock option, or benefit provided by the Company pursuant to this Agreement. Executive expressly acknowledges that the Company has not made, nor herein makes, any representation about the tax consequences of any consideration provided by the Company to Executive pursuant to this Agreement.

(b) **Modification/Waiver.** This Agreement may not be amended, modified, superseded, canceled, renewed or expanded, or any terms or covenants hereof waived, except by a writing executed by each of the parties hereto or, in the case of a waiver, by the party waiving compliance. Failure of any party at any time or times to require performance of any provision hereof shall in no manner affect his or its right at a later time to enforce the same. No waiver by a party of a breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of agreement contained in the Agreement.

(c) **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of any successor or assignee of the business of the Company. This Agreement shall not be assignable by the Executive.

(d) **Notices.** All notices given hereunder shall be given by certified mail, addressed, or delivered by hand, to the other party at his or its address as set forth herein, or at any other address hereafter furnished by notice given in like manner. Executive promptly shall notify Company of any change in Executive's address. Each notice shall be dated the date of its mailing or delivery and shall be deemed given, delivered or completed on such date.

(e) **Governing Law; Personal Jurisdiction and Venue.** This Agreement and all disputes relating to this Agreement shall be governed in all respects by the laws of the State of Iowa as such laws are applied to agreements between Iowa residents entered into and performed entirely in Iowa. The Parties acknowledge that this Agreement constitutes the minimum contacts to establish personal jurisdiction in Iowa and agree to Iowa court's exercise of personal jurisdiction.

(f) **Entire Agreement.** This Agreement together with the Exhibits A and B attached hereto, set forth the entire agreement and understanding of the parties hereto with regard to the employment of the Executive by the Company and supersede any and all prior agreements, arrangements and understandings, written or oral, pertaining to the subject matter hereof. No representation, promise or inducement relating to the subject matter hereof has been made to a party that is not embodied in these Agreements, and no party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

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IN WITNESS WHEREOF, the parties have each duly executed this Employment Agreement as of the day and year first above written.

**NEWLINK GENETICS CORPORATION**

/s/ Gordon Link

Print Name: Gordon Link

Its: CFO

**EMPLOYEE**

/s/ Kenneth Lynn

Print Name: Kenneth Lynn

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**Exhibit A**

**NEWLINK GENETICS**

**EMPLOYEE PROPRIETARY INFORMATION, INVENTIONS,  
NON-COMPETITION, AND NON-SOLICITATION AGREEMENT**

This Employee Proprietary Information, Inventions, Non-competition, and Non-solicitation Agreement (“Agreement”) is made in consideration for my employment or continued employment by **NEWLINK GENETICS** (the “Company”), and the compensation now and hereafter paid to me. I hereby agree as follows:

**1. NONDISCLOSURE.**

**1.1 Recognition of Company’s Rights; Nondisclosure.** At all times during my employment and for a period of five (5) years thereafter, I will hold in confidence and will not use, except for the benefit of the Company, or disclose, lecture upon or publish any of the Company’s Proprietary Information (defined below), except as such disclosure or use may be proper in connection with the performance of my responsibilities as an officer and employee of the Company, or unless an officer of the Company expressly authorizes such in writing, and provided that I may disclose specific Proprietary Information to the limited extent such disclosure is required by law, regulation, rule, act, or order of any governmental authority or agency, subject to the condition that I give the Company sufficient advance written notice of such required disclosure to permit it to seek a protective order or other similar order with respect to such Proprietary Information and thereafter disclose only the minimum Proprietary Information required to be disclosed. I hereby assign to the Company any rights I may have or acquire in such Proprietary Information and recognize that all Proprietary Information shall be the sole property of the Company and its assigns.

**1.2 Proprietary Information.** The term “Proprietary Information” shall mean any and all confidential and/or proprietary knowledge, data or information of the Company. By way of illustration but not limitation or expansion, “Proprietary Information” includes (a) tangible and intangible information relating to antibodies and other biological materials, cell lines, samples of assay components, media and/or cell lines and procedures and formulations for producing any such assay components, media and/or cell lines, formulations, products, processes, know-how, designs, formulas, methods, developmental or experimental work, clinical data, improvements, discoveries, plans for research, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers, and information regarding the skills and compensation of other employees of the Company; (b) trade secrets, inventions, mask works, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques (hereinafter collectively referred to as “Inventions”); (c) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and (d) information regarding the skills and compensation of other employees of the Company. Notwithstanding the foregoing, “Proprietary Information” shall not include knowledge, data or information that ceases to be maintained by the Company as confidential and/or proprietary, or which is otherwise published or rightfully acquired by me from a source under no obligation of confidentiality to the Company. Moreover, it is understood that, at all times, I am free to use information which is generally known in the trade or industry, which is not gained as result of a breach of this Agreement, and my own, skill, knowledge, know-how and experience to whatever extent and in whichever way I wish.

**1.3 Third Party Information.** I understand, in addition, that the Company has received and in the future will receive from third parties confidential or proprietary information (“Third Party Information”) subject to a duty on the Company’s part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will hold Third Party Information in due confidence and will not, except in the proper performance of my

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responsibilities as an officer and employee of the Company or as otherwise compliant with the Company's agreement with the third party, disclose to anyone or use Third Party Information unless expressly authorized by an officer of the Company in writing.

**1.4 No Improper Use of Information of Prior Employers and Others.** I will not in the course of my employment with the Company improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality.

## **2. ASSIGNMENT OF INVENTIONS.**

**2.1 Proprietary Rights.** The term "**Proprietary Rights**" shall mean all trade secret, patent, copyright, mask work and other intellectual property rights throughout the world.

**2.2 Prior Inventions.** Inventions, if any, patented or unpatented, which I made prior to the commencement of my employment with the Company are excluded from the scope of this Agreement. To the best of my knowledge, I have not, alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to the commencement of my employment with the Company any patentable invention or proprietary technology related to the Company's business as now conducted or anticipated to be conducted in the Company's current business plan.

**2.3 Assignment of Inventions.** Subject to Sections 2.4, and 2.6, I hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company upon its request all my reasonably assignable right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto) whether or not patentable or registrable under copyright or similar statutes, made or conceived or reduced to practice by me, either alone or jointly with others, in the course of and directly related to my employment with the Company. Inventions assigned to the Company, or to a third party as directed by the Company pursuant to this Section 2, are hereinafter referred to as "Company Inventions."

**2.4 Nonassignable Inventions.** This Agreement will not be deemed to require assignment of any invention which qualifies for protection under a Specific Inventions Law, if applicable, or which was developed entirely on my own time without using the Company's equipment, supplies, facilities, or trade secrets and which neither directly relates to the Company's actual or anticipated business, research or development, nor resulted from work performed by me for the Company.

**2.5 Obligation to Keep Company Informed.** During the period of my employment and for six months after the last day of my employment with the Company, I will promptly disclose to the Company fully and in writing all patent applications filed by me or on my behalf as a named inventor. At the time of each such disclosure, I will advise the Company in writing of any Invention that I believe qualifies for protection under the provisions of a Specific Inventions Law or is otherwise subject to Section 2.4, and I will at that time provide to the Company in writing reasonable evidence to substantiate that belief. The Company will keep in confidence and will not use for any purpose or disclose to third parties without my consent any confidential information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under a Specific Inventions Law or are otherwise subject to Section 2.4. I will preserve the confidentiality of any Invention that does not qualify for protection under a Specific Inventions Law or is otherwise not subject to Section 2.4.

**2.6 Government or Third Party.** I also agree to assign to a third party, including without limitation the United States, as directed by the Company all my right, title and interest in and to any particular Invention to the limited extent that such Invention is otherwise subject to Section 2.3 as qualified by Section 2.4 or any other applicable provision of this Agreement.

**2.7 Works for Hire.** I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment and which are protectable by copyright are "works made for hire," pursuant to United States Copyright Act (17 U.S.C., Section 101).

**2.8 Enforcement of Proprietary Rights.** I will reasonably assist the Company in every proper way to obtain, and from time to time enforce, United States and foreign Proprietary Rights relating to Company Inventions in any and all countries. To that end I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request

and I am reasonably able to provide for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Proprietary Rights and the assignment thereof. In addition, I will execute, verify and deliver assignments of such Proprietary Rights to the Company or its designee. My obligation to assist the Company with respect to Proprietary Rights relating to such Company Inventions in any and all countries shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate after my termination for the time actually spent by me at the Company's request on such assistance, which shall not in any event require an unreasonable commitment of my time or interfere with the fulfillment of my other obligations.

In the event the Company is unable for any reason, after reasonable effort, to secure my signature on any document needed in connection with the actions specified in the preceding paragraph, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

**3. NO CONFLICTS OR SOLICITATION.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. To protect the Company's Proprietary Information, I agree that during the period of my employment by the Company I will not, without the Company's express written consent, engage in any other employment or business activity directly related to allogeneic cell-based cancer immunotherapy or indoleamine 2,3 dioxygenase (IDO) pathway inhibition, nor will I engage in any other activities which conflict with my obligations to the Company. For the period of my employment by the Company and continuing until one year after my last day of employment with the Company, I will not (a) directly or indirectly induce any employee of the Company to terminate or negatively alter his or her relationship with the Company or (b) solicit the business of any client or customer of the Company (other than on behalf of the Company) or (c) induce any supplier, vendor, consultant or independent contractor of the Company to terminate or negatively alter his, her or its relationship with the Company. If any restriction set forth in this Section is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

**4. COVENANT NOT TO COMPETE.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. To protect the Company's Proprietary Information, I agree that during my employment with the Company whether full-time or half-time and for a period of one year after my last day of employment with the Company, I will not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in the financing, operation, management or control of, any person, firm, corporation or business that engages in a "Restricted Business" in a "Restricted Territory" (as defined below). It is agreed that ownership of (i) no more than one percent (1%) of the outstanding voting stock of a publicly traded corporation, or (ii) any stock I presently own shall not constitute a violation of this provision.

**4.1 Reasonable.** I agree and acknowledge that the time limitation on the restrictions in this paragraph, combined with the geographic scope, is reasonable. I also acknowledge and agree that this paragraph is reasonably necessary for the protection of Company's Proprietary Information as defined in paragraph 1.2 herein, that through my employment I shall receive adequate consideration for any loss of opportunity associated with the provisions herein, and that these provisions provide a reasonable way of protecting Company's business value which will be imparted to me. If any restriction set forth in this paragraph 4 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

**4.2** As used herein, the terms:

(i) "Restricted Business" shall mean any business engaged in the discovery, development, or commercialization of cancer immunotherapies that 1) incorporate a(1,3)Galactosyl as an

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immunostimulatory agent or 2) target the indoleamine 2,3 dioxygenase pathway in competition with the Company during or upon termination of my employment.

(ii) "Restricted Territory" shall mean any state, county, or locality in the United States in which the Company conducts business and any other country, city, state, jurisdiction, or territory in which the Company does business.

**5. RECORDS.** I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Proprietary Information developed by me and all Inventions made by me in the course of my employment at the Company, which records shall be available to and remain the sole property of the Company at all times.

**6. NO CONFLICTING OBLIGATION.** I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

**7. RETURN OF COMPANY MATERIALS.** When I leave the employ of the Company, I will deliver to the Company any and all drawings, notes, memoranda, specifications, devices, formulas, and documents, together with all copies thereof, and any other material containing or disclosing any Company Inventions, Third Party Information or Proprietary Information of the Company. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice.

**8. LEGAL AND EQUITABLE REMEDIES.** Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

**9. NOTICES.** Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three days after the date of mailing.

**10. NOTIFICATION OF NEW EMPLOYER.** In the event that I leave the employ of the Company, I hereby consent to the notification of my new employer of my rights and obligations under this Agreement.

**11. GENERAL PROVISIONS.**

**11.1 Governing Law; Consent to Personal Jurisdiction and Exclusive Forum.** This Agreement will be governed by and construed according to the laws of the State of Iowa as such laws are applied to agreements entered into and to be performed entirely within Iowa between Iowa residents. I hereby expressly understand and consent that my employment is a transaction of business in the State of Iowa and constitutes the minimum contacts necessary to make me subject to the personal jurisdiction of the federal courts located in the State of Iowa, and the state courts located in the County of Story, Iowa, for any lawsuit filed against me by Company arising from or related to this Agreement. I agree and acknowledge that any controversy arising out of or relating to this Agreement or the breach thereof, or any claim or action to enforce this Agreement or portion thereof, or any controversy or claim requiring interpretation of this Agreement must be brought in a forum located within the State of Iowa. No such action may be brought in any forum outside the State of Iowa. Any action brought in contravention of this paragraph by one party is subject to dismissal at any time and at any stage of the proceedings by the other, and no action taken by the other in defending, counter claiming or appealing shall be construed as a waiver of this right to immediate dismissal. A party bringing an action in contravention of this paragraph shall be liable to the other party for the costs, expenses and attorney's fees incurred in successfully dismissing the action or successfully transferring the action to the federal courts located in the State of Iowa, or the state courts located in the County of Story, Iowa.

**11.2 Severability.** In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions

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of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

**11.3 Successors and Assigns.** This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

**11.4 Survival.** The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee.

**11.5 Employment.** I agree and understand that my employment is at-will which means I or the company each have the right to terminate my employment at will, with or without advanced notice and with or without cause. I further agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by the Company, nor shall it interfere in any way with my right or the Company's right to terminate my employment at any time, with or without cause.

**11.6 Waiver.** No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

**11.7 Entire Agreement.** The obligations pursuant to Sections 1 through 4 and Sections 6 and 7 (including all subparts) of this Agreement shall apply to any time during which I was previously employed, or am in the future employed, by the Company as a consultant if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement

This Agreement shall be effective as of the first day of my employment with the Company, namely: February 25, 08.

**I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT EXHIBIT A TO THIS AGREEMENT.**

Dated: 04/05/10

/s/ Kenneth Lynn  
Signature

Kenneth Lynn  
Printed Name

ACCEPTED AND AGREED TO:

/s/ Nicholas Vahanian

**EXHIBIT A**

**TO:** **NEWLINK GENETICS**  
**FROM:** \_\_\_\_\_  
**DATE:** \_\_\_\_\_  
**SUBJECT:** **Previous Inventions**

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment by **NEWLINK GENETICS** that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

- No inventions or improvements.
- See below:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

	Invention or Improvement	Party(ies)	Relationship
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

o Additional sheets attached.

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**EXHIBIT B**

**RELEASE**

In exchange for the consideration provided to me by this Agreement that I am not otherwise entitled to receive, I hereby generally and completely release the Company and its directors, officers, Executives, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions related to my employment with the Company or the termination of that employment, including, but not limited to: (1) all claims related to my compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (2) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (3) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (4) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), and the Iowa state law (as amended). Notwithstanding the foregoing, nothing contained in this Release is intended to release the Company from any claim arising out of or with regard to: (i) any payment to be made to me by the Company in connection the termination of employment as contemplated by the Employment Agreement, or (ii) any statutory obligation that the Company may have with regard to the continuation of benefits.

**[IF APPLICABLE] ADEA Waiver and Release.** I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, as amended. I also acknowledge that the consideration given for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my waiver and release does not apply to any rights or claims that may arise after the execution date of this Agreement; (b) I have been advised that I have the right to consult with an attorney prior to executing this Agreement; (c) I have been given twenty-one (21) days to consider this Agreement; (d) I have seven (7) days following the execution of this Agreement by the parties to revoke the Agreement; and (e) this Agreement will not be effective until the date upon which the revocation period has expired, which will be the eighth day after this Agreement is executed by you, provided that the Company has also executed this Agreement by that date ("Effective Date"). *The parties acknowledge and agree that revocation by you of the ADEA Waiver and Release is not effective to revoke your waiver or release of any other claims pursuant to this Agreement.*

By: \_\_\_\_\_

Date: \_\_\_\_\_

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## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made as of this 22nd day of November, 2010, by and between NewLink Genetics Corporation (the "Company"), and Jay Ramsey ("Executive") (collectively, the "Parties").

WHEREAS, the Company wishes to continue to employ Executive and to assure itself of the continued services of Executive on the terms set forth herein;

WHEREAS, Executive wishes to be so employed under the terms set forth herein; and

WHEREAS, the Parties intend that this Agreement shall supersede and replace any similar agreements that presently exist or may have previously existed between the Parties regarding the terms of Executive's employment with the Company.

## AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the Parties hereto as follows:

1. **EMPLOYMENT.** The Company will continue to employ Executive and Executive shall continue to serve the Company in the capacity of Quality Assurance and Quality Control Officer ("**QA/QC**").

2. **AT-WILL EMPLOYMENT.** *It is understood and agreed by the Company and Executive that this Agreement does not contain any promise or representation concerning the duration of Executive's employment with the Company. Executive specifically acknowledges that his employment with the Company is at-will and may be altered or terminated by either Executive or the Company at any time, with or without cause and/or with or without notice. The nature, terms or conditions of Executive's employment with the Company cannot be changed by any oral representation, custom, habit or practice, or any other writing. In addition, that the rate of salary, any bonuses, paid time off, other compensation, or vesting schedules are stated in units of years or months or weeks does not alter the at-will nature of the employment, and does not mean and should not be interpreted to mean that Executive is guaranteed employment to the end of any period of time or for any period of time. In the event of conflict between this disclaimer and any other statement, oral or written, present or future, concerning terms and conditions of employment, the at-will relationship confirmed by this disclaimer shall control. This at-will status cannot be altered except in a writing signed by Executive and approved by the Board of Directors of the Company (the "Board of Directors").*

3. **DUTIES.** Executive shall continue to render exclusive, full-time services to the Company as its QA/QC. Executive shall report to Chief Executive Officer. Executive shall perform services under this Agreement primarily at the Ames or Des Moines, Iowa, offices of the Company, and from time to time at such other locations as is necessary to perform the duties of QA/QC under this Agreement. Subject to the terms of this Agreement, Executive's responsibilities, working conditions and duties may be changed, added to or eliminated during

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his employment at the sole discretion of the Chief Executive Officer. During Executive's employment with the Company he shall devote his best efforts and his full business time, skill and attention to the performance of his duties on behalf of the Company.

4. **POLICIES AND PROCEDURES.** Executive agrees that he is subject to and will comply with the policies and procedures of the Company, as such policies and procedures may be modified, added to or eliminated from time to time at the sole discretion of the Company, except to the extent any such policy or procedure specifically conflicts with the express terms of this Agreement. Executive further agrees and acknowledges that any written or oral policies and procedures of the Company do not constitute contracts between the Company and Executive.

5. **BASE SALARY.** For all services rendered and to be rendered hereunder, the Company agrees to pay to the Executive, and the Executive agrees to accept a salary of \$240,000 per annum ("**Base Salary**") which will be paid periodically in accordance with normal Company payroll practices and shall be subject to such deductions or withholdings as the Company is required to make pursuant to law, or by further agreement with the Executive. Executive's salary shall be subject to annual review and adjustment by the Board of Directors.

6. **STOCK OPTIONS.** Executive was previously granted options to purchase 160,000 shares of Company common stock. Except as expressly modified by this Agreement, the vesting schedule and all other terms, conditions and limitations of the options will be governed by the Company's 2000 and/or 2009 Equity Incentive Plans (the "**Plans**") and in the stock option grant notices and stock option agreements approved by the Board and entered into by Executive.

7. **BONUS.** Executive may be eligible to receive an annual performance bonus of up to 25% of his Base Salary subject to employment taxes, withholding and deductions ("**Bonus**") based upon Executive's achievements of certain milestones and performance objectives established by the Company ("**Variable Incentive Bonus Plan**"). Except as expressly provided otherwise herein, Executive must remain employed with the Company throughout the applicable bonus year in order to be eligible for any Bonus. The Board of Directors or the Compensation Committee, in its sole discretion, shall determine the extent to which Executive has achieved the performance targets upon which Executive's Bonus is based, and the amount of Bonus to be paid to Executive, if any. Bonuses are not earned until they are approved in writing by the Board of Directors or Compensation Committee.

8. **OTHER BENEFITS.** While employed by the Company as provided herein:

(a) **Executive Benefits.** The Executive shall be entitled to all benefits to which other executive officers of the Company are entitled, on terms comparable thereto, including, without limitation, participation in pension and profit sharing plans, 401(k) plan, group insurance policies and plans, medical, health, vision, and disability insurance policies and plans, and the like, which may be maintained by the Company for the benefit of its executives. The Company reserves the right to alter and amend the benefits received by Executive from time to time at the Company's discretion.

(b) **Expense Reimbursement.** The Executive shall receive, against presentation of proper receipts and vouchers, reimbursement for direct and reasonable out-of-pocket expenses incurred by him in connection with the performance of his duties hereunder, according to the policies of the Company.

(c) **Vacation.** Executive will be entitled to twenty (20) vacation days, which will accrue in monthly increments.

## 9. CONFIDENTIAL INFORMATION, RIGHTS AND DUTIES.

(a) **Proprietary Information.** Executive reaffirms and agrees to execute and abide by the Company's Proprietary Information and Inventions Agreement (the "**Proprietary Information Agreement**"), attached hereto as **Exhibit A**.

(b) **Exclusive Property.** Executive agrees that all Company-related business procured by the Executive, and all Company-related business opportunities and plans made known to Executive while employed by the Company, are and shall remain the permanent and exclusive property of the Company.

(c) **Non-Competition and Non-Solicitation.** Executive agrees that for a period of one year following his last day of employment with the Company, he shall continue to comply with the non-competition and non-solicitation obligations set forth in the Proprietary Information Agreement.

10. **TERMINATION.** Executive and the Company each acknowledge that either party has the right to terminate Executive's employment with the Company at any time for any reason whatsoever, with or without cause or advance notice pursuant to the following:

(a) **Termination by Death or Disability.** Subject to applicable state or federal law, in the event that Executive shall die during his employment hereunder or become permanently disabled, as evidenced by notice to the Company and Executive's inability to carry out his job responsibilities for a continuous period of more than six months, Executive's employment and the Company's obligation to make payments hereunder shall terminate on the date of his death, or the date upon which, in the sole determination of the Board of Directors, Executive has become permanently disabled. Vesting of all options shall cease on the date of such termination.

(b) **Voluntary Resignation by Executive.** In the event that Executive voluntarily terminates his employment with the Company, the Company's obligation to make payments hereunder shall cease upon such termination, except the Company shall pay Executive any salary earned but unpaid prior to termination, any benefits accrued prior to termination, all accrued but unused vacation, and any business expenses that were incurred but not reimbursed as of the date of termination. Vesting of all options shall cease on the date of such termination.

(c) **Termination for Cause.** In the event that Executive is terminated by the Company for Cause (as defined below), the Company's obligation to make payments hereunder

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shall cease upon the date of receipt by Executive of written notice of such termination (the "**Termination Date**"), except the Company shall pay Executive any salary earned but unpaid prior to the Termination Date, any benefits accrued prior to termination, all accrued but unused vacation and any business expenses that were incurred but not reimbursed as of the date of termination. Vesting of all options shall cease on the Termination Date.

(d) **Termination by the Company without Cause or for Good Reason.** In the event Executive's employment is terminated without Cause (as defined herein) or due to death or disability (as provided in Section 10(a)) or Executive resigns for Good Reason (as defined herein) and upon the execution of a Release by Executive and written acknowledgment of Executive's continuing obligations under the Proprietary Information Agreement, Executive shall be entitled to receive the equivalent of six (6) months of his Base Salary as in effect immediately prior to the termination date, payable on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions, commencing on the first regularly scheduled pay date following the Effective Date of the Release. Provided that Executive is eligible for and timely elects continuation of his health insurance pursuant to COBRA, for a period of six (6) months following a termination without Cause, the Company shall also reimburse Executive for the cost of COBRA premiums to be paid in order for Executive to maintain medical insurance coverage that is substantially equivalent to that which Executive received immediately prior to the termination *provided, however*, that the Company's obligation to pay Executive's COBRA premiums will cease immediately in the event Executive becomes eligible for group health insurance during the six (6) month period, and Executive hereby agrees to promptly notify the Company if he becomes eligible to be covered by group health insurance in such event (the salary continuation and COBRA reimbursement are collectively referred to as the "**Severance Benefits**").

(e) **Definition of Cause.** For purposes of this Agreement, "Cause" means (i) the Executive's incompetence or failure or refusal to perform satisfactorily any duties reasonably required of the Executive by the Company (other than by reason of Disability); (ii) the Executive's violation of any law, rule or regulation (other than traffic violations, misdemeanors or similar offenses) or cease-and-desist order, court order, judgment, regulatory directive or agreement; (iii) the commission or omission of or engaging in any act or practice which constitutes a material breach of the Executive's fiduciary duty to the Company, involves personal dishonesty on the part of the Executive or demonstrates a willful or continuing disregard for the best interests of the Company; or (iv) the Executive's engaging in dishonorable or disruptive behavior, practices or acts which would be reasonably expected to harm or bring disrepute to the Company, its business or any of its customers, Executives or vendors.

(f) **Definition of Good Reason.** For purposes of this Agreement, "**Good Reason**" means that one or more of the following is undertaken without Executive's express written consent: (i) a reduction in Executive's Base Salary, bonus (if any) or benefits that would substantially diminish the aggregate value of Executive's compensation and benefits without Executive's consent; or (ii) the assignment to Executive of duties that are substantially and materially inconsistent with the position held by Executive prior to the Change in Control and that are not a reasonable advancement of Executive's position within the Company.

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## 11. CHANGE IN CONTROL BENEFITS.

(a) **Change of Control Termination.** If within the thirteen (13) months immediately following a Change in Control or the one (1) month immediately preceding a Change in Control: (i) Executive is involuntarily terminated by the Company (or its successor entity) other than for Cause or (ii) Executive voluntarily terminates his employment with the Company (or its successor entity) for Good Reason (either constituting a “**Change of Control Termination**”), and in each case Executive signs a Release and written acknowledgment of Executive’s continuing obligations under the Proprietary Information Agreement, Executive shall be entitled to the equivalent of six (6) months of his Base Salary as in effect immediately prior to the Change of Control Termination Date, payable on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions, commencing on the first regularly scheduled pay date following the Effective Date of the Release. Provided that Executive is eligible for and timely elects continuation of his health insurance pursuant to COBRA, for a period of six (6) months following a Change in Control Termination, the Company shall also reimburse Executive for the cost of COBRA premiums to be paid in order for Executive to maintain medical insurance coverage that is substantially equivalent to that which Executive received immediately prior to the termination *provided, however*, that the Company’s obligation to pay Executive’s COBRA premiums will cease immediately in the event Executive becomes eligible for group health insurance during the six (6) month period, and Executive hereby agrees to promptly notify the Company if he becomes eligible to be covered by group health insurance in such event (the salary continuation and COBRA reimbursement are collectively referred to as the “**Change in Control Severance Benefits**”).

In addition, the Company will vest one-hundred percent (100%) of the shares subject to Executive’s options and such vesting shall occur upon the occurrence of the Change of Control in the case of a Change of Control Termination occurring prior to the Change in Control or upon termination in the case of a Change of Control Termination occurring after the Change of Control. All other terms and conditions set forth in the options, the Plan, and the applicable stock option agreements shall remain in full force and effect.

(b) **Definition of Change in Control.** For purposes of this Agreement, “**Change of Control**” of the Company has the same definition as set forth in the Company’s 2009 Equity Incentive Plan.

12. **CODE SECTION 409A COMPLIANCE.** Because of the uncertainty of the application of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), to payments pursuant to this Agreement, including, without limitation, payments pursuant to Sections 11 and 12 hereof, Executive agrees that if any such payments are subject to the provisions of Section 409A of the Code by reason of this Agreement, or any part thereof, being considered a “nonqualified deferred compensation plan” pursuant to Section 409A of the Code, then such payments shall be made in accordance with, and this Agreement automatically shall be amended to comply with, Section 409A of the Code, including, without limitation, any necessary delay of six (6) months applicable to payment of deferred compensation to a “specified Executive” (as defined in Section 409A(2)(B)(i) of the Code) upon separation from service. In the event that a six month delay is required, on the first regularly scheduled pay date following

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the conclusion of the delay period the Executive shall receive a lump sum payment in an amount equal to six (6) months of Executive’s Base Salary and thereafter, any remaining Severance Benefits shall be paid on the same basis and at the same time as previously paid and subject to employment tax withholdings and deductions.

## 13. MISCELLANEOUS.

(a) **Taxes.** Executive agrees to be responsible for the payment of any taxes due on any and all compensation, stock option, or benefit provided by the Company pursuant to this Agreement. Executive agrees to indemnify the Company and hold the Company harmless from any and all claims or penalties asserted against the Company for any failure to pay taxes due on any compensation, stock option, or benefit provided by the Company pursuant to this Agreement. Executive expressly acknowledges that the Company has not made, nor herein makes, any representation about the tax consequences of any consideration provided by the Company to Executive pursuant to this Agreement.

(b) **Modification/Waiver.** This Agreement may not be amended, modified, superseded, canceled, renewed or expanded, or any terms or covenants hereof waived, except by a writing executed by each of the parties hereto or, in the case of a waiver, by the party waiving compliance. Failure of any party at any time or times to require performance of any provision hereof shall in no manner affect his or its right at a later time to enforce the same. No waiver by a party of a breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of agreement contained in the Agreement.

(c) **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of any successor or assignee of the business of the Company. This Agreement shall not be assignable by the Executive.

(d) **Notices.** All notices given hereunder shall be given by certified mail, addressed, or delivered by hand, to the other party at his or its address as set forth herein, or at any other address hereafter furnished by notice given in like manner. Executive promptly shall notify Company of any change in Executive’s address. Each notice shall be dated the date of its mailing or delivery and shall be deemed given, delivered or completed on such date.

(e) **Governing Law; Personal Jurisdiction and Venue.** This Agreement and all disputes relating to this Agreement shall be governed in all respects by the laws of the State of Iowa as such laws are applied to agreements between Iowa residents entered into and performed entirely in Iowa. The Parties acknowledge that this Agreement constitutes the minimum contacts to establish personal jurisdiction in Iowa and agree to Iowa court’s exercise of personal jurisdiction.

(f) **Entire Agreement.** This Agreement together with the Exhibits A and B attached hereto, set forth the entire agreement and understanding of the parties hereto with regard to the employment of the Executive by the Company and supersede any and all prior agreements, arrangements and understandings, written or oral, pertaining to the subject matter hereof. No

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**IN WITNESS WHEREOF**, the parties have each duly executed this Employment Agreement as of the day and year first above written.

**NEWLINK GENETICS CORPORATION**

/s/ Gordon Link

Print Name: Gordon Link

Its: CFO

**EMPLOYEE**

/s/ William Jay Ramsey

Print Name: William Jay Ramsey

**Exhibit A**

**NEWLINK GENETICS CORPORATION**

**MANAGER, EXECUTIVE PERSONNEL OR ASSISTANTS'  
PROPRIETARY INFORMATION, INVENTIONS,  
NON-COMPETITION, AND NON-SOLICITATION AGREEMENT**

This Manager, Executive Personnel or Assistants' Proprietary Information, Inventions, Non-competition, and Non-solicitation Agreement ("Agreement") is made in consideration for my employment or continued employment by **NEWLINK GENETICS CORPORATION** (the "Company"), and the compensation now and hereafter paid to me. I hereby agree as follows:

**1. NONDISCLOSURE.**

**1.1 Recognition of Company's Rights; Nondisclosure.** At all times during my employment and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon or publish any of the Company's Proprietary Information (defined below), except as such disclosure, use or publication may be required in connection with my work for the Company, or unless an officer of the Company expressly authorizes such in writing. I will obtain Company's written approval before publishing or submitting for publication any material (written, verbal, or otherwise) that relates to my work at Company and/or incorporates any Proprietary Information. I hereby assign to the Company any rights I may have or acquire in such Proprietary Information and recognize that all Proprietary Information shall be the sole property of the Company and its assigns.

**1.2 Proprietary Information.** The term "**Proprietary Information**" shall mean any and all confidential and/or proprietary knowledge, data or information of the Company. By way of illustration but not limitation, "Proprietary Information" includes (a) tangible and intangible information relating to antibodies and other biological materials, cell lines, samples of assay components, media and/or cell lines and procedures and formulations for producing any such assay components, media and/or cell lines, formulations, products, processes, know-how, designs, formulas, methods, developmental or experimental work, clinical data, improvements, discoveries, plans for research, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers, and information regarding the skills and compensation of other employees of the Company; (b) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques (hereinafter collectively referred to as "Inventions"); (c) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and (d) information regarding the skills and compensation of other employees of the Company. Notwithstanding the foregoing, it is understood that, at all such times, I am free to use information which is generally known in the trade or industry, which is not gained as result of a breach of this Agreement, and my own, skill, knowledge, know-how and experience to whatever extent and in whichever way I wish.

**1.3 Third Party Information.** I understand, in addition, that the Company has received and in the future will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than Company personnel who need to know such information in connection with their work for the Company) or use, except in connection with my work for the Company, Third Party Information unless expressly authorized by an officer of the Company in writing.

**1.4 No Improper Use of Information of Prior Employers and Others.** During my employment by the Company I will not improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality, and I will not bring onto the premises of the Company any

persons with training and experience comparable to my own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company.

## 2. ASSIGNMENT OF INVENTIONS.

**2.1 Proprietary Rights.** The term “**Proprietary Rights**” shall mean all trade secret, patent, copyright, mask work and other intellectual property rights throughout the world.

**2.2 Prior Inventions.** Inventions, if any, patented or unpatented, which I made prior to the commencement of my employment with the Company are excluded from the scope of this Agreement. To preclude any possible uncertainty, I have set forth on *Exhibit A* (Previous Inventions) attached hereto a complete list of all Inventions that I have, alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to the commencement of my employment with the Company, that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Agreement (collectively referred to as “Prior Inventions”). If disclosure of any such Prior Invention would cause me to violate any prior confidentiality agreement, I understand that I am not to list such Prior Inventions in Exhibit A but am only to disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. A space is provided on Exhibit A for such purpose. If no such disclosure is attached, I represent that there are no Prior Inventions. If, in the course of my employment with the Company, I incorporate a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company’s prior written consent.

**2.3 Assignment of Inventions.** Subject to Sections 2.4, and 2.6, I hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all my right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto) whether or not patentable or registrable under copyright or similar statutes, made or conceived or reduced to practice or learned by me, either alone or jointly with others, during the period of my employment with the Company. Inventions assigned to the Company, or to a third party as directed by the Company pursuant to this Section 2, are hereinafter referred to as “Company Inventions.”

**2.4 Nonassignable Inventions.** I recognize that, in the event of a specifically applicable state law, regulation, rule, or public policy (“Specific Inventions Law”), this Agreement will not be deemed to require assignment of any invention which qualifies fully for protection under a Specific Inventions Law by virtue of the fact that any such invention was, for example, developed entirely on my own time without using the Company’s equipment, supplies, facilities, or trade secrets and neither related to the Company’s actual or anticipated business, research or development, nor resulted from work performed by me for the Company. In the absence of a Specific Inventions Law, the preceding sentence will not apply.

**2.5 Obligation to Keep Company Informed.** During the period of my employment and for six months after the last day of my employment with the Company, I will promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others. In addition, I will promptly disclose to the Company all patent applications filed by me or on my behalf within a year after termination of employment. At the time of each such disclosure, I will advise the Company in writing of any Inventions that I believe fully qualify for protection under the provisions of a Specific Inventions Law; and I will at that time provide to the Company in writing all evidence necessary to substantiate that belief. The Company will keep in confidence and will not use for any purpose or disclose to third parties without my consent any confidential information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under a Specific Inventions Law. I will preserve the confidentiality of

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any Invention that does not fully qualify for protection under a Specific Inventions Law.

**2.6 Government or Third Party.** I also agree to assign all my right, title and interest in and to any particular Invention to a third party, including without limitation the United States, as directed by the Company.

**2.7 Works for Hire.** I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment and which are protectable by copyright are “works made for hire,” pursuant to United States Copyright Act (17 U.S.C., Section 101).

**2.8 Enforcement of Proprietary Rights.** I will assist the Company in every proper way to obtain, and from time to time enforce, United States and foreign Proprietary Rights relating to Company Inventions in any and all countries. To that end I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Proprietary Rights and the assignment thereof. In addition, I will execute, verify and deliver assignments of such Proprietary Rights to the Company or its designee. My obligation to assist the Company with respect to Proprietary Rights relating to such Company Inventions in any and all countries shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate after my termination for the time actually spent by me at the Company’s request on such assistance.

In the event the Company is unable for any reason, after reasonable effort, to secure my signature on any document needed in connection with the actions specified in the preceding paragraph. I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

**3. NO CONFLICTS OR SOLICITATION.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. I also acknowledge that during my employment with the Company, I have held and/or will hold a management or executive position or am, or will be, an assistant to a manager or executive. To protect the Company’s Proprietary Information, I agree that during the period of my employment by the Company I will not, without the Company’s express written consent, engage in any other employment or business activity directly related to the business in which the Company is now involved or becomes involved, nor will I engage in any other activities which conflict with my obligations to the Company. To protect the Company’s Proprietary Information, and because of the position in the Company that I hold, I agree that during my employment with the Company whether full-time or part-time and for a period of one year after my last day of employment with the Company, I will not (a) directly or indirectly

solicit or induce any employee of the Company to terminate or negatively alter his or her relationship with the Company or (b) directly or indirectly solicit the business of any client or customer of the Company (other than on behalf of the Company) or (c) directly or indirectly induce any client, customer, supplier, vendor, consultant or independent contractor of the Company to terminate or negatively alter his, her or its relationship with the Company. I agree that the geographic scope of the non-solicitation should include the "Restricted Territory" (as defined below).

4. If any restriction set forth in this Section is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

5. **COVENANT NOT TO COMPETE.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. I also acknowledge that during my employment with the Company, I have held and/or will hold a management or executive position or am, or will be, an assistant to a manager or executive. To protect the Company's Proprietary Information, and because of the position in the Company that I may hold, I agree that during my employment with the Company whether full-time or part-time and for a period of one year after my last day of employment with the

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Company, I will not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in the financing, operation, management or control of, any person, firm, corporation or business that engages in a "Restricted Business" in a "Restricted Territory" (as defined below). It is agreed that ownership of (i) no more than one percent (1%) of the outstanding voting stock of a publicly traded corporation, or (ii) any stock I presently own shall not constitute a violation of this provision.

5.1 **Reasonable.** I agree and acknowledge that the time limitation on the restrictions in this paragraph, combined with the geographic scope, is reasonable. I also acknowledge and agree that this paragraph is reasonably necessary for the protection of Company's Proprietary Information as defined in paragraph 1.2 herein, that through my employment I shall receive adequate consideration for any loss of opportunity associated with the provisions herein, and that these provisions provide a reasonable way of protecting Company's business value which will be imparted to me. If any restriction set forth in this paragraph 4 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

5.2 As used herein, the terms:

(i) "Restricted Business" shall mean any business engaged in areas similar to those the Company is pursuing, including but not limited to: **[add description]** and companies engaged in substantially similar development or commerce that competes with, or is perceived to be a competitor of, the Company's products or services, whether current or planned.

(ii) "Restricted Territory" shall mean any state, county, or locality in the United States in which the Company conducts business and any other country, city, state, jurisdiction, or territory in which the Company does business.

6. **RECORDS.** I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Proprietary Information developed by me and all Inventions made by me during the period of my employment at the Company, which records shall be available to and remain the sole property of the Company at all times.

7. **NO CONFLICTING OBLIGATION.** I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

8. **RETURN OF COMPANY MATERIALS.** When I leave the employ of the Company, I will deliver to the Company any and all drawings, notes, memoranda, specifications, devices, formulas, and documents, together with all copies thereof, and any other material containing or disclosing any Company Inventions, Third Party Information or Proprietary Information of the Company. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice.

9. **LEGAL AND EQUITABLE REMEDIES.** Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

10. **NOTICES.** Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three days after the date of mailing.

11. **NOTIFICATION OF NEW EMPLOYER.** In the event that I leave the employ of the Company, I hereby consent to the notification of my new employer of my rights and obligations under this Agreement.

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## 12. GENERAL PROVISIONS.

12.1 **Governing Law; Consent to Personal Jurisdiction and Exclusive Forum.** This Agreement will be governed by and construed according to the laws of the State of Iowa as such laws are applied to agreements entered into and to be performed entirely within Iowa between Iowa residents. I hereby expressly understand and consent that my employment is a transaction of business in the State of Iowa and constitutes the minimum contacts necessary to make me subject to the personal jurisdiction of the federal courts located in the State of Iowa, and the state courts located in the County of Story, Iowa, for

any lawsuit filed against me by Company arising from or related to this Agreement. I agree and acknowledge that any controversy arising out of or relating to this Agreement or the breach thereof, or any claim or action to enforce this Agreement or portion thereof, or any controversy or claim requiring interpretation of this Agreement must be brought in a forum located within the State of Iowa. No such action may be brought in any forum outside the State of Iowa. Any action brought in contravention of this paragraph by one party is subject to dismissal at any time and at any stage of the proceedings by the other, and no action taken by the other in defending, counter claiming or appealing shall be construed as a waiver of this right to immediate dismissal. A party bringing an action in contravention of this paragraph shall be liable to the other party for the costs, expenses and attorney's fees incurred in successfully dismissing the action or successfully transferring the action to the federal courts located in the State of Iowa, or the state courts located in the County of Story, Iowa.

**12.2 Severability.** In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

**12.3 Successors and Assigns.** This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

**12.4 Survival.** The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee.

**12.5 Employment.** I agree and understand that my employment is at-will which means I or the company each have the right to terminate my employment at will, with or without advanced notice and with or without cause. I further agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by the Company, nor shall it interfere in any way with my right or the Company's right to terminate my employment at any time, with or without cause.

**12.6 Waiver.** No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

**12.7 Entire Agreement.** The obligations pursuant to Sections 1 through 4 and Sections 6 and 7 (including all subparts) of this Agreement shall apply to any time during which I was previously employed, or am in the future employed, by the Company as a consultant if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement

This Agreement shall be effective as of the first day of my employment with the Company, namely: \_\_\_\_\_, \_\_\_\_\_.

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**I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT EXHIBIT A TO THIS AGREEMENT.**

Dated: 12/4/2001

/s/ William Jay Ramsey  
Signature

William Jay Ramsey  
Printed Name

ACCEPTED AND AGREED TO:

/s/ Nicholas Vahanian

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**EXHIBIT A**

**TO:** NewLink Genetics Corporation  
**FROM:** W. Jay Ramsey  
**DATE:** 12/4/2001  
**SUBJECT:** Previous Inventions

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment by **NewLink Genetics Corporation** that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

No inventions or improvements.

See below:

Existing U.S. Patents

E4 of 4 mediated anti-tumor and anti-inflammatory effects

Transcomplementation mediated adenovirus gene delivery

Integrase fusion protein mediated gene transfer and insertion

Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

Invention or Improvement	Party(ies)	Relationship
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____

Additional sheets attached.

A-1

**EXHIBIT A**

**TO:** NewLink Genetics Corporation

**FROM:** W. Jay Ramsey

**DATE:** 12/4/2001

**SUBJECT:** Previous Inventions

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment by **NewLink Genetics Corporation** that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

No inventions or improvements.

See below:

Gene therapy for congenital adrenal hyperplasia via correction

of inherited metabolic defects

Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

Invention or Improvement	Party(ies)	Relationship
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____

Additional sheets attached.

A-1

**EXHIBIT B**

**RELEASE**

In exchange for the consideration provided to me by this Agreement that I am not otherwise entitled to receive, I hereby generally and completely release the Company and its directors, officers, Executives, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions related to my employment with the Company or the termination of that employment, including, but not limited to: (1) all claims related to my compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (2) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (3) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (4) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), and the Iowa state law (as amended). Notwithstanding the foregoing, nothing contained in this Release is intended to release the Company from any claim arising out of or with regard to: (i) any payment to be made to me by the Company in connection the termination of employment as contemplated by the Employment Agreement, or (ii) any statutory obligation that the Company may have with regard to the continuation of benefits.

**[IF APPLICABLE] ADEA Waiver and Release.** I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, as amended. I also acknowledge that the consideration given for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my waiver and release does not apply to any rights or claims that may arise after the execution date of this Agreement; (b) I have been advised that I have the right to consult with an attorney prior to executing this Agreement; (c) I have been given twenty-one (21) days to consider this Agreement; (d) I have seven (7) days following the execution of this Agreement by the parties to revoke the Agreement; and (e) this Agreement will not be effective until the date upon which the revocation period has expired, which will be the eighth day after this Agreement is executed by you, provided that the Company has also executed this Agreement by that date ("Effective Date"). *The parties acknowledge and agree that revocation by you of the ADEA Waiver and Release is not effective to revoke your waiver or release of any other claims pursuant to this Agreement.*

By: \_\_\_\_\_

Date: \_\_\_\_\_

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## NEWLINK GENETICS

**EMPLOYEE PROPRIETARY INFORMATION, INVENTIONS,  
NON-COMPETITION, AND NON-SOLICITATION AGREEMENT**

This Employee Proprietary Information, Inventions, Non-competition, and Non-solicitation Agreement (“Agreement”) is made in consideration for my employment or continued employment by **NEWLINK GENETICS** (the “Company”), and the compensation now and hereafter paid to me. I hereby agree as follows:

**1. NONDISCLOSURE.**

**1.1 Recognition of Company’s Rights; Nondisclosure.** At all times during my employment and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon or publish any of the Company’s Proprietary Information (defined below), except as such disclosure, use or publication may be required in connection with my work for the Company, or unless an officer of the Company expressly authorizes such in writing. I will obtain Company’s written approval before publishing or submitting for publication any material (written, verbal, or otherwise) that relates to my work at Company and/or incorporates any Proprietary Information. I hereby assign to the Company any rights I may have or acquire in such Proprietary Information and recognize that all Proprietary Information shall be the sole property of the Company and its assigns.

**1.2 Proprietary Information.** The term “**Proprietary Information**” shall mean any and all confidential and/or proprietary knowledge, data or information of the Company. By way of illustration but not limitation, “Proprietary Information” includes (a) tangible and intangible information relating to antibodies and other biological materials, cell lines, samples of assay components, media and/or cell lines and procedures and formulations for producing any such assay components, media and/or cell lines, formulations, products, processes, know-how, designs, formulas, methods, developmental or experimental work, clinical data, improvements, discoveries, plans for research, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers, and information regarding the skills and compensation of other employees of the Company; (b) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques (hereinafter collectively referred to as “Inventions”); (c) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and (d) information regarding the skills and compensation of other employees of the Company. Notwithstanding the foregoing, it is understood that, at all such times, I am free to use information which is generally known in the trade or industry, which is not gained as result of a breach of this Agreement, and my own, skill, knowledge, know-how and experience to whatever extent and in whichever way I wish.

**1.3 Third Party Information.** I understand, in addition, that the Company has received and in the future will receive from third parties confidential or proprietary information (“Third Party Information”) subject to a duty on the Company’s part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than Company personnel who need to know such information in connection with their work for the Company) or use, except in connection with my work for the Company, Third Party Information unless expressly authorized by an officer of the Company in writing.

**1.4 No Improper Use of Information of Prior Employers and Others.** During my employment by the Company I will not improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality, and I will not bring onto the premises of the Company any unpublished documents or any property belonging to any former employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that former employer or person. I

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will use in the performance of my duties only information which is generally known and used by persons with training and experience comparable to my own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company.

**2. ASSIGNMENT OF INVENTIONS.**

**2.1 Proprietary Rights.** The term “**Proprietary Rights**” shall mean all trade secret, patent, copyright, mask work and other intellectual property rights throughout the world.

**2.2 Prior Inventions.** Inventions, if any, patented or unpatented, which I made prior to the commencement of my employment with the Company are excluded from the scope of this Agreement. To preclude any possible uncertainty, I have set forth on *Exhibit A* (Previous Inventions) attached hereto a complete list of all Inventions that I have, alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to the commencement of my employment with the Company, that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Agreement (collectively referred to as “Prior Inventions”). If disclosure of any such Prior Invention would cause me to violate any prior confidentiality agreement, I understand that I am not to list such Prior Inventions in Exhibit A but am only to disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. A space is provided on Exhibit A for such purpose. If no such disclosure is attached, I represent that there are no Prior Inventions. If, in the course of my employment with the Company, I incorporate a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company’s prior written consent.

**2.3 Assignment of Inventions.** Subject to Sections 2.4, and 2.6, I hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all my right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto) whether or not patentable or registrable under copyright or similar statutes, made or conceived or reduced to practice or learned by me, either alone or jointly with others, during the period of my employment with the Company. Inventions assigned to the Company, or to a third party as directed by the Company pursuant to this Section 2, are hereinafter referred to as “Company Inventions.”

**2.4 Nonassignable Inventions.** I recognize that, in the event of a specifically applicable state law, regulation, rule, or public policy (“Specific Inventions Law”), this Agreement will not be deemed to require assignment of any invention which qualifies fully for protection under a Specific Inventions Law by virtue of the fact that any such invention was, for example, developed entirely on my own time without using the Company’s equipment, supplies, facilities, or trade secrets and neither related to the Company’s actual or anticipated business, research or development, nor resulted from work performed by me for the Company. In the absence of a Specific Inventions Law, the preceding sentence will not apply.

**2.5 Obligation to Keep Company Informed.** During the period of my employment and for six months after the last day of my employment with the Company, I will promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others. In addition, I will promptly disclose to the Company all patent applications filed by me or on my behalf within a year after termination of employment. At the time of each such disclosure, I will advise the Company in writing of any Inventions that I believe fully qualify for protection under the provisions of a Specific Inventions Law; and I will at that time provide to the Company in writing all evidence necessary to substantiate that belief. The Company will keep in confidence and will not use for any purpose or disclose to third parties without my consent any confidential information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under a Specific Inventions Law. I will preserve the confidentiality of any Invention that does not fully qualify for protection under a Specific Inventions Law.

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**2.6 Government or Third Party.** I also agree to assign all my right, title and interest in and to any particular Invention to a third party, including without limitation the United States, as directed by the Company.

**2.7 Works for Hire.** I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment and which are protectable by copyright are “works made for hire,” pursuant to United States Copyright Act (17 U.S.C., Section 101).

**2.8 Enforcement of Proprietary Rights.** I will assist the Company in every proper way to obtain, and from time to time enforce, United States and foreign Proprietary Rights relating to Company Inventions in any and all countries. To that end I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Proprietary Rights and the assignment thereof. In addition, I will execute, verify and deliver assignments of such Proprietary Rights to the Company or its designee. My obligation to assist the Company with respect to Proprietary Rights relating to such Company Inventions in any and all countries shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate after my termination for the time actually spent by me at the Company’s request on such assistance.

In the event the Company is unable for any reason, after reasonable effort, to secure my signature on any document needed in connection with the actions specified in the preceding paragraph, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

**3. NO CONFLICTS OR SOLICITATION.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. To protect the Company’s Proprietary Information, I agree that during the period of my employment by the Company I will not, without the Company’s express written consent, engage in any other employment or business activity directly related to the business in which the Company is now involved or becomes involved, nor will I engage in any other activities which conflict with my obligations to the Company. For the period of my employment by the Company and continuing until one year after my last day of employment with the Company, I will not (a) directly or indirectly induce any employee of the Company to terminate or negatively alter his or her relationship with the Company or (b) solicit the business of any client or customer of the Company (other than on behalf of the Company) or (c) induce any supplier, vendor, consultant or independent contractor of the Company to terminate or negatively alter his, her or its relationship with the Company. If any restriction set forth in this Section is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

**4. COVENANT NOT TO COMPETE.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. To protect the Company’s Proprietary Information, I agree that during my employment with the Company whether full-time or half-time and for a period of one year after my last day of employment with the Company, I will not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in the financing, operation, management or control of, any person, firm, corporation or business that engages in a “Restricted Business” in a “Restricted Territory” (as defined below). It is agreed that ownership of (i) no more than one percent (1%) of the outstanding voting stock of a publicly traded corporation, or (ii) any stock I presently own shall not constitute a violation of this provision.

**4.1 Reasonable.** I agree and acknowledge that the time limitation on the restrictions in this paragraph, combined with the geographic scope, is reasonable. I also acknowledge and agree that this paragraph is reasonably necessary for the protection of Company’s Proprietary Information as defined in paragraph 1.2 herein, that through my employment I shall receive adequate consideration for any loss of

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opportunity associated with the provisions herein, and that these provisions provide a reasonable way of protecting Company’s business value which will be imparted to me. If any restriction set forth in this paragraph 4 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

**4.2** As used herein, the terms:

**(i)** “Restricted Business” shall mean any business engaged in areas similar to those the Company is pursuing, including but not limited to companies engaged in substantially similar development or commerce that competes with, or is perceived to be a competitor of, the Company’s products or

services, whether current or planned.

(ii) "Restricted Territory" shall mean any state, county, or locality in the United States in which the Company conducts business and any other country, city, state, jurisdiction, or territory in which the Company does business.

5. **RECORDS.** I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Proprietary Information developed by me and all Inventions made by me during the period of my employment at the Company, which records shall be available to and remain the sole property of the Company at all times.

6. **NO CONFLICTING OBLIGATION.** I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

7. **RETURN OF COMPANY MATERIALS.** When I leave the employ of the Company, I will deliver to the Company any and all drawings, notes, memoranda, specifications, devices, formulas, and documents, together with all copies thereof, and any other material containing or disclosing any Company Inventions, Third Party Information or Proprietary Information of the Company. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice.

8. **LEGAL AND EQUITABLE REMEDIES.** Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

9. **NOTICES.** Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three days after the date of mailing.

10. **NOTIFICATION OF NEW EMPLOYER.** In the event that I leave the employ of the Company, I hereby consent to the notification of my new employer of my rights and obligations under this Agreement.

## 11. GENERAL PROVISIONS.

11.1 **Governing Law; Consent to Personal Jurisdiction and Exclusive Forum.** This Agreement will be governed by and construed according to the laws of the State of Iowa as such laws are applied to agreements entered into and to be performed entirely within Iowa between Iowa residents. I hereby expressly understand and consent that my employment is a transaction of business in the State of Iowa and constitutes the minimum contacts necessary to make me subject to the personal jurisdiction of the federal courts located in the State of Iowa, and the state courts located in the County of Story, Iowa, for any lawsuit filed against me by Company arising from or related to this Agreement. I agree and acknowledge that any controversy arising out of or relating to this Agreement or the breach thereof, or any claim or action to enforce this Agreement or portion thereof, or any controversy or claim requiring interpretation of this Agreement must be brought in a forum located within the State of Iowa. No such action may be brought in any forum

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outside the State of Iowa. Any action brought in contravention of this paragraph by one party is subject to dismissal at any time and at any stage of the proceedings by the other, and no action taken by the other in defending, counter claiming or appealing shall be construed as a waiver of this right to immediate dismissal. A party bringing an action in contravention of this paragraph shall be liable to the other party for the costs, expenses and attorney's fees incurred in successfully dismissing the action or successfully transferring the action to the federal courts located in the State of Iowa, or the state courts located in the County of Story, Iowa.

11.2 **Severability.** In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

11.3 **Successors and Assigns.** This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

11.4 **Survival.** The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee.

11.5 **Employment.** I agree and understand that my employment is at-will which means I or the company each have the right to terminate my employment at will, with or without advanced notice and with or without cause. I further agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by the Company, nor shall it interfere in any way with my right or the Company's right to terminate my employment at any time, with or without cause.

11.6 **Waiver.** No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

11.7 **Entire Agreement.** The obligations pursuant to Sections 1 through 4 and Sections 6 and 7 (including all subparts) of this Agreement shall apply to any time during which I was previously employed, or am in the future employed, by the Company as a consultant if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of

any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement

This Agreement shall be effective as of the first day of my employment with the Company, namely: \_\_\_\_\_, \_\_\_\_\_.

**I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT EXHIBIT A TO THIS AGREEMENT.**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

**ACCEPTED AND AGREED TO:**

\_\_\_\_\_

**EXHIBIT A**

**TO:** NEWLINK GENETICS

**FROM:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**SUBJECT:** Previous Inventions

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment by **NEWLINK GENETICS** that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

- No inventions or improvements.
- See below:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

- Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

	Invention or Improvement	Party(ies)	Relationship
1.			
2.			
3.			

- 1.
- 2.
- 3.

- Additional sheets attached.

**LICENSE AGREEMENT BETWEEN LANKENAU INSTITUTE FOR MEDICAL  
RESEARCH  
AND NEWLINK GENETICS CORPORATION**

This License Agreement between Lankenau Institute for Medical Research (“LIMR” or “Institute”) and NewLink Genetics Corporation. (“NewLink” or “Company”) (referred to as “Agreement”) for the licensing of certain intellectual property rights to NewLink is made on this 7<sup>th</sup> day of July, 2005 (“Effective Date”).

**WHEREAS**, LIMR owns certain property rights developed by its employee-investigator, George Prendergast, PhD, and

**WHEREAS**, NewLink would like to license from LIMR certain technology developed by Dr. Prendergast for the purpose of developing the technology into a marketable therapeutic or diagnostic product.

**NOW, THEREFORE**, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Definitions.

- a. Affiliate(s): Affiliate means any individual, company or entity, in whatever country organized, directly or indirectly, controlling, controlled by, or under common control with NewLink. For purposes of this Agreement, “control” shall mean, direct or indirect beneficial ownership of more than fifty percent (50%) of the voting stock or equity of, or more than fifty percent (50%) interest in the income of, such individual, company or entity.
- b. Company: Company shall mean NewLink and its Affiliates as defined above.
- c. Consideration. “Consideration” shall mean any and all revenues or payments in-kind received by NewLink from a third party as consideration for the grant of a sublicense under the rights granted to NewLink by LIMR pursuant to Article 2, excluding sums received:
  - (i) for the purchase of an equity interest in NewLink at fair market

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value; (ii) as payments or reimbursements for research and development work performed by or on behalf of NewLink; (iii) for purchase of a supply of Licensed Product; (iv) for repayment of any loans, credit or credit line extended by NewLink to such sublicensee; or (v) in the form of a loan, as credit or pursuant to a credit line to NewLink. Notwithstanding the foregoing, if NewLink receives revenue in consideration for the grant of a sublicense under the licenses granted to NewLink hereunder and such sublicense also includes the grant of a license or sublicense to other technology controlled by NewLink but not acquired from LIMR, then the foregoing amount shall be adjusted by a percentage that fairly represents, as reasonably determined by the parties, the contribution of the LIMR Technology and the Patent Rights to the total revenue received by NewLink.

- d. Licensed Product: Licensed Product shall mean any article, composition, apparatus, substance, chemical material, method, process or service whose manufacture, use, or sale is covered by a Valid Claim within the Patent Rights. Licensed Product shall not include other products used in combination with Licensed Product that do not constitute an article, composition, apparatus, substance, chemical material, method, process or service whose manufacture, use, or sale is covered by a Valid Claim within the Patent Rights.
- e. LIMR Technology. “LIMR Technology” shall mean the technology described in [\*].
- f. Net Sales. “Net Sales” shall mean the gross consideration actually collected by COMPANY and/or any Affiliate from transfer of any Licensed Product to a third party customer, less:
  1. revenue credited or rebated on returns and allowances, and bad debts;
  2. discounts, in amounts customary in the trade and to the extent actually granted, for quantity purchases, for prompt payments and for wholesalers and distributors;
  3. transportation and delivery charges or allowances;
  4. customs, duties; and
  5. sales, use, excise, value-added and other taxes or other governmental charges measured by sales.
- g. Patent Rights: Patent Rights shall mean any and all rights and interest held, acquired or otherwise controlled by LIMR in and to any issued patents and patent applications, including provisional patent applications, any divisions, continuations and continuations

- h. Valid Claim: A Valid Claim means a claim of a patent under Patent Rights that (i) has not expired or been abandoned; (ii) has not been disclaimed; (iii) has not been canceled or superseded, or if cancelled or superseded, has not been reasserted; (iv) has not been revoked, held invalid or otherwise declared unenforceable or not allowable by a tribunal or patent authority of competent jurisdiction over such claim in such country from which no further appeal has or may be taken ; and (v) a claim of a pending patent application under the Patent Rights, which claim has been subject to prosecution for protection for no more than five years.
2. Exclusive License.
- a. LIMR hereby grants to Company an exclusive, world-wide, royalty-bearing license (“License”) under the LIMR Technology and the Patent Rights for LIMR Technology described in [\*] and the Patent Rights to make, have made, use and/or sell Licensed Product in the field of human and animal therapeutics and diagnostics ( the “Field”). Notwithstanding the foregoing, LIMR expressly reserves a non-transferable royalty-free right to use the Patent Rights and LIMR Technology in the Field itself, including use by its staff and researchers, for non-commercial educational and research purposes only. LIMR agrees to notify NewLink and provide NewLink a “first look” at any additional research findings that directly result from the use of the technology described in [\*].
- b. RAND Compounds. Pursuant to and subject to the terms of the [\*] Agreement between LIMR and [\*], the [\*] that are identified by an ongoing screen of the compound collection at [\*] will be shared with NewLink.
3. Sublicenses. Company and its Affiliate(s) shall have the right to grant sublicenses to third parties under LIMR Technology and Patent Rights to make, have made, use and sell the Licensed Products. Such sublicenses shall be in writing and expressly subject to the terms of this Agreement. Any sublicense agreement that does not materially conform to this Agreement shall constitute a material breach of this Agreement by Company. Company agrees to be

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responsible for the performance hereunder by its sub licensees. At LIMR’s request, Company will provide LIMR with a copy of each sublicense in order to allow LIMR to audit such sublicenses to assure conformity with the Agreement. If LIMR performs such a review on any sublicense agreements, those audited agreements, not including any subsequent amendments or changes to the agreements, shall be deemed to conform to this Agreement. Upon termination of this Agreement, any such sublicenses will revert directly to LIMR, which shall have the right to cancel any such sublicense if such sublicensee is not then in compliance with the terms of its sublicense and the terms of this Agreement.

4. Term and Termination. The Term of this Agreement shall terminate upon expiration of the last to expire Valid Claim included in the Patent Rights. In addition, the Agreement may terminate earlier than the end of the Term under the following circumstances:

- A. If NewLink is unable to achieve any of the milestones within the time periods set forth in Article 10, then LIMR shall, in accordance with the terms of this paragraph 4, have the right and option to reduce the NewLink’s exclusive license to a nonexclusive license or revoke the license in its entirety, provided that prior to making this determination, LIMR shall
1. Give NewLink written notice of perceived failure to meet a milestone, describing the failure, describing the preferred method of cure and the proposed action to be taken by LIMR in the event of non-cure in writing at the address listed within this Agreement.
  2. Provide NewLink a 90-day cure period during which NewLink shall be allowed to establish that it has met or will meet the milestones.
- B. LIMR may terminate this Agreement immediately by providing NewLink written notice of termination, if
1. NewLink ceases to function as a going concern;
  2. a petition or action is filed or taken by or against NewLink under any insolvency or bankruptcy law that is not dismissed within sixty (60) days;
  3. a receiver, assignee or other liquidating officer is appointed for all or substantially all of the assets of NewLink; or
  4. NewLink makes an assignment for the benefit of creditors.
- C. If NewLink fails to make any payment whatsoever due and payable to LIMR hereunder, LIMR shall have the right to terminate this Agreement effective on thirty (30) days written notice, unless, NewLink shall make all such payments to LIMR within said thirty (30) day period provided that the payments demanded by LIMR are not disputed by NewLink. In that event, the parties shall have 90 days to solve the dispute at the end of which they shall submit to binding arbitration.
- D. NewLink shall have the right to terminate this Agreement at any time on 90 days’ notice to LIMR, and upon payment of all amounts due LIMR

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through the effective date of the termination. In the event NewLink terminates the Agreement, all rights and obligations hereunder revert to LIMR.

- E. Upon termination of this Agreement for any reason, nothing herein shall be construed to release either party from any obligation that matured prior to the effective date of such termination. NewLink and any sub licensee thereof may, however, after the effective date of such termination, sell all LICENSED PRODUCTS, and complete LICENSED PRODUCTS in the process of manufacture at the time of such

termination and sell the same, provided that NewLink shall make the payments to LIMR as required by Articles 8 & 9 of this Agreement and shall submit the reports as required by Article 12 hereof.

5. **Ownership.** LIMR represents that it owns the rights to the LIMR Technology and the Patent Rights and has the right to convey the LIMR Technology and the Patent Rights to Company.
6. **Patent Prosecution:** NewLink shall be responsible, at its sole cost and expense, for the preparation, filing, prosecution and maintenance of any patent applications filed by and patents issued to LIMR as assignee under the Patent Rights pursuant to this Agreement. Upon execution of this Agreement, LIMR will make no further patent prosecution decisions and shall not incur additional expenses with respect to the Patent Rights without prior written consent of NewLink, which shall not be unreasonably withheld. With respect to costs incurred prior to execution of this Agreement, NewLink shall reimburse LIMR provided LIMR has provided NewLink with appropriate documentation outlining the costs incurred.
7. **License Fee.**
  - a. Initial Fee. Upon the Effective Date, NewLink shall pay LIMR a License Initiation Fee of [\*].
  - b. Annual Fee. NewLink shall pay LIMR an annual license fee of [\*] due on each anniversary of the Effective Date.
8. **Royalty:** Company shall pay LIMR an earned royalty of [\*] based on the value of Net Sales of the Licensed Products, unless additional royalties must be paid for another technology to allow use of Licensed Products in humans. In the event additional technologies must be licensed (e.g. formulation, cross linking) by NewLink from any third party, NewLink shall be entitled to offset against royalties otherwise due to LIMR [\*]; provided, however, in no event shall NewLink pay LIMR a [\*] royalty of less than [\*]. NewLink agrees to pay LIMR and [\*], the potential licensor of related technologies, a total [\*] royalty of [\*]. If the aggregate of the [\*] royalties paid to LIMR and [\*] is less than [\*], NewLink shall pay LIMR the additional percentage amount necessary to equal an aggregate [\*] royalty of [\*]. In the event NewLink sublicenses the Licensed Product,

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NewLink shall pay LIMR an earned royalty of [\*] of any Consideration received by NewLink for the sublicense during the Term.

9. **Payment:** Royalties shall be payable by NewLink quarterly in U.S. dollars within thirty (30) days of the end of the calendar quarter. NewLink shall render quarterly reports to LIMR on or before the last day of April, July, October, and January showing the amount of Net Sales received by NewLink during the most recently concluded fiscal quarter and the appropriate Royalties due to LIMR. Each such report shall be accompanied by payment of the Royalties due for such fiscal quarter. NewLink shall provide LIMR audited annual financials within 30 days of completion of NewLink's audit, after the first commercial sale of any Licensed Product. NewLink shall pay estimated royalties payments quarterly with an annual reconciliation and of all payments performed within 30 days of receipt of audited numbers.
10. **Milestones and Associated Payments:** NewLink has represented to LIMR, to induce LIMR to issue this exclusive license, that it will commit itself to a diligent program of developing and exploiting Licensed Product(s) so that public utilization will result there from. As evidence thereof, Company shall adhere to the following milestones:

Milestone	Payment
1 NewLink will [*] within [*]	None
2 NewLink will [*] within [*]	NewLink shall pay LIMR [*] upon [*].
3 Once [*] NewLink shall [*]	NewLink shall pay LIMR [*] upon [*].
4 Upon [*], NewLink shall [*]	NewLink shall pay LIMR [*] upon [*].
5 [*]. NewLink shall [*] within [*].	NewLink shall pay LIMR [*] at the [*].

All milestone fees are payable only once, regardless of the number of times the milestone is achieved and regardless of the number of License Products developed by NewLink.

11. **Reports and Accounting.** NewLink shall report to LIMR once a year during which time it describes its product development, financial information and milestone status.
12. **Indemnity.** Company shall defend and indemnify and hold LIMR, its affiliates, parent corporation, trustees, officers, agents and employees (the "Indemnitees") harmless from any judgments and other liabilities based upon claims or causes of action brought by a third party against LIMR or its employees which arise out of [\*], or from the [\*], except to the extent that such judgments or liabilities arise in whole or in part from [\*], provided that LIMR promptly notifies Company of any such claim coming to its attention and that it cooperates with Company in the defense of such claim. If any such claims or causes of action are made, Company's counsel, subject to LIMR's approval,

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which shall not be unreasonably withheld, shall defend LIMR. LIMR reserves the right to be represented by its own counsel at its own expense.

13. **Insurance.** At such time as any product, process, service relating to, or developed pursuant to, this Agreement is being commercially distributed or sold (other than for the purpose of obtaining regulatory approvals) by Company or by a sub licensee, Affiliate or agent of Company, Company shall at its sole cost and expense, procure and maintain comprehensive general liability insurance in amounts not less than \$3,000,000 per incident and naming the Indemnitees as additional insureds. Such comprehensive general liability insurance shall provide (i) product liability coverage and (ii) broad form contractual

which are in excess of \$250,000 annual aggregate) such self-insurance program must be acceptable to LIMR and Main Line Health Vice President Insurance. Such insurance will be considered primary as to any other valid and collectible insurance, but only as to acts of the named insured. The minimum amounts of insurance coverage required shall not be construed to create a limit of Company's liability with respect to its indemnification under this Agreement. Company shall provide LIMR with written evidence of such insurance upon request of LIMR. Company shall provide LIMR with written notice at least fifteen (15) days prior to the cancellation, non-renewal or material change in such insurance; if Company does not obtain replacement insurance providing comparable coverage within such fifteen (15) day period, LIMR shall have the right to terminate this Agreement effective at the end of such fifteen (15) day period without notice or any additional waiting periods. Company shall maintain such comprehensive general liability insurance beyond the expiration or termination of this Agreement during (i) the period that any product, process, or service, relating to, or developed pursuant to, this Agreement is being commercially distributed or sold by Company or by a sub licensee, Affiliate or agent of Company and (ii) a reasonable period after the period referred to in (i) above which in no event shall be less than fifteen (15) years.

14. **Mutual Confidentiality.** Company and LIMR realize that certain information received by one party from the other pursuant to this Agreement shall be confidential. It is therefore agreed that **any information received** by one party from the other should be clearly designated in writing as "CONFIDENTIAL" at the time of transfer, shall not be disclosed by either party to any third party and shall not be used by either party for purposes other than those contemplated by this Agreement. Any information exchanged by the parties under this Agreement shall remain confidential for a period of three (3) years from the termination of the Agreement, unless or until —

- a. Said information shall become known to third parties not under any obligation of confidentiality to the disclosing party, or shall become publicly known through no fault of the receiving party, or
- b. Said information was already in the receiving party's possession prior to the disclosure of said information to the receiving party, except in cases when the information has been covered by a preexisting Confidentiality Agreement, or
- c. Said information shall be subsequently disclosed to the receiving party, by a third party not under any obligation of confidentiality to the disclosing party, or
- d. Said information is approved for disclosure by prior written consent of the disclosing party, or
- e. Said information is required to be disclosed by court order or governmental law or regulation, provided that the receiving party gives the disclosing party

prompt notice of any such requirement and cooperates with the disclosing party in attempting to limit such disclosure.

15. **Disclaimer.** Nothing contained in this Agreement shall be construed as:

- A. a warranty or representation by LIMR as to the validity or scope of any Patent Rights;
- B. a warranty or representation that any Licensed Products manufactured, used or sold will be free from infringement of patents, copyrights, or third parties, except that LIMR represents that it has no knowledge of any existing issued patents or copyrights which might be infringed;
- C. **LIMR MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF LICENSED PRODUCTS.**

16. **Technical Assistance.** Throughout the term of the Agreement, LIMR agrees to permit Company and its designees to consult with its employees and agents regarding developments and enhancements made after the Effective Date relating to the Licensed Products, at such times and places as may be mutually agreed upon; provided that Company agrees to limit such consultation to five (5) employee-investigator hours per week and make suitable arrangements directly with LIMR employees and agents and to compensate for such consultation.

17. **Name.** Company shall not use and shall not permit to be used by any other person or entity the name or logo of LIMR nor any adaptation thereof, or the name of LIMR's employees, in any advertising, promotional or sales literature, or for any other purpose without prior written permission of LIMR.

18. **Governing Law.** This Agreement shall be construed, governed, interpreted and enforced according to the laws of the Commonwealth of Pennsylvania.

19. **Notices.** Any notice or communication required or permitted to be given by either party hereunder, shall be deemed sufficiently given, if mailed by certified mail, return receipt requested, and addressed to the party to whom notice is given as follows:

If to LIMR:

Karen Knudsen, Ph.D.  
Director of Scientific Administration  
Lankenau Institute for Medical Research  
100 E. Lancaster Avenue  
Wynnewood, PA 19096

With a Copy to:

Office of the General Counsel  
Main Line Health  
130 So. Bryn Mawr Avenue  
Bryn Mawr, PA 19010

If to NewLink:

Dr. Nick Vahanian  
Chief Medical and Operations Officer  
2901 South Loop Drive  
Suite 3900  
Ames, Iowa 50010

20. Assignment. Neither party shall assign or transfer this Agreement without the express prior written consent of the other, such consent not to be unreasonably withheld. For purposes of this Agreement, an assignment or transfer of this Agreement by NewLink shall be deemed to occur in connection with (a) an express assignment or transfer, (b) a general assignment for the benefit of creditors or in connection with any bankruptcy or other debtor relief law, (c) any merger or consolidation to which NewLink is a party, regardless of whether NewLink is the surviving corporation, or (d) any other transaction pursuant to which a change would occur in the "ultimate parent entity" of NewLink. Notwithstanding the foregoing, an assignment of this Agreement by NewLink in connection with the transfer of all or substantially all of its assets or equity, or by reason of acquisition, merger, consolidation or operation of law shall not require LIMR's consent.

21. Entire Agreement. This Agreement represents the entire agreement between the parties as of the effective date hereof, and may only be subsequently altered or modified by an instrument in writing. This Agreement cancels and supersedes any and all prior oral or written agreements between the parties that relate to the subject matter of this Agreement.

22. Mediation and Arbitration. Both parties agree that they shall attempt to resolve any dispute arising from this Agreement through mediation. Both parties agree that at least one company employee, capable of negotiating an agreement on behalf of his company, shall, within three weeks of receipt of written notification of a dispute, meet with at least one employee of the other party who is also capable of negotiating an agreement on behalf of his company. If no agreement can be reached, both parties agree to meet again within a four week

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period after the initial meeting to negotiate in good faith to resolve the dispute. If no agreement can be reached after this second meeting, both parties agree to submit the dispute to binding arbitration under the Rules of The American Arbitration Association before a panel of three arbitrators.

23. Waiver. A failure by one of the parties to this Agreement to assert its rights for or upon any breach or default of this Agreement shall not be deemed a waiver of such rights nor shall any such waiver be implied from acceptance of any payment. No such failure or waiver in writing by any one of the parties hereto with respect to any rights, shall extend to or affect any subsequent breach or impair any right consequent thereon.

24. Severability. The parties agree that it is the intention of neither party to violate any public policy, statutory or common laws, and governmental or supranational regulations; that if any sentence, paragraph, clause or combination of the same is in violation of any applicable law or regulation, or is unenforceable or void for any reason whatsoever, such sentence, paragraph, clause or combinations of the same shall be inoperative and the remainder of the Agreement shall remain binding upon the parties.

25. Marking. Company agrees to mark the Licensed Products in the United States with all applicable U.S. and state Trademarks, and U.S. Patent numbers.

26. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not constitute a part hereof.

Lankenau Institute for Medical Research

NewLink Genetics Corporation

By: /s/ Edward L. Jones, Jr.

Name: /s/ Nicholas N. Vahanian

Title: Chairman

Title: Chief Medical and Operations Officer

Date: July 8, 2005

Date: July 7, 2005

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**FIRST AMENDMENT TO LICENSE AGREEMENT BETWEEN LANKENAU  
INSTITUTE FOR MEDICAL RESEARCH AND NEWLINK GENETICS  
CORPORATION DATED JULY 7, 2005**

**This First Amendment to the License Agreement** (“**First Amendment**”) between Lankenau Institute for Medical Research (“**LIMR**”) and NewLink Genetics Corporation (“**NewLink**” or “**Company**”) is made on this May 22 day of May, 2006 (“**Effective Date**”).

**WHEREAS**, NewLink entered into a certain License Agreement with LIMR dated July 7, 2005 (“**Original Agreement**”) pursuant to which NewLink was granted a license for certain intellectual property owned by LIMR;

**WHEREAS**, LIMR owns technology developed by its employee-investigator, George Prendergast, PhD, that is related to the technology licensed by LIMR to NewLink under the Original Agreement; and

**WHEREAS**, Pursuant to and in accordance with Section 2.a. of the Original Agreement LIMR must notify NewLink of and provide NewLink with a “first look” at any additional research findings that directly result from the use of the technology described in Patent Applications [\*]; and

**WHEREAS**, LIMR has provided NewLink with such notice and information regarding [\*] (“**Additional Technology**”) and NewLink would like to license the Additional Technology.

**NOW THEREFORE**, in consideration of the promises and mutual covenants herein contained, and for the other good and valuable consideration, the receipt and sufficiency of which are acknowledged, and intending to be legally bound, the parties agree as follows:

**AGREEMENT**

1. **Incorporation of Preamble and Recitals.** The Preamble and Recitals set forth above are incorporated into this First Amendment as if set forth in full.
2. **Definitions.** All capitalized terms used in this First Amendment and not defined herein shall have the meaning given to them in the Original Agreement. From and after the Effective Date hereof, the term “Agreement” as used herein and in the Original Agreement shall mean the Original Agreement as amended by this First Amendment.
3. **Section 1(e).** Section 1(e) of the Original Agreement is amended and restated in its entirety as follows:

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“**LIMR Technology.** “LIMR Technology” shall mean the technology described in Patent Applications [\*] (“**Originally Licensed Technology**”) and the technology described in Patent Application [\*] (“**Additional Technology**,” the Originally Licensed Technology and the Additional Technology shall be referred to together as the “**LIMR Technology.**”) as well as in all future patent applications derived from the above mentioned applications such as international, divisional, amended, continuations and/or continuations-in-part patent applications.”

4. **Section 1(g).** Section 1(g) of the Original Agreement is amended by changing the period at the end of said Section to a comma and adding thereafter the following: “and [\*].”

5. **Section 2(a).** The first sentence of Section 2(a) of the Original Agreement is amended and restated as follows:

“LIMR hereby grants to Company an exclusive, world-wide, royalty-bearing license (“**License**”) under the LIMR Technology and the Patent Rights for LIMR Technology described in Patent Applications [\*] and the Patent Rights to make, have made, use and/or sell Licensed Product in the field of human and animal therapeutics and diagnostics (the “**Field**”):

The last sentence of Section 2(a) is also amended by changing the period at the end thereof to a comma and adding thereafter the following: “and [\*].”

6. **Section 7.** Section 7 of the Original Agreement is amended and restated in its entirety as follows:

a. **Initial Fee.** Upon the execution of this Agreement, which occurred as of July 7, 2005, NewLink shall pay to LIMR a License Initiation Fee of [\*], the receipt of which LIMR hereby acknowledges.

b. **Annual Fee.** NewLink shall pay LIMR an annual license fee on account of the Original Technology of [\*] which shall be due and payable on July 7 of each year during the term of this Agreement. NewLink shall also pay LIMR an annual license on account of the Additional Technology of [\*]

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which shall be due and payable on each anniversary of the date of the Amendment to License Agreement.”

7. **License Initiation Fee for Additional Technology.** Upon execution of this First Amendment by NewLink, NewLink shall pay to LIMR a license initiation fee of [\*].

8. **Entire Agreement.** The Original Agreement, as amended by this First Amendment shall constitute the entire agreement between the parties with respect to the subject matter hereof. Except as expressly amended hereby, the Original Agreement is hereby ratified and confirmed. In the event of a conflict between the terms of the Original Agreement and the terms of this First Amendment, the terms of this First Amendment shall prevail.

**IN WITNESS WHEREOF**, and intending to be legally bound hereby, the parties have caused this Amendment to be executed by their duly authorized representatives.

**Lankenau Institute for Medical Research**

**NewLink Genetics Corporation**

By: /s/ Edward L. Jones, Jr.

By: /s/ Nicholas Vahanian

Title: Chairman

Title: Chief Medical and Operations Officer

Date: \_\_\_\_\_

Date: 5/22/2006

**SECOND AMENDMENT TO LICENSE AGREEMENT BETWEEN LANKENAU  
INSTITUTE FOR MEDICAL RESEARCH AND NEWLINK GENETICS  
CORPORATION DATED JULY 7, 2005**

This **Second Amendment to the License Agreement** (“**Second Amendment**”) between Lankenau Institute for Medical Research (“**LIMR**”) and NewLink Genetics Corporation (“**NewLink**” or “**Company**”) is made on this 11th day of September, 2007 (“**Effective Date**”).

**WHEREAS**, NewLink entered into a certain License Agreement with LIMR dated July 7, 2005 pursuant to which NewLink was granted a license for certain intellectual property owned by LIMR, which was amended by a certain First Amendment to the Original Agreement with LIMR dated May 22, 2006 (as amended, the “**Original Agreement**”) pursuant to which NewLink was granted a license for certain Additional Technology referred to as [\*]; and

**WHEREAS**, LIMR owns technology developed by its employee-investigator, George Prendergast, PhD, that is related to the technology licensed by LIMR to NewLink under the Original Agreement; and

**WHEREAS**, Pursuant to and in accordance with Section 2.a. of the Original Agreement LIMR must notify NewLink of and provide NewLink with a “first look” at any additional research findings that directly result from the use of the technology described in Patent Applications [\*]; and

**WHEREAS**, LIMR has provided NewLink with such notice and information regarding [\*] (“**Subsequent Additional Technology**”) and NewLink would like to license the Subsequent Additional Technology.

**NOW THEREFORE**, in consideration of the promises and mutual covenants herein contained, and for the other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

**AGREEMENT**

1. **Incorporation of Preamble and Recitals.** The Preamble and Recitals set forth above are incorporated into this Second Amendment as if set forth in full.
2. **Definitions.** All capitalized terms used in this Second Amendment and not defined herein shall have the meaning given to them in the Original

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Agreement. From and after the Effective Date hereof, the term “Agreement” as used herein and in the Original Agreement shall mean the Original Agreement as amended by this Second Amendment.

3. **Section 1(e).** Section 1(e) of the Original Agreement is amended and restated in its entirety as follows:

“**LIMR Technology.** “LIMR Technology” shall mean the technology described in Patent Applications [\*] (“**Originally Licensed Technology**”), the technology described in Patent Application [\*] (“**Additional Technology**”), and the technology described in Patent Application [\*] (“**Subsequent Additional Technology**”; the Originally Licensed Technology, the Additional Technology, and the Subsequent Additional Technology shall be referred to together as the “**LIMR Technology.**”) as well as in all future patent applications derived from the above mentioned applications such as international, divisional, amended, continuations and/or continuations-in-part patent applications.”

4. **Section 1(g).** Section 1(g) of the Original Agreement is amended by changing the period at the end of said Section to a comma and adding thereafter the following: “and [\*]”
5. **Section 2(a).** The first sentence of Section 2(a) of the Original Agreement is amended and restated as follows:

“LIMR hereby grants to Company an exclusive, world-wide, royalty-bearing license (“**License**”) under the LIMR Technology and the Patent Rights for LIMR Technology described in Patent Applications [\*] and the Patent Rights to make, have made, use and/or sell the Licensed Product in the field of human and animal therapeutics and diagnostics (the “**Field**”).

The last sentence of Section 2(a) is also amended by changing the period at the end thereof to a comma and adding thereafter the following: “and [\*]”

6. **Section 7.** Section 7 of the Original Agreement is amended and restated in its entirety as follows:

“a. Initial Fee. Upon execution of this Agreement, which occurred as of July 7, 2005, NewLink shall pay to LIMR a License Initiation Fee of

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[\*], the receipt of which LIMR hereby acknowledges.

b. Annual Fee. NewLink shall pay LIMR an annual license fee on account of the Original Technology of [\*] which shall be due and payable on July 7 of each year during the term of this Agreement. NewLink shall also pay LIMR an annual license fee on account of the

Additional Technology of [\*] which shall be due and payable on May 22 of each year during the term of this Agreement and an annual license fee on account of the Subsequent Additional Technology of [\*] which shall be due and payable on each anniversary of the date of the Second Amendment to the License Agreement.”

7. **License Initiation Fee for Subsequent Additional Technology.** Upon execution of this Second Amendment by NewLink, NewLink shall pay to LIMR a license initiation fee of [\*].
8. **Entire Agreement.** The Original Agreement as amended by this Second Amendment shall constitute the entire agreement between the parties with respect to the subject matter hereof. Except as expressly amended hereby, the Original Agreement is hereby ratified and confirmed. In the event of a conflict between the terms of the Original Agreement and the terms of this Second Amendment, the terms of this Second Amendment shall prevail.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have caused this Amendment to be executed by their duly authorized representatives.

**Lankenau Institute for Medical Research**

By: /s/ Edward L. Jones, Jr.

Title: Chairman

Date: 9/18/07

**NewLink Genetics Corporation**

By: /s/ Nicholas Vahanian

Title: Chief Medical and Operations Officer

Date: 9/11/07

## EXCLUSIVE LICENSE AGREEMENT

**THIS EXCLUSIVE LICENSE AGREEMENT** (the "Agreement") is made and entered into by and between **LANKENAU INSTITUTE FOR MEDICAL RESEARCH** ("LIMR") and **NEWLINK GENETICS CORPORATION** ("NewLink") for the licensing of certain intellectual property rights to NewLink, effective on this            day of October, 2007 (the "Effective Date").

**WHEREAS**, LIMR owns certain technology and intellectual property rights developed by its employee(s) relating to inhibitors of Indoleamine 2, 3 Dioxygenase -2 ("IDO-2"), and

**WHEREAS**, LIMR has filed certain non-provisional patent applications covering such IDO-2 inhibitors and related inventions; and

**WHEREAS**, NewLink and LIMR intend to enter into a Collaborative Research and Development Agreement ("CRADA") covering further research to be conducted in cooperation with, and funded by, NewLink regarding inhibitors of IDO-2 (the "Sponsored Research"), to be conducted by Dr. George Prendergast at LIMR in collaboration with Dr. Michael William Malachowski in the Department of Chemistry at Bryn Mawr College (the "Investigators"), and LIMR shall provide NewLink with a copy of the term sheet on which LIMR's agreement with the Investigators will be based and a copy of the final agreement with the Investigators, subject to NewLink keeping such term sheet and final agreement confidential. ; and

**WHEREAS**, NewLink would like to obtain the exclusive, worldwide license rights from LIMR, and LIMR desires to grant such rights to NewLink, under such technology and intellectual property of LIMR, and under any improvements or derivatives thereof developed by LIMR, including resulting from the Sponsored Research, for the purpose of developing the technology into marketable therapeutic or diagnostic products;

**NOW, THEREFORE**, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Definitions.

- a. Affiliate(s). "Affiliate" means, with respect to NewLink, any individual, company or other business entity, in whatever country organized, that directly or indirectly controls, is controlled by, or is under common control with NewLink. For purposes of this Agreement, the term "control" (with correlative meanings for the terms "controlled by" and "under common with") shall mean that the applicable individual, company or entity owns, directly or indirectly, more than thirty-three percent (33%) of the voting stock or equity of NewLink, or otherwise has the ability to direct and manage the business affairs of NewLink (whether through contract or otherwise).
- b. Consideration. Subject to the other provisions of this Agreement, "Consideration" shall mean any and all revenues or payments in-kind received by NewLink or its Affiliates from a Sublicensee (as defined in Article 3) as consideration for the grant by NewLink of a sublicense under the rights granted to

NewLink by LIMR pursuant to Article 2(a) hereof, *but excluding* sums or amounts received: (i) for the purchase of an equity interest in NewLink (which for purposes of this Agreement shall be valued at fair market value at the time of receipt by NewLink); (ii) as payments or reimbursements for research and development work performed by or on behalf of NewLink (which reimbursement may be in the form of reasonable and typical FTE rates); (iii) for purchase or supply of Licensed Product; and (iv) as a loan, or as reimbursement of patent prosecution costs, or as payment of a share of amounts recovered in enforcing a patent or other intellectual property rights. Furthermore, if NewLink or an Affiliate receives from a Sublicensee payments or revenue, and such payments or revenue is in consideration both for the grant of a sublicense under the licenses granted to NewLink hereunder as well as for the grant of a license or sublicense to other technology controlled by NewLink but not acquired from LIMR under this Agreement, then the "Consideration", for purposes of this Agreement, shall be deemed to be such payments or revenue multiplied by a percentage that fairly represents, as reasonably determined and mutually agreed upon by the parties, the percentage contribution of the LIMR Technology and the Patent Rights to the total value of the rights licenses or sublicensed by NewLink or its Affiliate to such Sublicensee.

- c. Improvements. "Improvement" shall mean any improvement, modification, derivative, and/or enhancement of the LIMR Technology or the Patent Rights developed, acquired or otherwise controlled by LIMR at any time after the Effective Date.
- d. Licensed Product. "Licensed Product" shall mean any article, composition, apparatus, substance, chemical material, method, process or service whose manufacture, use, or sale is covered or claimed by a Valid Claim within the Patent Rights. For clarity, a "Licensed Product" shall not include other product or material that (a) is used in combination with Licensed Product, and (b) does not constitute an article, composition, apparatus, substance, chemical material, method, process or service whose manufacture, use, or sale is covered or claimed by a Valid Claim within the Patent Rights.
- e. LIMR Technology. "LIMR Technology" shall mean the technology and/or know-how owned or controlled by LIMR that specifically relates to the subject matter of the Patent Rights or is otherwise necessary or useful for the practice of the Patent Rights.
- f. Net Sales. "Net Sales" shall mean the gross consideration actually received or collected by NewLink and/or any Affiliate from the transfer, sale or other commercial distribution of any Licensed Product to a third party customer, less:
  - (1) revenue credited or rebated on returns and allowances, and bad debts;

- (2) discounts, in amounts customary in the trade and to the extent actually granted, for quantity purchases, for prompt payments and for wholesalers and distributors;
- (3) transportation, shipping, insurance and delivery charges or allowances;
- (4) customs, duties;
- (5) sales, use, excise, value-added and other taxes (other than the taxes on the income of the selling party or NewLink) or other governmental charges measured by sales;
- (6) governmental and managed care rebates or chargebacks to the extent actually incurred or allowed with respect to Licensed Product sold during the relevant time period to group purchasing organizations, hospitals, or other buying groups; and
- (7) retroactive price reductions that are actually allowed or granted.

Sales between or among NewLink and its Affiliates will be excluded from the computation of Net Sales, but the subsequent final sales of such Licensed Product to third parties by NewLink or its Affiliates will be included in the computation of Net Sales. In addition, transfers or dispositions of Licensed Products in commercially reasonable quantities for nominal consideration the use of which is restricted to either charitable, sampling or promotional purposes or for preclinical, clinical, manufacturing (without sale), scale-up, regulatory or governmental purposes shall not be considered a “sale” or “other commercial disposition” and shall not be included for purposes of calculating Net Sales under this Agreement. Sales of Licensed Products to Sublicensees shall be included in “Net Sales”, as are the royalty payments to NewLink (or its Affiliate) by Sublicensees on resale of such Licensed Product, the intent being that LIMR shall receive a royalty or other share or payment on any and all consideration received by NewLink or its Affiliates hereunder, unless expressly excluded in this Agreement.

If NewLink (or its Affiliate) sells a Licensed Product in combination with another active component or ingredient, which is not itself a Licensed Product (a “**Combination Product**”), for one selling price, then the “Net Sales of such Combination Product, for the purpose of determining the royalty owed, shall be the Net Sales resulting from such sale, as set forth above, multiplied by a factor that reflects the fair market value, in such Combination Product, of the Licensed Product therein, compared to the total market value of the Combination Product including its other active components or ingredients, such factor to be determined reasonably and in good faith by NewLink and LIMR.

- g. Patent Rights. “Patent Rights” shall mean (a) the patent applications identified on Exhibit A of this Agreement; (b) all patents and patent applications of LIMR

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covering or claiming any improvement, modification, derivative, and or enhancement of the LIMR Technology or of any of the patent applications or rights or foreign counterparts described in subclauses (a), (c), (d) or (e) of this definition; (c) all continuing patent applications (including divisional, substitution, continuations and continuations-in-part) based on any of the foregoing applications; (d) all rights and interest held, acquired or otherwise controlled by LIMR in and to any patents issuing on any of the foregoing applications (including any reexaminations, reissues, renewals, inventors certifications, and extensions thereof); and (e) all foreign counterparts worldwide of any such patent applications and patents.

- h. Research Aims. “Research Aims” shall have the meaning ascribed to such term in the CRADA, as summarized in Exhibit B of this Agreement.
- i. Successful Completion. “Successful Completion” of a particular clinical trial means that such trial has been completed on sufficient numbers of subjects to meet the regulatory requirements for proceeding to the next phase of clinical trials, the final report analyzing the data from such subjects in such trial has been completed, and the results of such data support initiating the next phase of clinical trials on the drug studied in such trial.
- j. Valid Claim. A “Valid Claim” means (i) a claim of an issued patent in the Patent Rights that (a) has not expired or been abandoned; (b) has not been disclaimed; (c) has not been canceled or superseded, or if cancelled or superseded, has not been reasserted; (d) has not been revoked, held invalid or otherwise declared unenforceable or not allowable by a tribunal or patent authority of competent jurisdiction over such claim in any country in which such patent may have issued (from which no further appeal has or may be taken); and/or (e) abandoned in accordance with or as permitted by the terms of this Agreement or by mutual written consent; or (ii) a claim included in a pending patent application under the Patent Rights, which claim is being actively prosecuted in accordance with this Agreement, has been subject to prosecution for protection for no more than five years and has not been canceled, withdrawn from consideration, finally determined to be unallowable by the applicable governmental authority in such country (and from which no appeal is or can be taken), and/or abandoned in accordance with or as permitted by the terms of this Agreement by mutual written consent.
- k. Future IDO Discoveries. “Future IDO Discoveries” means any new developments, inventions or discoveries created or developed by LIMR or its employees, agents, or subcontractors (such as by the Investigators) in connection with the Sponsored Research or otherwise that (a) relate directly to IDO-2 and/or inhibitors of IDO-2 and (b) are not covered or claimed by the Patent Rights and do not incorporate the LIMR Technology licensed under this Agreement. The discovery of [\*] be considered Future IDO Discoveries.

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- l. Milestones.
  - (1) Scientific Milestones. “Scientific Milestone” means the successful completion of a Research Aim.

(2) Development Milestones. “Development Milestones” shall have the meaning ascribed to such term in Section 10(b) of this Agreement.

2. Exclusive License.

- a. License Grant. Subject to the retained rights of LIMR and the government set forth in subsection 2(c) below, LIMR hereby grants to NewLink the exclusive, world-wide, royalty-bearing license, with the right to grant sublicenses, to use and practice the LIMR Technology and the Patent Rights in all fields and to make, have made, use, sell, offer for sale, and/or import Licensed Product in all fields (the “License”).

With respect to any Licensed Products covered by Patent Rights that have been discovered using Federal funding, NewLink and its sublicensees shall comply (to the extent applicable) with the requirements of the Bayh-Dole Act which require that “any products embodying the invention or produced through the use of the subject invention will be manufactured substantially in the United States.” (United States Code, Title 35, Part II, Chapter 18, Section 204), *except* if there is an exception to such requirement, and provided that LIMR shall use reasonable efforts, if reasonably requested by NewLink, to request and obtain an exception to such requirement.

- b. RAND Compounds. Pursuant to and subject to the terms of the [\*] Agreement between LIMR and [\*], the [\*] that are identified by an ongoing screen of the [\*] will be licensed to NewLink as Improvements.
- c. Retained Rights. Notwithstanding the foregoing, LIMR expressly reserves a non-exclusive, non-transferable, royalty-free right to use the Patent Rights and the LIMR Technology, including use by its staff and researchers, and affiliates for its internal non-commercial, educational and research purposes only, including without limitation the right of LIMR to publish its research, subject to the prior review by NewLink to the extent such publication would disclose confidential LIMR Technology licensed hereunder. LIMR shall temporarily refrain from publication for a reasonable period of time to accommodate any patent filings or other regulatory actions intended to protect any confidential LIMR Technology licensed hereunder, such period of time not to exceed

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the later of [\*] from (x) the date on which such confidential LIMR Technology was [\*] or (y) the date on which such confidential LIMR Technology was [\*]. Further, the licenses granted to NewLink in Section 2(a) are subject to certain rights reserved by the United States government pursuant to applicable law or regulation in any inventions in the Patent Rights made with federal funding pursuant to [\*].

3. Sublicenses. NewLink and its Affiliates shall have the right to grant sublicenses to third parties (each, a “Sublicensee”) under the LIMR Technology and Patent Rights (with the further rights to sublicense) for all purposes including to research, develop, make, have made, use and sell the Licensed Products. Such sublicenses shall be in writing and expressly subject to the terms of this Agreement, and shall not grant rights under the Patent Rights that exceed the scope of the rights expressly granted under this Agreement. Any such sublicense agreement that is materially inconsistent with this Agreement shall constitute a material breach of this Agreement by Company. NewLink agrees to require that its Sublicensees must not violate the terms of this Agreement, and that such Sublicensees shall do the same with respect to any further subsublicenses, and NewLink shall use commercially reasonable efforts to enforce such obligations for the benefit of LIMR. At LIMR’s request, NewLink will provide LIMR with a copy of each sublicense and subsublicense in order to allow LIMR to review such sublicenses and subsublicenses to assure consistency with this Agreement (which copy may be redacted to delete any confidential information that does not relate to the Patent Rights or LIMR Technology or the sublicense of rights thereunder). If LIMR performs such a review on any sublicense or subsublicense agreement, those agreements reviewed by LIMR, not including any subsequent amendments or changes to the agreements, shall be deemed to conform to this Agreement unless LIMR has raised an objection to one or more of such sublicense or subsublicense agreements. Upon termination of this Agreement in compliance with the notice and other provisions of this Agreement, and subject to Section 4(e) below, any such sublicenses between NewLink and its sublicensees will remain in effect and be assigned directly to LIMR, which shall have the right to cancel any such sublicense if such sublicensee is not then in compliance with the terms of its sublicense and the applicable terms of this Agreement. Notwithstanding the foregoing, LIMR shall not be responsible for any obligation of NewLink under any such agreement which obligation accrued prior to the date of such assignment and if there is any such unperformed obligation which is ongoing or which affects the obligations of the subsublicensee or its ability to perform, LIMR may elect to cancel such sublicense agreement, without liability, upon written notice to such subsublicensee. Upon such a cancellation, the subsublicensee may sell all Licensed Products in its inventory and [complete Licensed Products in the process of manufacture at the time of such termination and sell the same, provided it is not in default under its subsublicense agreement and further provided it pays to LIMR all payments required to be paid to the sublicensor thereunder and provides one or more accountings of all such sales to LIMR (i) within thirty (30) days of LIMR’s

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request therefore and (ii) within thirty days after the last such sale, such accountings to be certified as true, complete and correct by such sublicensee’s chief financial officer.

4. Term and Termination. The term of this Agreement shall commence as of the Effective Date and shall stay in effect until the last to expire issued Valid Claim covering Licensed Products included in the Patent Rights, unless otherwise terminated earlier as provided below in this Article 4 (collectively, the “Term”).

- a. If LIMR believes in good faith that NewLink has materially breached its obligations under Section 10(a), then LIMR shall, in accordance with the terms of this paragraph 4, have the right and option to reduce NewLink’s exclusive License to a nonexclusive license or revoke the License in its entirety (by terminating the Agreement), provided that prior to taking this action:

- (1) LIMR shall provide NewLink written notice of the perceived breach, describing in detail the basis for LEVIR’s belief that such perceived breach has occurred, describing the preferred method of cure and the proposed action to be taken by LIMR in the event of non-cure; and

(2) NewLink shall have ninety (90) days to establish that it has met or will, within such ninety (90) day period, meet the applicable obligations; if the parties are still in dispute as to whether NewLink has met such obligations or cured such breach within ninety (90) days after receipt of notice from LIMR, the dispute will be submitted to binding arbitration in accordance with Section 26(b) of this Agreement, and if such arbitration determines that NewLink materially breached its obligations under Section 10(a) and did not cure such breach, then LIMR shall have the option to terminate this Agreement or to convert the License granted to NewLink in Section 2(a) to a non-exclusive license, in each case, upon prior written notice to NewLink.

b. LIMR may terminate this Agreement immediately by providing NewLink written notice of termination, if:

- (1) NewLink ceases to function as a going concern;
- (2) a bankruptcy petition or action is filed or taken by or against NewLink under any United States bankruptcy law;
- (3) a receiver, assignee or other liquidating officer is appointed with control for all or substantially all of the assets of NewLink; or
- (4) NewLink makes an assignment for the benefit of creditors of all or substantially all its assets;

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provided, that, in the case of subclauses (b)(2), (3) or (4) above, such aforementioned circumstance is not remedied, dismissed or stayed within sixty (60) days of LIMR's notice of its intent to terminate this Agreement;

Notwithstanding anything in Sections 4(a) or (b) or 26 to the contrary, at any time that LIMR or NewLink believes that the other party has defaulted under this Agreement and that such default will irreparably harm such party, in addition to its rights under this Agreement and at law, such party shall have the right to seek all applicable equitable remedies.

- c. If NewLink fails to make any payment whatsoever due and payable to LIMR hereunder, LIMR shall have the right to terminate this Agreement effective on thirty (30) days written notice, unless NewLink shall make all such payments to LIMR within said thirty (30) day period, and provided that the payments demanded by LIMR are not disputed by NewLink. In the event of a dispute of such payments by NewLink, the parties shall use good faith efforts to resolve the dispute, which if not resolved by the end of 90 days either party may submit the dispute to binding arbitration pursuant to Section 26(b). Any disputed payments submitted to arbitration hereunder shall not be deemed due and payable unless and until determined due by the arbitrator under Section 26(b).
- d. NewLink shall have the right to terminate this Agreement at any time on 90 days' prior written notice to LIMR, provided that NewLink shall remain obligated to complete payment of all amounts that have accrued and are owed to LIMR through the effective date of the termination. In the event NewLink terminates the Agreement, the license granted hereunder shall be deemed terminated, and all rights with respect to the subject matter thereof revert to LIMR and all further obligations of NewLink to LIMR (except for obligations accrued prior to such termination) shall automatically be terminated.
- e. Upon expiration or termination of this Agreement for any reason, nothing herein shall be construed to release either party from any obligation that has accrued prior to the effective date of such termination. NewLink and any Sublicensee thereof may, however, after the effective date of such termination, sell all Licensed Products, and complete Licensed Products in the process of manufacture at the time of such termination and sell the same, provided that NewLink shall make the payments to LIMR as required by Articles 8 & 9 of this Agreement and shall submit the reports as required by Article 12 hereof.
- f. Sections 4(e), 4(f), 8(b) (but solely with respect to sales made pursuant to Section 4(e)), 16 (solely for the period specified therein), 14, 15, 21, 22, 23, 24 and 26 shall survive termination or expiration of this Agreement.

5. Ownership. LIMR represents and warrants to NewLink that LIMR owns the rights to the LIMR Technology and the Patent Rights and has the right to license the LIMR

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Technology and the Patent Rights to NewLink, subject to the rights retained by the United States government and LIMR as described in Section 2(c).

6. Patent Prosecution. Commencing on the Effective Date, NewLink shall have the right and responsibility, at its expense and in its reasonable discretion, for the preparation, filing, prosecution and maintenance of any patent applications and patents included in the Patent Rights, in consultation with LIMR. NewLink shall provide LIMR the right to review and comment upon such patent applications prior to filing, and on all communications with patent offices in all applicable countries and jurisdictions, the selection of countries for filing of patent applications, responses to office actions, and other substantive patent documents prior to filing and the right to have such documents revised prior to filing to reflect such comments. Promptly after the Effective Date, LIMR will transfer to NewLink (or its selected counsel) all patent prosecution files for the Patent Rights, shall provide to NewLink such executed documents or instruments as needed for NewLink to undertake such prosecution efforts, and shall provide NewLink all reasonable assistance in such prosecution. NewLink shall reimburse LIMR for the reasonable out-of-pocket costs, based on detailed invoices of such costs, actually incurred in conducting such prosecution and maintenance of the Patent Rights prior to the Effective Date, not to exceed \$17,000; provided that LIMR has provided NewLink with an invoice for such costs together with appropriate documentation outlining the costs incurred. LIMR shall provide NewLink with all information necessary or useful its filings and prosecution of such Patent Rights and shall cooperate fully with NewLink so as to maximize NewLink's rights. NewLink shall not abandon or opt not to file any patent or patent application included in the Patent Rights without the prior notice to LIMR. NewLink may elect in writing to cease the continued prosecution or maintenance of particular Patent Right in a country, and on such notice NewLink shall no longer have any further rights or responsibility for the such prosecution or maintenance, or obligation to pay any amounts therefore, or any further rights under such specific Patent Right in such country, and LIMR may in its discretion continue such prosecution Any such notice shall be given by NewLink to LIMR in sufficient time to enable LIMR an adequate time period

to protect its rights, but in no case less than three (3) months prior the filing deadline imposed or promulgated by any governing or regulatory authority for filing any such protective document.

7. License Fee.

- a. Initial Fee. Upon the Effective Date, NewLink shall pay LIMR an initial one-time fee of [\*].
- b. Annual Fee. NewLink shall pay LIMR an annual license maintenance fee of [\*] due on or before each anniversary of the Effective Date during the Term.

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8. Royalty; Sublicense Payments.

- a. NewLink shall pay LIMR a royalty in an amount equal to [\*] of the Net Sales of the Licensed Products in [\*] where the [\*], unless additional royalties must be paid by NewLink for another technology to allow use of Licensed Products as provided in subsection (b) below. Royalties payable under this Section 7(a) shall be payable during the Term on a country-by-country basis.
- b. In the event one or more additional technologies (including any patents related thereto) must be licensed (e.g. formulation, cross linking) by NewLink, its Affiliates, and/or Sublicensees from any third party to develop, make, use, import, sell, offer for sale, or import a Licensed Product in any country, NewLink shall be entitled to [\*] royalties otherwise due to LIMR hereunder an amount [\*]; provided, however, that in no event shall NewLink pay LIMR a royalty of less than [\*] of Net Sales.
- c. If NewLink grants a sublicense, under the License rights granted under this Agreement to NewLink, to a Sublicensee pursuant to Article 3 hereof, NewLink shall pay LIMR [\*] of any Consideration received by NewLink from such Sublicensee, for each such sublicense during the Term.
- d. No more than one royalty payment shall be due with respect to a sale of a particular Licensed Product. No multiple royalties shall be payable because any Licensed Product, or its manufacture, sale or use is covered by more than one Valid Claim in a given country.

9. Payment of Royalties. Royalties and sublicense payments shall be payable by NewLink quarterly in U.S. dollars within forty-five (45) days of the end of the calendar quarter. NewLink shall render quarterly reports to LIMR on or before the last day of April, July, October, and January, as applicable, showing the amount of Net Sales received by NewLink during the most recently concluded fiscal quarter and the appropriate royalties and sublicense payments due to LIMR certified by NewLink's chief financial officer (or comparable financial officer) as true, correct and complete. Each such report shall be accompanied by payment of the royalties and/or sublicense payments due for such fiscal quarter. After the first commercial sale of any Licensed Product pursuant to this Agreement, and upon LIMR's request and at its expense, NewLink shall provide LIMR with copies of NewLink's then-existing standard audited financial statements covering the royalties and sublicense payments due under this Agreement within thirty (30) days of LIMR's request. NewLink shall pay estimated royalties payments quarterly with an annual reconciliation and of all payments performed within 30 days of receipt of audited numbers. For the purpose of determining royalties payable under this Agreement, any Consideration NewLink receives from Sublicensees in currencies other than U.S. dollars and any Net Sales denominated in currencies other than U.S. dollars shall be converted into U.S. dollars at the same conversion rate that NewLink actually receives on such conversion at the time of the transaction in question which gave rise the Consideration.

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10. Diligence; Milestones and Associated Payments.

- a. Diligence. NewLink has represented to LIMR, to induce LIMR to issue this exclusive license, that it will commit itself to a diligent program of developing and exploiting Licensed Product(s) so that public utilization will result there from. As part of the consideration for the exclusive license granted to NewLink hereunder, NewLink has agreed to use commercially reasonable efforts to develop and exploit Licensed Product.

It is understood and agreed by the parties that the actions by any Affiliate or Sublicensee may satisfy the above obligations.

- b. Milestone Payments to LIMR.
  - (1) Upon achievement of each [\*], NewLink will pay to LIMR a one-time payment of [\*], for a maximum total payment of [\*] for achievement of all [\*].
  - (2) NewLink will pay to LIMR [\*] for the [\*] a Licensed Product; [\*] for the [\*] a Licensed Product; [\*] for the [\*] a Licensed Product; and [\*] for the [\*] a Licensed Product (the "Development Milestones"). For clarity, each Development Milestone shall be payable only once under this Agreement.
- c. Limitation on Payments for Dual Activity Products. NewLink and LIMR acknowledge that, due to the nature of IDO inhibitors, a particular Licensed Product may have activity in inhibiting both the IDO-2 target and also IDO-1 (such product, a "Dual Activity Product"). For any Dual Activity Product that is covered by the payment obligations under this Agreement, and **also** is subject to payment obligations (milestone payments and/or royalty payments) under the Exclusive License Agreement dated July 7, 2005 between the Parties, covering IDO-1 inhibitors (the "Prior License"), NewLink shall **not** owe payments under both agreements due to the achievement of the milestone event by, or sale of, such Dual Activity Product, **but rather** shall owe to LIMR the higher of the applicable milestone payment, or royalty payment, owed for such Dual Activity Product under the terms of either the Agreement and the Prior License (based on the particular event or sale). The foregoing shall apply to all obligations under the Prior Agreement with respect to any product covered by such agreement that is a Dual Activity Product.

For the purposes of determining which licensing agreement — either this Agreement or the Prior License (as defined above) — will govern and regulate a particular inhibitor compound, each such compound will be classified either as an IDO1-specific inhibitor, an IDO2-specific inhibitor or a Dual Activity Product (an IDO1/IDO2 dual inhibitor) based [\*\*\*]. A compound will be considered a Dual Activity Product when the [\*\*\*] and the [\*\*\*] are [\*\*\*]. If the [\*\*\*], then the [\*\*\*] will determine whether the compound is an IDO1-specific inhibitor or an IDO-2 specific inhibitor.

11. CRADA. Concurrently with entry into this Agreement, the parties agree to the obligations set forth in Exhibit B, which is hereby made a part hereof of this Agreement, pursuant to which NewLink will provide certain funding to LIMR in support of the Sponsored Research to be conducted by the Investigators. Under such CRADA, NewLink may renew the Sponsored Research (NewLink shall base its election upon the research results and other potential corporate limitations) for additional years at an annual budget to be based on scientific needs and approved by NewLink; [\*\*\*] described in Exhibit B, in consideration for such funding LIMR agrees to [\*\*\*] for Future IDO Discoveries as provided in Section 13 (b). The decision to renew the CRADA for additional years shall be made at least three months prior to the expiration date of the CRADA and shall be based on a progress report submitted by LIMR to NewLink.
12. Reports and Accounting. NewLink shall provide to LIMR no less than once a year during the Term a written report regarding NewLink's product development, royalty and sublicense payment (i.e., receipt of Consideration) information with respect to Licensed Products and milestone status. The report shall be certified by an officer of NewLink as true, correct and complete. This report is in addition to the reports required under Section 9 hereof.
13. Exclusive Option to Future IDO Discoveries.
  - a. LIMR hereby grants NewLink the exclusive option to obtain an exclusive, worldwide, sublicensable license under LIMR's interests in and to any or all Future IDO Discoveries (including any patent rights or other intellectual property covering or appurtenant to such Future IDO Discoveries) for any and all purposes, including to develop, make, have made, use, sell, offer for sale, and import products. LIMR shall promptly disclose in writing to NewLink (or its designees) any Future IDO Discovery made or identified, including all relevant information relating to the Future IDO Discovery as reasonably needed for NewLink to evaluate whether to exercise the option. NewLink shall indicate its intention to exercise such option by notifying LIMR in writing within six (6) months after the disclosure of such Future IDO Discovery to NewLink hereunder (such period, the "Option Period" as to such Future IDO Discovery).

- b. If NewLink exercises such option for a particular Future IDO Discovery disclosed by LIMR pursuant to Section 13(a) above, the parties will negotiate exclusively and in good faith the specific terms and conditions on which an exclusive (or if elected by NewLink, non-exclusive) license will be granted. Such license shall be on commercially reasonable terms typical for similar license agreements; provided, however, that should NewLink elect to renew the CRADA for additional years of funding [\*\*\*], LIMR [\*\*\*] of any Future IDO Discovery. The [\*\*\*] reduce the requirement of the payment of [\*\*\*] as consideration for such license(s) (provided that, to the extent appropriate in a determination of [\*\*\*], NewLink's funding under the CRADA shall be taken into account in determining what is such [\*\*\*]). The annual fees, royalties, and sublicensing fees associated with such license shall be based upon and be equivalent to the [\*\*\*] of the underlying Future IDO Discovery, and any other reasonable terms and conditions, in each case, shall be negotiated by the parties in good faith. If the parties are unable, despite each party using good faith efforts, to agree upon the terms of such license within six (6) months following the date the option is exercised by NewLink with respect to a particular Future IDO Discovery, then the option as to Future IDO Discovery shall expire; provided, however, that in no event may LIMR enter into a license or other similar agreement with any third party with respect to such Future IDO Discovery on terms more favorable to such third party than those last offered to NewLink during the twenty-four (24) months immediately following such option expiration, unless LIMR has first offered to NewLink the right to obtain such license on such terms, and NewLink fails to accept such terms within thirty (30) days after receiving LIMR's offer.
14. Indemnity. NewLink shall defend and indemnify and hold LIMR, its parent corporations, affiliates, trustees, officers, agents and employees (the "Indemnitees") harmless from any judgments and other liabilities based upon claims or causes of action brought by a third party against any Indemnitee which arise out of alleged negligence in the development, manufacture or sale of Licensed Products by NewLink, its Affiliates or any Sublicensees, or from the use by the end users of Licensed Products, except to the extent that such judgments or liabilities arise in whole or in part from the gross negligence or willful misconduct of LIMR or its employees, provided that LIMR promptly notifies NewLink of any such claim coming to its attention and that it cooperates with NewLink in the defense of such claim. If any such claims or causes of action are made, NewLink counsel, the identity of whom LIMR does not have a reasonable objection, shall defend LIMR. If LIMR has a reasonable objection to the counsel selected by NewLink, LIMR and NewLink shall cooperate with each other reasonably and in good faith so that NewLink can engage legal counsel to whom LIMR does not have reasonable objection. LIMR reserves the right to be represented by its own counsel at its own expense.
15. Limitations of Liability. EXCEPT FOR THE INDEMNIFICATION OBLIGATIONS ABOVE, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR

ANY INCIDENTAL, INDIRECT, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING LOST REVENUES OR LOST PROFITS, WHETHER BASED ON A CLAIM OR ACTION OF CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE ARISING OUT OF THIS AGREEMENT, AND REGARDLESS OF WHETHER SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH HEREIN, NEWLINK'S TOTAL LIABILITY UNDER THIS AGREEMENT SHALL BE LIMITED TO THE [\*\*\*].

16. **Insurance.** At such time as NewLink, its Affiliates, or Sublicensees, initiates or otherwise enters into clinical trials of any Licensed Product or commercially distributes or sells Licensed Products (other than for the purpose of obtaining regulatory approvals), NewLink shall at its sole cost and expense, procure and maintain comprehensive general liability insurance in amounts not less than \$3,000,000 per incident and naming the Indemnitees (defined in Section 13(a) above) as additional insureds. LIMR may require such minimum requirements to be increased from time to time if the minimum amounts of such insurance carried by prudent companies in the general size of NewLink and in similar industries as NewLink is higher, so that NewLink will at all times carry commercially reasonable amounts of insurance. Such comprehensive general liability insurance shall provide (i) product liability coverage and (ii) broad form contractual liability coverage for NewLink's indemnification under this Agreement. If NewLink elects to self-insure all or part of the limits described above (including deductibles or retentions, which are in excess of \$250,000 annual aggregate) such self-insurance program must be acceptable to LIMR and Main Line Health Vice President Insurance in their sole and absolute discretion. Such insurance will be considered primary as to any other valid and collectible insurance, but only as to acts of the named insured. The minimum amounts of insurance coverage required shall not be construed to create a limit of NewLink's liability with respect to its indemnification and other obligations under this Agreement. NewLink shall provide LIMR with written evidence of such insurance promptly upon written request of LIMR. NewLink shall use commercially reasonable efforts to provide LIMR with written notice at least fifteen (15) days prior to the cancellation, non-renewal or material change in such insurance. If NewLink does not obtain replacement insurance providing comparable coverage within sixty (60) days following the date of such cancellation, non-renewal or material change, LIMR shall have the right to terminate this Agreement effective at the end of such sixty (60) day period without notice or any additional waiting periods. NewLink shall maintain such comprehensive general liability insurance beyond the expiration or termination of this Agreement during (i) the period that any Licensed Product is being clinically tested, commercially distributed or sold by NewLink (or an agent on its behalf) or by a sublicensee, Affiliate and (ii) a reasonable period after the period referred to in (i) above which in no event shall be less than five (5) years.

17. **Mutual Confidentiality.** NewLink and LIMR realize that certain confidential or proprietary information disclosed by one party (the "disclosing party") to the other party (the "receiving party") pursuant to this Agreement ("Confidential Information" of the

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disclosing party) shall be treated as confidential. For purposes of this Agreement, the term "Confidential Information" of a party means any of the following:

- a. all information concerning the business or affairs of either party or its affiliates, including without limitation, all information relating to the LIMR Technology or to NewLink technology, the Patent Rights, the Licensed Product, the Future IDO Discoveries, and/or any and all existing and potential research parameters, program requirements, strategies, products, technology, know-how, information, data, processes, systems, inventions, developments, formulations, applications, and methods of rendition of services relating to any of the foregoing;
- b. all information received from third parties and held in confidence by either party or its affiliates, or
- c. all information pertaining to the proposed business relationship(s) and/or transactions(s) between the parties, including without limitation, the terms thereof (except that LIMR may disclose the terms of this Agreement to Bryn Mawr College or Professor Bill Malachowski or to their legal counsel to the extent LIMR deems such disclosure necessary or appropriate in connection with negotiating with them agreements related to this Agreement or to the Sponsored Research.

The Confidential Information of the disclosing party shall not be disclosed by the receiving party to any third party and shall not be used by the receiving party for purposes other than those contemplated by this Agreement without the prior written consent of the disclosing party. Any Confidential Information exchanged by the parties under this Agreement shall remain subject to such confidentiality and non-use obligations for a period of five (5) years from the termination or expiration of the Agreement. The confidentiality and non-use obligations under this Article 17 shall not apply to any information that:

- a. Is or which later becomes publicly known through no fault of the receiving party, or
- b. Is already in the receiving party's possession prior to the disclosure by the disclosing party to the receiving party as indicated in the receiving party's competent written records, or
- c. Is subsequently disclosed to the receiving party, by a third party not under any obligation of confidentiality to the disclosing party, or
- d. Is independently developed by the receiving party without use of the Confidential Information of disclosing party or any other information from the disclosing party that is protected by any other confidentiality obligations.

In addition, the receiving party may disclose specific Confidential Information of the other party to the extent such disclosure is required to be disclosed by court order or governmental law, rule or regulation, provided that the receiving party first gives the disclosing party prompt written

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notice of any such requirement and cooperates with the disclosing party in attempting to limit or seek confidential treatment with respect to such disclosure of such Confidential Information.

The provisions of this Section 17 are subject to the publication rights of LIMR as described in Section 2(c) hereof.

18. **Disclaimer.** Except as expressly set forth in Section 5 hereof, nothing contained in this Agreement shall be construed as:

- a. a warranty or representation by LIMR as to the validity or scope of any Patent Rights;
- b. a warranty or representation that any Licensed Products manufactured, used or sold will be free from infringement of patents, copyrights, or third parties, except that LIMR represents that it has no knowledge of any existing issued patents or copyrights which might be infringed;

19. Third party Infringement.

- a. Each party shall promptly notify the other party in writing of any alleged or actual infringement of the Patent Rights of which it becomes aware and which may adversely impact the rights of either party hereunder.
- b. NewLink shall have the first right but not the obligation, at its expense, to bring an appropriate action against any person or entity directly or contributorily infringing the Patent Rights. LIMR shall cooperate reasonably with NewLink in such action, including by consenting to be named as a party to such action and furnishing a power of attorney upon request. Except as otherwise set forth in this Agreement, NewLink shall have sole control of the action brought by it; provided, however, that LIMR shall have the right to participate in such action against a third party infringer through counsel of its own choice and at its own expense.
- c. In the event NewLink institutes legal action against an infringer hereunder, LIMR shall fully cooperate with and supply all assistance reasonably requested by NewLink,

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including, without limitation, by using commercially reasonable efforts to have its employees testify and grant interviews when requested and to make available relevant records, papers, information, samples, specimens, and similar items upon request of NewLink LIMR shall render such cooperation at its own cost and expense ("LIMR's Costs"). NewLink shall keep LIMR reasonably informed of the progress of such action, and LIMR shall be entitled to be represented by counsel in connection with such action at its own expense.

- d. NewLink shall bear the costs of all reasonable and customary expenses for such action (including attorneys' fees and expert fees). Any amounts paid to NewLink by third parties as a result of such action (in satisfaction of a judgment or pursuant to a settlement recovery) shall first be applied to the payment of NewLink's out-of-pocket expenses (including attorneys' fees and expert fees), second to LIMR's Costs, third to LIMR's other out-of-pocket expenses in connection with the matter (including attorneys' fees and experts fees), and then the balance of any such amounts [\*]. NewLink shall have the right to settle any claims, but provided that if such settlement materially negatively affects LIMR's interests such settlement shall be only upon terms and conditions that are reasonably acceptable to LIMR, such reasonable acceptance to be confirmed by LIMR in writing prior to NewLink's agreement to such settlement.
- e. If NewLink elects to abandon such an action other than pursuant to a settlement with the alleged infringer that is reasonably acceptable to LIMR, NewLink shall give timely notice to LIMR who, if it so desires, may continue the action; provided, however, that the sharing of expenses and any recovery in such suit shall be [\*]. Any such notice shall be given by NewLink to LIMR in sufficient advance of the expiration of the applicable statute of limitations to enable LIMR an adequate time period to protect its rights, but in no case less than twelve (12) months prior to the expiration of such statute of limitations.

20. Technical Assistance. Throughout the term of the Agreement, LIMR agrees to permit NewLink and its designees to consult with its employees and agents regarding any Improvements or Future IDO Inventions made after the Effective Date relating to the Licensed Products, at such times and places as may be mutually agreed upon; provided that NewLink agrees to limit such consultation to five (5) employee-investigator hours per week and make suitable arrangements directly with LIMR employees and agents and to compensate for such consultation at LIMR's then-current rates as communicated to NewLink.

21. Name. NewLink shall not use and shall not permit to be used by any other person or entity the name or logo of LIMR nor any adaptation thereof, or the name of LIMR's employees, in any advertising, promotional or sales literature, or for any other purpose without prior written permission of LIMR, except as required by governmental authority or applicable law, and provided that the foregoing shall not prevent NewLink from disclosing to third parties the existence of this Agreement including the CRADA obligations.

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22. Governing Law. This Agreement shall be construed, governed, interpreted and enforced according to the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

23. Notices. Any notice or communication required or permitted to be given by either party hereunder, shall be deemed sufficiently given, if mailed by certified mail, return receipt requested, and addressed to the party to whom notice is given as follows:

If to LIMR:

J. Todd Abrams, Ph.D. Director of Philanthropy and Business Development  
Lankenau Institute for Medical Research  
100 E. Lancaster Avenue  
Wynnewood, PA 19096

With a Copy to:

Office of the General Counsel  
Main Line Health  
Bryn Mawr Hospital Legal Department, 1<sup>st</sup> floor, D Wing  
130 So. Bryn Mawr Avenue  
Bryn Mawr, PA 19010  
Attention: Senior Vice President and General Counsel

If to NewLink:

Dr. Nick Vahanian  
Chief Medical and Operations Officer  
2901 South Loop Drive  
Suite 3900  
Ames, Iowa 50010

24. Assignment. This Agreement shall inure to the benefit of and be binding on the parties' permitted assigns and successors in interest. Except as provided in this Section 24, neither party shall assign or transfer this Agreement without the express prior written consent of the other, such consent not to be unreasonably withheld. Notwithstanding the foregoing, an assignment of this Agreement by NewLink in connection with the transfer of all or substantially all of its assets or equity, or by reason of acquisition, merger, consolidation or operation of law shall not require LIMR's consent.
25. Entire Agreement. This Agreement, together with any exhibits attached hereto, represents the entire agreement between the parties with respect to the subject matter hereof, and may only be subsequently altered or modified by an instrument in writing. This Agreement cancels and supersedes any and all prior oral or written agreements between the parties that relate to the subject matter of this Agreement.

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26. Mediation and Arbitration.
- a. Except as otherwise expressly provided herein, both parties agree that they shall use good faith, reasonable efforts to attempt to resolve any dispute arising from this Agreement, or the breach thereof, through mediation before proceeding to arbitration proceedings as set forth below. Both parties agree that at least one employee (with respect to NewLink an authorized executive officer of NewLink) who is authorized and capable of negotiating an agreement on behalf of such party, shall, within three (3) weeks of receipt of written notification of a dispute, meet with at least one employee (an executive officer in the case of NewLink) of the other party who is also authorized and capable of negotiating an agreement on behalf of such party. If no agreement can be reached, both parties agree to meet again within a four (4) week period after the initial meeting to negotiate in good faith to resolve the dispute.
- b. If no agreement can be reached after this second meeting or if otherwise expressly provided herein, both parties agree to submit the dispute to binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association ("AAA") before a panel of three (3) independent arbitrators each having at least ten (10) years experience in the biomedical licensing area. The identity of the arbitrators shall be mutually agreed upon by the parties, provided, however, that if they are unable to agree on such arbitrators within ten (10) business days after the earlier of (i) the AAA providing them with a list of potential qualified arbitrators or (ii) the delivery of a list of at least ten potential qualified arbitrators by one party to the other party, then AAA shall select the arbitrators from the relevant list. Discovery shall be permitted as set forth in the Federal Rules of Civil Procedure with respect to the performance by the parties of their obligations under this Agreement and such other matters as the arbitrators may determine Judgment upon an award rendered by the arbitrator may be entered in any court having jurisdiction thereof.
27. Waiver. A failure by one of the parties to this Agreement to assert its rights for or upon any breach or default of this Agreement shall not be deemed a waiver of such rights nor shall any such waiver be implied from acceptance of any payment. No such failure or waiver in writing by any one of the parties hereto with respect to any rights, shall extend to or affect any subsequent breach or impair any right consequent thereon.
28. Severability. The parties agree that it is the intention of neither party to violate any public policy, statutory or common laws, and governmental or supranational regulations; that if any sentence, paragraph, clause or combination of the same is in violation of any applicable law or regulation, or is unenforceable or void for any reason whatsoever, such sentence, paragraph, clause or combinations of the same shall be inoperative and the remainder of the Agreement shall remain binding upon the parties.
29. Force Majeure. Neither party shall lose any rights under this Agreement or be liable to the other party for damages or losses on account of failure of performance by the defaulting party if the failure is occasioned by war, strike, fire, act of God, earthquake, flood, explosions, sabotage, strikes or labor disputes, lockout, riots, invasions, acts of war, embargo, governmental acts or orders or restrictions, disruptions of supplies of adequate raw materials, terrorist attacks, or any other reason where failure to perform is

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beyond the reasonable control and not caused by the negligence or intentional conduct or misconduct of the nonperforming party, and such party has exerted all reasonable efforts to avoid or remedy such force majeure; provided, however, that in no event shall a party be required to settle any labor dispute or disturbance.

30. Marking. NewLink agrees to mark the Licensed Products covered by the Patent Rights in the United States with all applicable U.S. Patent numbers. NewLink agrees to mark the Licensed Products covered by the Patent Rights in other countries with all applicable patent numbers issued by such other countries to the extent required by applicable laws in order to preserve patent rights.
31. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not constitute a part hereof.

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IN WITNESS WHEREOF, the parties have signed this Agreement on and as of the Effective Date.

**LANKENAU INSTITUTE FOR MEDICAL RESEARCH**

**NEWLINK GENETICS CORPORATION**

By: /s/Edward Jones., Jr.

Name: /s/ Nicholas N. Vahanian

Title: Chairman

Title: Chief Operations Officer

Date: 12/11/07

Date: 12/21/07

**Exhibit A**

**Patent Rights**

[\*]

**Exhibit B**

**CRADA**

NewLink Genetics Corporation will provide financial support to fund research at Lankenau Institute for Medical Research (LIMR) for one year (“Initial Year”) with an option for future one-year renewals based on need and progress. The Initial Year shall begin on October 1, 2007 and end on May 31, 2008. All subsequent years for purposes of these financial support obligations shall begin on June 1 of the applicable year and end on May 31 of the following calendar year. The support funds will be committed towards personnel and consumable expenses that are directly related to this research project.

**Project Scope:** The first part of the project will involve study/ analysis of [\*] and [\*]. The second part of this project involves [\*] and [\*] through an established collaboration of LIMR with William Malachowski and his colleagues in the Department of Chemistry at Bryn Mawr College. Further aim of this project is to evaluate [\*] from [\*], from [\*], or from other [\*], during the term of this proposal.

**Research Aims:** Are as summarized below

**Scientific Milestones proven by:**

[\*]

**Year 1 Budget:** Support for [\*] personnel, [\*] is included in this project. Supply costs will be estimated at [\*] annually.

Scientific Personnel Costs [\*]

[\*]

Supply costs [\*]

**Total Potential Project Reward** [\*]

The amounts set forth above for Year 1 shall be paid within sixty (60) days after the execution and delivery of this Agreement.

Any amounts due with respect to CRADA funding for Year 2 and years subsequent to that shall be paid quarterly in advance.

## EXCLUSIVE LICENSE AGREEMENT

**THIS EXCLUSIVE LICENSE AGREEMENT** (the “Agreement”) is made and entered into by and between **LANKENAU INSTITUTE FOR MEDICAL RESEARCH** (“LIMR”) and **NEWLINK GENETICS CORPORATION** (“NewLink”) for the licensing of certain intellectual property rights to NewLink, effective on this 23 day of April, 2009 (the “Effective Date”).

**WHEREAS**, LIMR owns certain technology and intellectual property rights developed by Dr. George Prendergast at LIMR relating to [\*] inhibitors of Indoleamine 2, 3 Dioxygenase (“IDO”), and

**WHEREAS**, LIMR filed U.S. provisional patent application no. [\*] covering such IDO inhibitors and related inventions as of [\*]; and

**WHEREAS**, NewLink and LIMR have conducted further collaborative research on such IDO inhibitors and intend to [\*]; and

**WHEREAS**, NewLink would like to obtain the exclusive, worldwide license rights from LIMR, , [\*] and LIMR desires to grant such rights to NewLink, under LIMR’s interest in such technology and intellectual property, and in any improvements or derivatives thereof developed by LIMR or jointly by LIMR and NewLink, for the purpose of developing the technology into marketable therapeutic or diagnostic products.

**NOW, THEREFORE**, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Definitions.

- a. Affiliate(s). “Affiliate” means, with respect to NewLink, any individual, company or other business entity, in whatever country organized, that directly or indirectly controls, is controlled by, or is under common control with NewLink. For purposes of this Agreement, the term “control” (with correlative meanings for the terms “controlled by” and “under common with”) shall mean that the applicable individual, company or entity owns, directly or indirectly, more than thirty-three percent (33%) of the voting stock or equity of NewLink, or otherwise has the ability to direct and manage the business affairs of NewLink (whether through contract or otherwise).
- b. Consideration. Subject to the other provisions of this Agreement, “Consideration” shall mean any and all revenues or payments in-kind received by NewLink or its Affiliates from a Sublicensee (as defined in Article 3) as consideration for the grant by NewLink of a sublicense under the rights granted to NewLink by LIMR pursuant to Article 2(a) hereof, *but excluding* sums or amounts received: (i) for the purchase of an equity interest in NewLink (which for purposes of this Agreement shall be valued at fair market value at the time of receipt by NewLink); (ii) as fair market value payments or reimbursements for

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research and development work performed by or on behalf of NewLink (which reimbursement may be in the form of reasonable and typical FTE rates); (iii) for purchase or supply of Licensed Product; and (iv) as a loan, or as reimbursement of patent prosecution costs, or as payment of a share of amounts recovered in enforcing a patent or other intellectual property rights. Furthermore, if NewLink or an Affiliate receives from a Sublicensee payments or revenue or other consideration, and such payments or revenue or other consideration is in consideration both for the grant of a sublicense under the Licenses granted to NewLink hereunder as well as for the grant of a license or sublicense to other technology controlled by NewLink but not acquired from LIMR under this Agreement, then the “Consideration,” for purposes of this Agreement, shall be deemed to be such payments or revenue or other consideration multiplied by a percentage that fairly represents, as reasonably determined and mutually agreed upon by the parties, the percentage contribution of the LIMR Technology and the Patent Rights to the total value of the rights licenses or sublicensed by NewLink or its Affiliate to such Sublicensee. Either party may request an independent third party fair market value determination of such reasonable percentage and in such a case the parties shall equally share the cost of obtaining such determination.

- c. [\*] Claim. “[\*] Claim” shall mean a claim in [\*] as filed with the United States Patent and Trademark Office on [\*].
- d. Improvements. “Improvement” shall mean any improvement, modification, derivative, and/or enhancement of the LIMR Technology or the Patent Rights developed, acquired or otherwise controlled by LIMR at any time after the Effective Date.
- e. Licensed Product. “Licensed Product” shall mean any article, composition, apparatus, substance, chemical material, method, process or service whose manufacture, use, or sale is covered or claimed by a Valid Claim within the Patent Rights. For clarity, a “Licensed Product” shall not include other product or material that (a) is used in combination with Licensed Product, and (b) does not constitute an article, composition, apparatus, substance, chemical material, method, process or service whose manufacture, use, or sale is covered or claimed by a Valid Claim within the Patent Rights.
- f. LIMR Technology. “LIMR Technology” shall mean the technology and/or know-how owned or controlled by LIMR that specifically relates to the subject matter of the Patent Rights or is otherwise necessary or useful for the practice of the Patent Rights.
- g. Net Sales. “Net Sales” shall mean the gross consideration actually received or collected by NewLink and/or any Affiliate from the transfer, sale or other commercial distribution of any Licensed Product to a third party customer, less:
  - (1) revenue credited or rebated on returns and allowances, and bad debts;

- (2) discounts, in amounts customary in the trade and to the extent actually granted, for quantity purchases, for prompt payments and for wholesalers and distributors;
- (3) transportation, shipping, insurance and delivery charges or allowances;
- (4) customs, duties;
- (5) sales, use, excise, value-added and other taxes (other than the taxes on the income of the selling party or NewLink) or other governmental charges measured by sales;
- (6) governmental and managed care rebates or chargebacks to the extent actually incurred or allowed with respect to Licensed Product sold during the relevant time period to group purchasing organizations, hospitals, or other buying groups; and
- (7) retroactive price reductions that are actually allowed or granted.

Sales between or among NewLink and its Affiliates will be excluded from the computation of Net Sales, but the subsequent final sales of such Licensed Product to third parties by NewLink or its Affiliates will be included in the computation of Net Sales. In addition, transfers or dispositions of Licensed Products in commercially reasonable quantities for nominal consideration the use of which is restricted to either charitable, sampling or promotional purposes or for preclinical, clinical, manufacturing (without sale), scale-up, regulatory or governmental purposes shall not be considered a “sale” or “other commercial disposition” and shall not be included for purposes of calculating Net Sales under this Agreement.

If NewLink (or its Affiliate) sells a Licensed Product in combination with another active component or ingredient, which is not itself a Licensed Product (a “**Combination Product**”), for one selling price, then the “Net Sales of such Combination Product, for the purpose of determining the royalty owed, shall be the Net Sales resulting from such sale, as set forth above, multiplied by a factor that reflects the fair market value, in such Combination Product, of the Licensed Product therein, compared to the total market value of the Combination Product including its other active components or ingredients, such factor to be determined reasonably and in good faith by NewLink and LIMR.

- h. Patent Rights. “Patent Rights” shall mean (a) the patent applications identified on **Exhibit A** of this Agreement; (b) all patents and patent applications of LIMR covering or claiming any improvement, modification, derivative, and or enhancement of the LIMR Technology or of any of the patent applications or rights or foreign counterparts described in subclauses (a), (c), (d) or (e) of this definition; (c) all continuing patent applications (including divisional, substitution, continuations and continuations-in-part) based on any of the foregoing applications; (d) all rights and interest held, acquired or otherwise

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controlled by LIMR in and to any patents issuing on any of the foregoing applications (including any reexaminations, reissues, renewals, inventors certifications, and extensions thereof); and (e) all foreign counterparts worldwide of any such patent applications and patents.

- i. [\*] of a [\*] means that [\*] on [\*] of [\*] to [\*] the [\*] for [\*] to the [\*] of [\*], the [\*] the [\*] from such [\*] in such [\*], and the [\*] of such [\*] the [\*] of [\*] on the [\*] in such [\*].
- j. Valid Claim. A “Valid Claim” means (i) a claim of an issued patent in the Patent Rights that (a) has not expired or been abandoned; (b) has not been disclaimed; (c) has not been canceled or superseded, or if cancelled or superseded, has not been reasserted; (d) has not been revoked, held invalid or otherwise declared unenforceable or not allowable by a tribunal or patent authority of competent jurisdiction over such claim in any country in which such patent may have issued (from which no further appeal has or may be taken); and/or (e) abandoned in accordance with or as permitted by the terms of this Agreement or by mutual written consent; or (ii) a claim included in a pending patent application under the Patent Rights, which claim is being actively prosecuted in accordance with this Agreement, has been subject to prosecution for protection for no more than five (5) years and has not been canceled, withdrawn from consideration, finally determined to be unallowable by the applicable governmental authority in such country (and from which no appeal is or can be taken), and/or abandoned in accordance in accordance with or as permitted by the terms of this Agreement by mutual written consent.

## 2. Exclusive License.

- a. License Grant. Subject to the retained rights of LIMR and the government set forth in subsection 2(b) below, LIMR hereby grants to NewLink the exclusive, world-wide, royalty-bearing license, with the right to grant sublicenses, under LIMR’s interest in the LIMR Technology and the Patent Rights, to use and practice the LIMR Technology and the Patent Rights in all fields and to make, have made, use, sell, offer for sale, and/or import Licensed Product in all fields (the “License”).

With respect to any Licensed Products covered by Patent Rights that have been discovered using Federal funding, NewLink and its sublicensees shall comply (to the extent applicable) with the requirements of the Bayh-Dole Act which require that “any products embodying the invention or produced through the use of the subject invention will be manufactured substantially in the United States,” (United States Code, Title 35, Part II, Chapter 18, Section 204), *except* if there is an exception to such requirement, and provided that LIMR shall use reasonable efforts, if reasonably requested by NewLink, to request and obtain an exception to such requirement.

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- b. Retained Rights. Notwithstanding the foregoing, LIMR expressly reserves a non-exclusive, non-transferable, royalty-free right to use the Patent Rights and the LIMR Technology, including use by its staff and researchers and affiliates for its internal non-commercial, educational and research purposes only, including without limitation the right of LIMR to publish its research, subject to the reasonable prior review by NewLink to the extent such publication would disclose confidential LIMR Technology licensed hereunder. LIMR shall temporarily refrain

from publication for a reasonable period of time to accommodate any patent filings or other regulatory actions intended to protect any confidential LIMR Technology licensed hereunder, such period of time not to exceed the later of one year from (x) the date on which such confidential LIMR Technology was created, developed, discovered, conceived and/or reduced to practice or (y) the date on which such confidential LIMR Technology was licensed to NewLink hereunder. Further, the licenses granted to NewLink in Section 2(a) are subject to certain rights reserved by the United States government pursuant to applicable law or regulation in any inventions in the Patent Rights made with federal funding pursuant to RO1CA109542.

3. Sublicenses. NewLink and its Affiliates shall have the right to grant sublicenses to third parties (each, a “Sublicensee”) under the LIMR Technology and Patent Rights (with the right to further sublicense) for all purposes including to research, develop, make, have made, use, sell, offer for sale, and import the Licensed Products. Such sublicenses shall be in writing and expressly subject to the terms of this Agreement, and shall not grant rights under the Patent Rights that exceed the scope of the rights expressly granted under this Agreement. Any such sublicense agreement that is materially inconsistent with this Agreement shall constitute a material breach of this Agreement by Company. NewLink agrees to require that its Sublicensees must not violate the terms of this Agreement, and that such Sublicensees shall do the same with respect to any further sublicenses, and NewLink shall use commercially reasonable efforts to enforce such obligations for the benefit of LIMR. At LIMR’s request, NewLink will provide LIMR with a copy of each sublicense and subsublicense in order to allow LIMR to review such sublicenses and subsublicenses to assure consistency with this Agreement (which copy may be redacted to delete any confidential information that does not relate to the Patent Rights or LIMR Technology or the royalties, revenue or consideration thereunder or the sublicense of rights thereunder). If LIMR performs such a review on any sublicense or subsublicense agreement, those agreements reviewed by LIMR, not including any subsequent amendments or changes to the agreements, shall be deemed to conform to this Agreement unless LIMR has raised an objection to one or more of such sublicense or subsublicense agreements. If LIMR has requested copies of the Agreement, New Link shall automatically provide copies of any amendments in existence at the time of the request and subsequently at the time such amendments are entered into. Upon termination of this Agreement in compliance with the notice and other provisions of this Agreement, and subject to Section 4(e) below, any such sublicenses between NewLink and its sublicensees will remain in effect and be assigned directly to LIMR, which shall have the right to cancel any such sublicense if such sublicensee is not then in compliance with the terms of its sublicense and the applicable terms of this Agreement. Notwithstanding the

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foregoing, LIMR shall not be responsible for any obligation of NewLink under any such agreement which obligation accrued prior to the date of such assignment and if there is any such unperformed obligation which is ongoing or which affects the obligations of the subsublicensee or its ability to perform, LIMR may elect to cancel such sublicense agreement, without liability, upon written notice to such subsublicensee. Upon such a cancellation, the subsublicensee may sell all Licensed Products in its inventory and complete Licensed Products in the process of manufacture at the time of such termination and sell the same, provided it is not in default under its subsublicense agreement and further provided it pays to LIMR all payments required to be paid to the sublicensor thereunder and provides one or more accountings of all such sales to LIMR (1) within thirty (30) days of LIMR’s request therefore and (ii) within thirty (30) days after the last such sale, such accountings to be certified as true, complete and correct by such sublicensee’s chief financial officer.

4. Term and Termination. The term of this Agreement shall commence as of the Effective Date and shall stay in effect until the last to expire issued Valid Claim covering Licensed Products included in the Patent Rights, unless otherwise terminated earlier as provided below in this Article 4 (collectively, the “Term”).
- a. If LIMR believes in good faith that NewLink has materially breached its obligations under Section 9(a), then LIMR shall, in accordance with the terms of this paragraph 4, have the right and option to reduce NewLink’s exclusive License to a nonexclusive license or revoke the License in its entirety (by terminating the Agreement), provided that prior to taking this action:
- (1) LIMR shall provide NewLink written notice of the perceived breach, describing in detail the basis for LIMR’s belief that such perceived breach has occurred, describing the preferred method of cure and the proposed action to be taken by LIMR in the event of non-cure; and
  - (2) NewLink shall have ninety (90) days to establish that it has met or will, within such ninety (90) day period, meet the applicable obligations; if the parties are still in dispute as to whether NewLink has met such obligations or cured such breach within ninety (90) days after receipt of notice from LIMR, the dispute will be submitted to binding arbitration in accordance with Section 23(b) of this Agreement, and if such arbitration determines that NewLink materially breached its obligations under Section 9(a) and did not cure such breach, then LIMR shall have the option to terminate this Agreement or to convert the License granted to NewLink in Section 2(a) to a non-exclusive license, in each case, upon prior written notice to NewLink.
- b. LIMR may terminate this Agreement immediately by providing NewLink written notice of termination, if:
- (1) NewLink ceases to function as a going concern;

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- (2) a bankruptcy petition or action is filed or taken by or against NewLink under any United States bankruptcy law;
  - (3) a receiver, assignee or other liquidating officer is appointed with control for all or substantially all of the assets of NewLink; or
  - (4) NewLink makes an assignment for the benefit of creditors of all or substantially all its assets;

provided, that, in the case of subclauses (b)(2), (3) or (4) above, such aforementioned circumstance is not remedied, dismissed or stayed within the earlier of sixty (60) days of (x) occurrence of (b)(2), (3) or (4) or (y) LIMR’s notice of its intent to terminate this Agreement;

Notwithstanding anything in Sections 4(a) or (b) or 23 to the contrary, at any time that LIMR or NewLink believes that the other party has defaulted under this Agreement and that such default will irreparably harm such party, in addition to its rights under this Agreement and at

law, such party shall have the right to seek all applicable equitable remedies.

- c. If NewLink fails to make any payment whatsoever due and payable to LIMR hereunder, LIMR shall have the right to terminate this Agreement effective on ninety (90) days written notice, unless NewLink shall make all such payments to LIMR within said ninety (90) day period, and provided that the payments demanded by LIMR are not disputed by NewLink. In the event of a dispute of such payments by NewLink, the parties shall use good faith efforts to resolve the dispute, which if not resolved by the end of four (4) months either party may submit the dispute to binding arbitration pursuant to Section 23(b). Any disputed payments submitted to arbitration hereunder be paid into escrow the arbitrator or other independent escrow agent acceptable to both parties in their reasonable discretion unless and until determined due by the arbitrator under Section 23(b), provided, however that if the arbitrator determines that amounts are payable by NewLink to LIMR, then such outstanding amounts will bear interest back to the date that they originally accrued at the default rate of Prime plus 4%. Prime shall be the prime rate published by the Wall Street Journal or if the Wall Street Journal publishes more than one prime rate, then the average of the prime rates published by the Wall Street Journal, and if the Wall Street Journal does not publish a prime rate, then the prime rate of the largest bank in Philadelphia, Pennsylvania.
- d. NewLink shall have the right to terminate this Agreement at any time on ninety (90) days prior written notice to LIMR, provided that NewLink shall remain obligated to complete payment of all amounts that have accrued and are owed to LIMR through the effective date of the termination. In the event NewLink terminates the Agreement, the license granted hereunder shall be deemed terminated, and all rights with respect to the subject matter thereof revert to LIMR and all further obligations of NewLink to LIMR (except for obligations accrued prior to such termination) shall automatically be terminated.

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- e. Upon expiration or termination of this Agreement for any reason, nothing herein shall be construed to release either party from any obligation that has accrued prior to the effective date of such termination. NewLink and any Sublicensee thereof may, however, after the effective date of such termination, sell all then existing Licensed Products, and complete Licensed Products in the process of manufacture at the time of such termination and sell the same, provided that NewLink shall make the payments to LIMR as required by Articles 8 & 9 of this Agreement and shall submit the reports as required by Article 11 hereof.
- f. Sections 4(e), 4(f), 7(b) (but solely with respect to sales made pursuant to Section 4(e)), 11, 12, 13 (solely for the period specified therein), 14, 18, 19, 20, 21 and 23 shall survive termination or expiration of this Agreement.
5. **Ownership.** LIMR represents and warrants to NewLink that LIMR owns the rights to the LIMR Technology and the Patent Rights (except to the extent any such LIMR Technology and Patent Rights are co-owned by NewLink) and has the right to license its interest in the LIMR Technology and the Patent Rights to NewLink, subject to the rights retained by the United States government and LIMR as described in Section 2(b).
6. **Patent Prosecution.** Commencing on the Effective Date, NewLink shall have the right and responsibility, at its expense and in its reasonable discretion, for the preparation, filing, prosecution and maintenance of any patent applications and patents included in the Patent Rights, in consultation with LIMR. NewLink shall provide LIMR the opportunity to review and comment upon such patent applications prior to filing, and on all communications with patent offices in all applicable countries and jurisdictions, the selection of countries for filing of patent applications, responses to office actions, and other substantive patent documents prior to filing and the right to have such documents revised prior to filing to reflect such comments. Promptly after the Effective Date, LIMR will transfer to NewLink (or its selected counsel) all patent prosecution files for the Patent Rights, shall provide to NewLink such executed documents or instruments as needed for NewLink to undertake such prosecution efforts, and shall provide NewLink all reasonable assistance in such prosecution. NewLink shall reimburse LIMR for the reasonable out-of-pocket costs, based on detailed invoices of such costs, actually incurred in conducting such prosecution and maintenance of the Patent Rights prior to the Effective Date; provided that LIMR has provided NewLink with an invoice for such costs together with appropriate documentation outlining the costs incurred. LIMR shall provide NewLink with all information necessary or useful for NewLink's filing and prosecution of such Patent Rights and shall cooperate fully with NewLink so as to maximize NewLink's rights. NewLink shall not abandon or opt not to file any patent or patent application included in the Patent Rights without the prior notice to LIMR. NewLink may elect in writing to cease the continued prosecution or maintenance of particular Patent Right in a country, and on such notice NewLink shall no longer have any further rights or responsibility for such prosecution or maintenance, or obligation to pay any amounts therefore, or any further rights under such specific Patent Right in such country, and LIMR may in its discretion continue such prosecution. Any such notice shall be given by NewLink to LIMR in sufficient time to enable LIMR an adequate time

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period to protect its rights, but in no case less than three (3) months prior the filing deadline imposed or promulgated by any governing or regulatory authority for filing any such protective document.

7. **Royalties; Sublicense Payments.**

- a. NewLink shall pay the following royalties to LIMR during the Term on a country-by-country and Licensed Product-by-Licensed Product basis, subject to Section 7(b) below:
- (1) For Licensed Product covered or claimed by a [\*] Claim: [\*] of the Net Sales of such Licensed Product in countries where the Licensed Product is covered by a Valid Claim at the time of sale.
  - (2) For Licensed Product not covered by a [\*] Claim: [\*] of the Net Sales of such Licensed Product in countries where the Licensed Product is covered by a Valid Claim at the time of sale.
- b. In the event: (i) one or more additional technologies (including any patents related thereto) must be licensed (e.g. formulation, cross linking) by NewLink, its Affiliates, and/or Sublicensees from any third party to develop, make, use, import, sell, offer for sale, or import a Licensed Product in any country, or (ii) royalties are payable on the sale of a Licensed Product (as defined hereunder) pursuant to the Exclusive License Agreement between LIMR and NewLink, dated December 21, 2007, or pursuant to the License Agreement between

LIMR and NewLink, dated July 7, 2005, (the "Prior Agreements"), NewLink shall be entitled to fully offset against royalties otherwise due to LIMR hereunder an amount equal to the aggregate royalties owed to such third party and owed to LIMR under the Prior Agreements; provided, however, that in no event shall NewLink pay LIMR a royalty hereunder of less than [\*] of Net Sales.

- c. If NewLink grants a sublicense, under the License rights granted under this Agreement to NewLink, to a Sublicensee pursuant to Article 3 hereof, NewLink shall pay LIMR [\*] of any Consideration received by NewLink from such Sublicensee, for each such sublicense during the Term. For clarity, sales of Licensed Product by a Sublicensee shall not be included in Net Sales.
  - d. No more than one royalty payment shall be due with respect to a sale of a particular Licensed Product. No multiple royalties shall be payable because any Licensed Product, or its manufacture, sale or use is covered by more than one Valid Claim in a given country.
8. Payment of Royalties. Royalties and sublicense payments shall be payable by NewLink quarterly in U.S. dollars within forty-five (45) days of the end of the calendar quarter. NewLink shall render quarterly reports to LIMR on or before the last day of April, July, October, and January, as applicable, showing the amount of Net Sales received by NewLink during the most recently concluded fiscal quarter and the appropriate royalties

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and sublicense payments due to LIMR certified by NewLink's chief financial officer (or comparable financial officer) as true, correct and complete. Each such report shall be accompanied by payment of the royalties and/or sublicense payments due for such fiscal quarter. After the first commercial sale of any Licensed Product pursuant to this Agreement, and upon LIMR's request and at its expense, NewLink shall provide LIMR with copies of NewLink's then-existing standard audited financial statements covering the royalties and sublicense payments due under this Agreement within thirty (30) days of LIMR's request. NewLink shall pay estimated royalties payments quarterly with an annual reconciliation and of all payments performed within thirty (30) days of receipt of audited numbers. For the purpose of determining royalties payable under this Agreement, any Consideration NewLink receives from Sublicensees in currencies other than U.S. dollars and any Net Sales denominated in currencies other than U.S. dollars shall be converted into U.S. dollars at the same conversion rate that NewLink actually receives on such conversion at the time of the transaction in question which gave rise the Consideration.

9. Diligence; Milestones and Associated Payments.

- a. Diligence. NewLink has represented to LIMR, to induce LIMR to issue this exclusive license, that it will commit itself to a diligent program of developing and exploiting [\*] so that public utilization will result there from. As part of the consideration for the exclusive license granted to NewLink hereunder, NewLink has agreed to use commercially reasonable efforts to develop and exploit [\*]. Notwithstanding the foregoing, NewLink will not be deemed in breach of this Section 9(a) as long as it is using commercially reasonable efforts to develop and exploit [\*] as defined under one or both of the Prior Agreements.

It is understood and agreed by the parties that the actions by any Affiliate or Sublicensee may satisfy the above obligations.

- b. Milestone Payments to LIMR. Subject to Section 9(c) below, NewLink will pay to LIMR:

- (1) [\*] for the [\*] for a Licensed Product in [\*];
- (2) [\*] for the [\*] on a Licensed Product;
- (3) [\*] for the [\*] on a Licensed Product;
- (4) [\*] for the [\*] on a Licensed Product;
- (5) [\*] for the [\*] for a Licensed Product in [\*];
- (6) [\*] for [\*] for a Licensed Product [\*] in [\*].

For clarity, each such milestone payment above shall be payable only once under this Agreement.

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- c. In the event: (i) one or more additional technologies (including any patents related thereto) must be licensed (e.g. formulation, cross linking) by NewLink, its Affiliates, and/or Sublicensees from any third party to develop, make, use, import, sell, offer for sale, or import a Licensed Product in any country, or (ii) milestone payments are payable pursuant to the Prior Agreements in connection with [\*], NewLink shall be entitled to fully offset against a milestone payment payable upon the occurrence of a milestone event under Section 9(b)(5) or 9(b)(6) above with respect to a Licensed Product, an amount equal to the aggregate amount of any milestone payments owed to such third party or owed to LIMR under the Prior Agreements upon the occurrence of such milestone event with respect to such Licensed Product; provided, however, that in no event shall the amount payable under Section 9(b)(5) or 9(b)(6), as applicable, be less than [\*].

10. Reports and Accounting. NewLink shall provide to LIMR no less than once a year during the Term a written report regarding NewLink's product development, royalty and sublicense payment (i.e., receipt of Consideration) information with respect to Licensed Products and milestone status. The report shall be certified by an officer of NewLink as true, correct and complete. This report is in addition to the reports required under Section 8 hereof.

11. Indemnity. NewLink shall defend and indemnify and hold LIMR, its parent corporations, affiliates, trustees, officers, agents and employees (the "Indemnitees") harmless from any judgments and other liabilities based upon claims or causes of action brought by a third party against any Indemnitee which arise out of [\*] by NewLink, its Affiliates or any Sublicensees, or from [\*] by the end users of Licensed Products or from [\*] by NewLink, its Affiliates or any Sublicensees of [\*], except to the extent that [\*], provided that LIMR promptly notifies NewLink of any such claim coming to its attention and that it cooperates with NewLink in the defense of such claim. If any such claims or causes of action are made, NewLink

counsel, the identity of whom LIMR does not have a reasonable objection, shall defend LIMR. If LIMR has a reasonable objection to the counsel selected by NewLink, LIMR and NewLink shall cooperate with each other reasonably and in good faith so that NewLink can engage legal counsel to whom LIMR does not have reasonable objection. LIMR reserves the right to be represented by its own counsel at its own expense. NewLink shall not settle any claim that requires the payment of money or the cessation of research and development in each case by LIMR without the prior written consent of LIMR in its sole discretion.

12. Limitations of Liability. EXCEPT FOR THE INDEMNIFICATION OBLIGATIONS ABOVE, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INCIDENTAL, INDIRECT, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING LOST REVENUES OR LOST PROFITS, WHETHER BASED ON A CLAIM OR ACTION OF CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE ARISING OUT OF THIS AGREEMENT, AND REGARDLESS OF WHETHER SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH HEREIN,

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NEWLINK'S TOTAL LIABILITY UNDER THIS AGREEMENT SHALL BE LIMITED TO [\*]

13. Insurance. At such time as NewLink, its Affiliates, or Sublicensees, initiates or otherwise enters into clinical trials of any Licensed Product or commercially distributes or sells Licensed Products (other than for the purpose of obtaining regulatory approvals), NewLink shall at its sole cost and expense, procure and maintain comprehensive general liability insurance in amounts not less than \$3,000,000 per incident and naming the Indemnitees (defined in Section 11 above) as additional insureds. LIMR may require such minimum requirements to be increased from time to time if the minimum amounts of such insurance carried by prudent companies in the general size of NewLink and in similar industries as NewLink is higher, so that NewLink will at all times carry commercially reasonable amounts of insurance. Such comprehensive general liability insurance shall provide (i) product liability coverage and (ii) broad form contractual liability coverage for NewLink's indemnification under this Agreement. If NewLink elects to self-insure all or part of the limits described above (including deductibles or retentions, which are in excess of \$250,000 annual aggregate) such self-insurance program must be acceptable to LIMR and Main Line Health Vice President Insurance and Main Line Health, Inc's chief financial officer in each of their sole and absolute discretions. Such insurance will be considered primary as to any other valid and collectible insurance, but only as to acts of the named insured. The minimum amounts of insurance coverage required shall not be construed to create a limit of NewLink's liability with respect to its indemnification and other obligations under this Agreement. NewLink shall provide LIMR with written evidence of such insurance promptly upon written request of LIMR. NewLink shall use provide LIMR with written notice at least thirty (30) days prior to the cancellation, non-renewal or material change in such insurance. If NewLink does not obtain replacement insurance providing comparable coverage immediately, LIMR shall have the right to terminate this Agreement effective immediately without notice or any additional waiting periods. NewLink shall maintain such comprehensive general liability insurance beyond the expiration or termination of this Agreement during (i) the period that any Licensed Product is being clinically tested, commercially distributed or sold by NewLink (or an agent on its behalf) or by a Sublicensee, Affiliate and (ii) a reasonable period after the period referred to in (i) above which in no event shall be less than five (5) years.
14. Mutual Confidentiality. NewLink and LIMR realize that certain confidential or proprietary information disclosed by one party (the "disclosing party") to the other party (the "receiving party") pursuant to this Agreement ("Confidential Information" of the disclosing party) shall be treated as confidential. For purposes of this Agreement, the term "Confidential Information" of a party means any of the following:

- a. All information concerning the business or affairs of either party or its affiliates, including without limitation, all information relating to the LIMR Technology or to NewLink technology, the Patent Rights, the Licensed Product, and/or any and all existing and potential research parameters, program requirements, strategies, products, technology, know-how, information, data, processes, systems,

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inventions, developments, formulations, applications, and methods of rendition of services relating to any of the foregoing;

- b. All information received from third parties and held in confidence by either party or its affiliates, or
- c. All information pertaining to the proposed business relationship(s) and/or transactions(s) between the parties, including without limitation, the terms thereof.

The Confidential Information of the disclosing party shall not be disclosed by the receiving party to any third party and shall not be used by the receiving party for purposes other than those contemplated by this Agreement without the prior written consent of the disclosing party. Any Confidential Information exchanged by the parties under this Agreement shall remain subject to such confidentiality and non-use obligations for a period of five (5) years from the termination or expiration of the Agreement. The confidentiality and non-use obligations under this Article 14 shall not apply to any information that:

- a. Is or which later becomes publicly known through no fault of the receiving party, or
- b. Is already in the receiving party's possession prior to the disclosure by the disclosing party to the receiving party as indicated in the receiving party's competent written records, or
- c. Is subsequently disclosed to the receiving party, by a third party not under any obligation of confidentiality to the disclosing party, or
- d. Is independently developed by the receiving party without use of the Confidential Information of disclosing party or any other information from the disclosing party that is protected by any other confidentiality obligations.

In addition, the receiving party may disclose specific Confidential Information of the other party to the extent such disclosure is required to be disclosed by court order or governmental law, rule or regulation, provided that the receiving party first gives the disclosing party prompt written

notice of any such requirement and cooperates with the disclosing party in attempting to limit or seek confidential treatment with respect to such disclosure of such Confidential Information.

The provisions of this Section 14 are subject to the publication rights of LIMR as described in Section 2(b) hereof.

15. Disclaimer. Except as expressly set forth in Section 5 hereof, nothing contained in this Agreement shall be construed as:

a. a warranty or representation by LIMR as to the validity or scope of any Patent Rights; or

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b. a warranty or representation that any Licensed Products manufactured, used or sold will be free from infringement of patents, copyrights, or third parties; except that LIMR represents that it has no knowledge of any existing issued patents or copyrights which might be infringed.

**LIMR MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF LICENSED PRODUCTS.**

16. Third Party Infringement.

- a. Each party shall promptly notify the other party in writing of any alleged or actual infringement of the Patent Rights of which it becomes aware and which may adversely impact the rights of either party hereunder.
- b. NewLink shall have the first right but not the obligation, at its expense, to bring an appropriate action against any person or entity directly or contributorily infringing the Patent Rights. LIMR shall cooperate reasonably with NewLink in such action, including by consenting to be named as a party to such action and furnishing a power of attorney upon request. Except as otherwise set forth in this Agreement, NewLink shall have sole control of the action brought by it; provided, however, that LIMR shall have the right to participate in such action against a third party infringer through counsel of its own choice and at its own expense.
- c. In the event NewLink institutes legal action against an infringer hereunder, LIMR shall fully cooperate with and supply all assistance reasonably requested by NewLink, including, without limitation, by using commercially reasonable efforts to have its employees testify and grant interviews when requested and to make available relevant records, papers, information, samples, specimens, and similar items upon request of NewLink. LIMR shall render such cooperation at its own cost and expense ("LIMR's Costs"). NewLink shall keep LIMR reasonably informed of the progress of such action, and LIMR shall be entitled to be represented by counsel in connection with such action at its own expense.
- d. NewLink shall bear the costs of all reasonable and customary expenses for such action (including attorneys' fees and expert fees). Any amounts paid to NewLink by third parties as a result of such action (in satisfaction of a judgment or pursuant to a settlement recovery) shall first be applied to the payment of NewLink's out-of-pocket expenses (including attorneys' fees and expert fees), second to LIMR's Costs, third to LIMR's other out-of-pocket expenses in connection with the matter (including attorneys' fees and experts fees), and then the balance of any such amounts shall be included in NewLink's calculation of Net Sales, applied to the quarter in which such recovery is obtained. NewLink shall have the right to settle any claims, but provided that if such settlement materially negatively affects LIMR's interests such settlement shall be only upon terms and conditions that are reasonably acceptable to LIMR, such reasonable acceptance to be confirmed by LIMR in writing prior to NewLink's agreement to such settlement.

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e. If NewLink elects to abandon such an action other than pursuant to a settlement with the alleged infringer that is reasonably acceptable to LIMR, NewLink shall give timely notice to LIMR who, if it so desires, may continue the action; provided, however, that the sharing of expenses and any recovery in such suit shall be as agreed upon between the parties. Any such notice shall be given by NewLink to LIMR in sufficient advance of the expiration of the applicable statute of limitations to enable LIMR an adequate time period to protect its rights, but in no case less than twelve (12) months prior to the expiration of such statute of limitations.

17. Technical Assistance. Throughout the term of the Agreement, LIMR agrees to permit NewLink and its designees to consult with its employees and agents regarding the LIMR Technology or any Improvements made after the Effective Date relating to the Licensed Products, at such times and places as may be mutually agreed upon; provided that NewLink agrees to limit such consultation to five (5) employee-investigator hours per week and make suitable arrangements directly with LIMR employees and agents and to compensate for such consultation at LIMR's then-current rates as communicated to NewLink.

18. Name. NewLink shall not use and shall not permit to be used by any other person or entity the name or logo of LIMR nor any adaptation thereof, or the name of LIMR's employees, in any advertising, promotional or sales literature, or for any other purpose without prior written permission of LIMR, except as required by governmental authority or applicable law, and provided that the foregoing shall not prevent NewLink from disclosing to third parties the existence of this Agreement.

19. Governing Law. This Agreement shall be construed, governed, interpreted and enforced according to the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

20. Notices. Any notice or communication required or permitted to be given by either party hereunder, shall be deemed sufficiently given, (i) when mailed by certified mail, return receipt requested, and addressed as below to the party to whom notice is given or (ii) when transmitted by facsimile, email or other electronic means, provided that the sender receives confirmation of transmission, and sends a confirmation copy as provided in clause (1), addressed as below:

If to LIMR:

With a Copy to:

Office of the General Counsel  
Main Line Health  
Bryn Mawr Hospital Legal Department, 1<sup>st</sup> floor, D Wing  
130 So. Bryn Mawr Avenue  
Bryn Mawr, PA 19010  
Attention: Senior Vice President and General Counsel

If to NewLink:

Dr. Nick Vahanian  
Chief Medical and Operations Officer  
2901 South Loop Drive  
Suite 3900  
Ames, Iowa 50010

21. Assignment. This Agreement shall inure to the benefit of and be binding on the parties' permitted assigns and successors in interest. Except as provided in this Section 21, neither party shall assign or transfer this Agreement without the express prior written consent of the other, such consent not to be unreasonably withheld. Notwithstanding the foregoing, an assignment of this Agreement by NewLink to an Affiliate or in connection with the transfer of all or substantially all of the business to which this Agreement relates, whether by acquisition, merger, consolidation, operation of law or other transaction, shall not require LIMR's consent.
22. Entire Agreement. This Agreement, together with any exhibits attached hereto, represents the entire agreement between the parties with respect to the subject matter hereof, and may only be subsequently altered or modified by an instrument in writing. This Agreement cancels and supersedes any and all prior oral or written agreements between the parties that relate to the subject matter of this Agreement.
23. Mediation and Arbitration.
- a. Except as otherwise expressly provided herein, both parties agree that they shall use good faith, reasonable efforts to attempt to resolve any dispute arising from this Agreement, or the breach thereof, through mediation before proceeding to arbitration proceedings as set forth below. Both parties agree that at least one employee (with respect to NewLink, an authorized executive officer of NewLink) who is authorized and capable of negotiating an agreement on behalf of such party, shall, within three (3) weeks of receipt of written notification of a dispute, meet with at least one employee (an executive officer in the case of NewLink) of the other party who is also authorized and capable of negotiating an agreement on behalf of such party. If no agreement can be reached, both parties agree to meet again within a four (4) week period after the initial meeting to negotiate in good faith to resolve the dispute.
  - b. If no agreement can be reached after this second meeting or if otherwise expressly provided herein, both parties agree to submit the dispute to binding arbitration

under the Commercial Arbitration Rules of the American Arbitration Association ("AAA") before a panel of three (3) independent arbitrators each having at least ten (10) years experience in the biomedical licensing area. The identity of the arbitrators shall be mutually agreed upon by the parties, provided, however, that if they are unable to agree on such arbitrators within ten (10) business days after the earlier of (i) the AAA providing them with a list of potential qualified arbitrators or (ii) the delivery of a list of at least ten potential qualified arbitrators by one party to the other party, then AAA shall select the arbitrators from the relevant list. Discovery shall be permitted as set forth in the Federal Rules of Civil Procedure with respect to the performance by the parties of their obligations under this Agreement and such other matters as the arbitrators may determine. Judgment upon an award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

24. Waiver. A failure by one of the parties to this Agreement to assert its rights for or upon any breach or default of this Agreement shall not be deemed a waiver of such rights nor shall any such waiver be implied from acceptance of any payment. No such failure or waiver in writing by any one of the parties hereto with respect to any rights, shall extend to or affect any subsequent breach or impair any right consequent thereon.
25. Severability. The parties agree that it is the intention of neither party to violate any public policy, statutory or common laws, and governmental or supranational regulations; that if any sentence, paragraph, clause or combination of the same is in violation of any applicable law or regulation, or is unenforceable or void for any reason whatsoever, such sentence, paragraph, clause or combinations of the same shall be inoperative and the remainder of the Agreement shall remain binding upon the parties.
26. Force Majeure. Neither party shall lose any rights under this Agreement or be liable to the other party for damages or losses on account of failure of performance by the defaulting party if the failure is occasioned by war, strike, fire, act of God, earthquake, flood, explosions, sabotage, strikes or labor disputes, lockout, riots, invasions, acts of war, embargo, governmental acts or orders or restrictions, disruptions of supplies of adequate raw

materials, terrorist attacks, or any other reason where failure to perform is beyond the reasonable control and not caused by the negligence or intentional conduct or misconduct of the nonperforming party, and such party has exerted all reasonable efforts to avoid or remedy such force majeure; provided, however, that in no event shall a party be required to settle any labor dispute or disturbance.

- 27. Marking. NewLink agrees to mark the Licensed Products covered by the Patent Rights in the United States with all applicable U.S. Patent numbers. NewLink agrees to mark the Licensed Products covered by the Patent Rights in other countries with all applicable patent numbers issued by such other countries to the extent required by applicable laws in order to preserve Patent Rights.
- 28. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not constitute a part hereof.

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IN WITNESS WHEREOF, the parties have signed this Agreement on and as of the Effective Date.

**LANKENAU INSTITUTE FOR MEDICAL RESEARCH**

**NEWLINK GENETICS CORPORATION**

By: /s/ George C. Prendergast, PhD  
George C. Prendergast, PhD  
Professor & President/CEO

By: /s/ Mario Mautino  
Title: VP of Drug Discovery & Intellectual Property

Date: 5/18/09

Date: 5/19/09

License Agreement between LIMR and NewLink

**Exhibit A**

**Patent Rights**

- 1. [\*]
- 2. [\*]

CONFIDENTIAL

**LICENSE AGREEMENT****Between: THE UNIVERSITY OF BRITISH COLUMBIA****and****NEWLINK GENETICS CORPORATION****Table of Contents**

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**Schedules**

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“E”	UBC License Agreement Annual Report
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**LICENSE AGREEMENT****BETWEEN:**

AND:

NEWLINK GENETICS, a corporation incorporated under the laws of Iowa, with a registered office at 2901 S. Loop Dr., Suite 3900, Ames, IA 50010.

(the “Licensee”)

WHEREAS:

UBC has been engaged in research during the course of which it has invented, developed and/or acquired certain technology relating to Indoleamine 2,3-Dioxygenase Inhibitors, which research was undertaken by Drs. Raymond Andersen, Grant Mauk, and Michel Roberge (the “Investigators”) and co-workers in the UBC Departments of Biochemistry, Chemistry, and Earth and Ocean Sciences;

It is UBC’s objective to exploit its technology for the public benefit, and to generate further research in a manner consistent with its status as a non-profit, tax exempt educational institution; and

The Licensee and UBC have agreed to enter into this license under which UBC grants Licensee the exclusive license rights under such technology and related intellectual property on the terms and conditions set out in this agreement (the “Agreement”).

THE PARTIES AGREE AS FOLLOWS:

## 1.0 DEFINITIONS

1.1 In this Agreement:

- (a) “**Affiliated Company**” or “**Affiliated Companies**” means, with respect to Licensee, another corporation or other business entity that controls, is controlled by, or is in common control with Licensee; where the term “control” means (with correlative meanings for the terms “controlled by” and “under common control with”) that the applicable entity owns fifty percent (50%) or more of the voting shares of the subject entity, or otherwise has the ability to direct and manage the business affairs of such subject entity (whether through contract or otherwise);
  - (b) “**Annual Maintenance Fee**” is defined in Article 6.5;
  - (c) “**Annual Payment**” is defined in Article 6.1(d);
  - (d) “**Annual Report**” means a report in the form referred to in Article 12;
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- (e) “**Assigned Licensee Improvements**” means any new compounds made or discovered by Licensee or its Sublicensee(s) that are claimed or covered by the Patents in existence prior to the initial manufacture or discovery of such new compounds;
  - (f) “**Commercially Reasonable Efforts**” means, with respect to the efforts to be expended by Licensee to accomplish a particular objective in the research, development or commercialization of a Product or Licensee Owned Improvement Product, such efforts as are substantially equivalent to those efforts and resources commonly used by Licensee for a comparable product, acting reasonably promptly and taking into account commercially relevant factors such as (as applicable) stage of development, product life, patent position, market potential and regulatory issues. Commercially Reasonable Efforts shall be determined on a market-by-market basis for any particular Product or Licensee Owned Improvement Product, and it is anticipated that the level of effort will be different for different markets, and will change over time, reflecting changes in the status of the Product or Licensee Owned Improvement Product and the market(s) involved;
  - (g) “**Confidential Information**” means all information, regardless of its form:
    - (i) disclosed by UBC to the Licensee, whether before or after the Effective Date, and which is identified in writing as “Confidential”, which may include without limitation information and documents related to the Patents, Improvement Patents, Technology or any Improvements (including all derived analyses and conclusions); or
    - (ii) comprising the terms and conditions of this Agreement; or
    - (iii) disclosed by the Licensee to UBC and which is identified in writing as “Confidential”,except that “Confidential Information” does not include information:
    - (iv) possessed by the recipient (the “**Recipient**”) prior to receipt from the disclosing party (the “**Discloser**”), other than through prior disclosure by the Discloser, as evidenced by the Recipient’s business records;
    - (v) published or available to the general public otherwise than through a breach of this Agreement;
    - (vi) obtained by the Recipient from a third party with a valid right to disclose it, provided that the third party is not under a confidentiality obligation to the Discloser; or

(vii) independently developed by employees, agents or consultants of the Recipient who had no knowledge of or access to the Discloser's Confidential Information as evidenced by the Recipient's business records;

(h) "**Diagnostic Field of Use**"; means any use of:

(i) the Patents, Improvement Patents, Technology, or any Improvements, or

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(ii) any compositions, formulations, Products or Licensee Owned Improvement Products containing or developed using the Patents, Improvement Patents, Technology or any Improvements,

for the diagnosis in humans of the presence of disease, for the prediction of the risk of disease or disease outcome, for the prediction of the response to therapy, or for guiding, developing and conducting a course of therapy;

(i) "**Dispute**" is defined in Article 11.5;

(j) "**Effective Date**" means February 1, 2007, the date on which this Agreement is effective.

(k) "**Effective Termination Date**" means the date on which this Agreement is terminated under Article 18;

(l) "**FDA**" means the United States Food and Drug Administration, (or any other equivalent regulatory authority outside the U.S.);

(m) "**First Use of the Technology**" means the earlier of either:

(i) the first use of the Licensed Patents, Technology or any Improvement, or

(ii) the first sale of a Product or Licensee Owned Improvement Product in exchange for valuable consideration;

(n) "**Human Clinical Trials**" means any Product or Licensee Owned Improvement Product testing involving human subjects;

(o) "**Improvements**" means collectively: (a) all UBC Improvements, (b) all Assigned Licensee Improvements; and (c) all Licensee Owned Improvements.

(p) "**Improvements Patents**" means any and all patents and patent applications (anywhere in the world) owned or controlled by UBC or the Licensee that claim or cover an Improvement;

(q) [\*] means [\*] in accordance with the [\*] of [\*] or [\*] of such [\*];

(r) "**Indemnitees**" is defined in Article 9.1;

(s) "**Initial License Fee**" is defined in Article 3.5;

(t) "**Licensed Patents**" means collectively: (a) the Patents, and (b) all Improvements Patents that claim or cover UBC Improvements or Assigned Licensee Improvements;

(u) "**Licensee Owned Improvements**" means all improvements, variations, updates, modifications, and enhancements relating to the Patents or Technology made, discovered and/or acquired by the Licensee or any Sublicensee at any time after the Effective Date, which are based on or incorporate the Technology licensed under this Agreement, but excluding all Assigned Licensee Improvements. For clarity Licensee Owned Improvements includes any new

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compounds made or discovered by Licensee or its Sublicensee(s) that: (i) are not claimed or covered by the Patents in existence prior to the initial manufacture or discovery of such new compounds, and (ii) are analogs of and synthesized based upon a compound, group of compounds, or pharmacophore that is claimed or covered by the Patents in existence prior to the initial manufacture or discovery of such new compounds;

(v) "**Licensee Owned Improvement Products**" is defined in Article 5.2(b);

(w) "**Mediator**" is defined in Article 11.6;

(x) "**Milestone Events**" is defined in Article 6.1(a);

(y) "**Milestone Payments**" is defined in Article 6.1(a);

(z) "**Net Revenue**" means all revenues, receipts, money, and the fair market value of any shares or other securities, or other consideration collected or received whether by way of cash, credit or other value received by the Licensee and/or any Sublicensee from the marketing, manufacturing, sale, distribution or other commercial disposition of Products or Licensee Owned Improvement Products to third party purchasers, less the following deductions to the extent actually accrued or allowed with respect to such sales:

(i) Trade, quantity and early payment discounts off of the invoice price;

- (ii) amounts actually credited, rebated or allowed for rejections, returns or recalls of Products or Licensee Owned Improvement Products;
- (iii) governmental and managed care rebates or chargebacks to the extent actually incurred or allowed with respect to Products or Licensee Owned Improvement Products sold during the relevant time period to group purchasing organizations, hospitals or other buying groups;
- (iv) retroactive price reductions that are actually allowed or granted;
- (v) sales, excise and other taxes (other than taxes on the income of the selling party), duties and government charges;
- (vi) transportation, shipping and insurance to the extent separately reflected on the invoice; and
- (vii) amounts written off as uncollectible bad debt after making all commercially reasonable efforts to collect such amounts.

Sales of Product and Licensee Owned Improvement Products between or among Licensee and its Affiliated Companies or Sublicensees will be excluded from the computation of Net Revenues, but the subsequent final sales of such Product or Licensee Owned Improvement Products to Third Parties by such parties will be included in the computation of Net Revenues. Further, transfers or dispositions of Products or Licensee Owned Improvement Products in commercially reasonable quantities for charitable, sampling or promotional purposes or for preclinical, clinical, manufacturing scale-up, regulatory or governmental purposes shall not be considered a “sale” and shall not be included for purposes of calculating Net Revenues;

- (aa) **“New Technology”** means [\*], or [\*], disclosed by the Investigators to UBC at any time during the Term of this Agreement that:
  - (i) relate to the Patents or Technology in that they are [\*] the Patents, Technology or any Improvement licensed under this Agreement; and
  - (ii) are not covered or claimed by the Patents and do not directly incorporate the Technology licensed under this Agreement;
 For clarity, the term “New Technology” includes [\*] where such [\*];
- (bb) **“Objectionable Material”** is defined in Article 10.3;
- (cc) **“Option”** is defined in Article 2.4;
- (dd) **“Option Period”** is defined in Article 2.5;
- (ee) **“Patents”** mean collectively: the U.S., Canadian and foreign patents and patent applications identified in Schedule “A”, and including all rights in such patents and applications and to any and all inventions that are disclosed in any such patent or application, and all:
  - (i) counterparts, continuations, divisionals, continuing prosecution applications, and requests for continued examinations, extensions, term restorations, renewals, reissues, re-examinations, or substitutions of any such patent or applications;
  - (ii) corresponding international patent applications;
  - (iii) corresponding foreign patent applications, including supplementary protection certificates and other administrative protections; and
  - (iv) international and foreign counterpart patents resulting therefrom;
 all of which will be deemed added, from time to time, to Schedule “A”;
- (ff) **“Payment Report”** means a report in the form referred to in Article 12 setting out in detail how the amount of Revenue was determined;
- (gg) **“Phase I Clinical Trial”** means a Human Clinical Trial that would satisfy the requirements for a Phase 1 study as defined in U.S. FDA 21 C.F.R. 312.21(b) (or any U.S. successor legislation) or similar regulations in a country outside the U.S.;
- (hh) **“Phase II Clinical Trial”** means a Human Clinical Trial that would satisfy the requirements for a Phase 2 study as defined in U.S. FDA 21 C.F.R. 312.21(b) (or any U.S. successor legislation) or similar regulations in a country outside the U.S.;
- (ii) **“Phase III Clinical Trial”** means a Human Clinical Trial that would satisfy the requirements for a Phase 3 study as defined in U.S. FDA 21 C.F.R. 312.21(c) (or any U.S. successor legislation) or similar regulations in a country outside the U.S.;

- (jj) **“Product”** means a product, good or service: (i) that is covered or claimed by, or the manufacture or use of which is covered or claimed by, a Valid Claim in a Patent or Licensed Patent; and/or (ii) that incorporates or is based upon any material aspect of the Technology and/or any Improvements other than a Licensee Owned Improvement;

- (kk) **“Reagent Field of Use”** means any use of:
- (i) the Patents, Improvement Patents, Technology or any Improvements, or
  - (ii) any compositions, formulations, Products or Licensee Owned improvement Products containing or developed using the Patents, Improvement Patents, Technology or any Improvements,
- outside the Diagnostic Field of Use and the Therapeutic Field of Use. For greater clarity it is confirmed that the Reagent Field of Use shall include all uses as chemical reagents or fine chemicals and any use that is not listed in the FDA Orange Book, or the Canadian or foreign equivalent of such listing as a drug product approved for use in humans;
- (ll) **“Royalty Due Dates”** means the last day of March, June, September and December of each year during the Term;
- (mm) **“Sublicense Agreement”** means any agreement under which rights are granted by the Licensee to a third party under the license rights granted by UBC to Licensee hereunder for the use, research, development, co-development, partnered development, manufacture, marketing or sale of Products or granting rights to such third party in the Licensed Patents, Technology, UBC Improvements or any Assigned Licensee Improvements;
- (nn) **“Sublicensee”** means any third party who has directly or indirectly entered into a Sublicense Agreement with the Licensee, and shall include all sub-sublicensees of a particular Sublicensee;
- (oo) **“Sublicensing Fees”** means all initial or periodic license fees, development or commercialization fees, milestone payments or other payments received by the Licensee from a Sublicensee under the terms of any Sublicense Agreement to the extent such payments are based upon and are in consideration for the grant by Licensee of the sublicense under Licensee’s license rights granted by UBC under this Agreement, whether received in cash or other form (such as shares or other securities or other consideration, which for purposes of this Agreement shall be valued at fair market value at the time of receipt by Licensee), but excluding royalties calculated on the sales or other commercial disposition of Products or Licensee Owned Improvement Product by any Sublicensee. For greater clarity, it is confirmed that Sublicensing Fees will include any fees that are characterized as research or development fees **but solely** to the extent such fees are in excess of the direct reimbursement for the actual costs of research and development incurred by the Licensee pursuant to a written research plan and agreement received by the Licensee from any Sublicensee relating to the Licensed Patents, Technology, Improvements, Products or any Licensee Owned Improvement Products (which direct reimbursement may be in the form of reasonable and typical FTE rates), and that any amounts received by Licensee from a Sublicensee as reimbursement for the actual costs of such research and

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development shall not be included in the term “Sublicensing Fees”. For further clarity, it is agreed that any amounts received by Licensee as consideration for issuance by Licensee to a Sublicensee of Licensee stock sold to Sublicensee at the fair market value of such stock, or as an arms length loan on commercially reasonable terms, or as direct reimbursement of patent prosecution costs, or as payment of a share of amounts recovered in enforcing patent or other intellectual property rights, shall be excluded from and not be included in the term “Sublicensing Fees”;

- (pp) **“Technology”** means all knowledge, know-how and/or technique or techniques invented, developed and/or acquired before the Effective Date by UBC relating to any of inventions disclosed in the Patents, and including the technology and materials described in Schedule “A”, as amended from time to time, including, without limitation all related research, data, specifications, instructions, manuals, papers or other related materials of any nature at all, whether written or otherwise, and UBC’s Confidential Information;
- (qq) **“Term”** is defined in Article 17.1;
- (rr) **“Therapeutic Field of Use”** means any use of:
- (i) the Patents, Improvement Patents, Technology or any Improvements, or
  - (ii) any compositions, formulations, Products or Licensee Owned Improvement Products containing or developed using the Patents, Improvement Patents, Technology or any Improvements,
- for use in the cure, mitigation, treatment, or prevention of disease in humans, including the use of any Product or Licensee Owned Improvement Product that is the subject of an FDA-Approved New Drug Application and which is listed in the FDA Orange Book, or the Canadian or foreign equivalent;
- (ss) **“UBC Improvements”** means improvements, variations, updates, modifications, and enhancements relating to the Patents or Technology made, discovered and/or acquired by UBC at any time after the Effective Date, which are claimed or covered by the Patents, or if not claimed or covered by the Patents, are analogs of and synthesized based upon a compound, group of compounds, or pharmacophore that is claimed or covered by the Patents in existence prior to the initial manufacture or discovery of such new compounds. For clarity UBC Improvements do not include New Technology;
- (tt) **“UBC Trade-marks”** means any mark, trade-mark, service mark, logo, insignia, seal, design, symbol or device used by UBC in any manner at all;
- (uu) **“Valid Claim”** is defined in Article 5.2(d); and
- (vv) **“Withholding Taxes”** is defined in Article 5.7.

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- (a) UBC owns all right, title and interest in and to the Licensed Patents, Technology, all UBC Improvements, all Assigned Licensee Improvements, and all New Technology, subject only to the licensee rights and other rights granted by UBC to Licensee under this Agreement; and
  - (b) the Licensee owns all right, title and interest in and to the Licensee Owned Improvements and all patents that claim or cover such Licensee Owned Improvements.

2.2 The parties will each at the request of the other sign all documents as may be reasonably required to ensure that ownership of the Technology, Improvements, Patents, Improvement Patents and New Technology are assigned to and remain with the party identified in Article 2.1 as owning such Technology, Patents, Improvement Patents, and New Technology.

2.3 On the last working day of June and December of each year during the Term, the Licensee will give notice to UBC of the details of all Assigned Licensee Improvements and Licensee Owned Improvements that the Licensee and/or any Sublicensees of the Licensee have made or developed during the previous six month period.

2.4 UBC hereby grants to the Licensee an option (the “**Option**”) to obtain an exclusive, world-wide license to use and sublicense any New Technology (and including any patent or other intellectual property covering such New Technology), provided that:

- (a) the Investigator is at the time of the discovery of such New Technology and its disclosure to UBC still an employee of UBC and subject to UBC’s policies in making such discovery, including UBC’s Patents and Licensing Policy 88; and
- (b) the Licensee is not at the time of exercise of the Option in material breach of this Agreement or any other agreement with UBC.

To the extent that there are any inconsistencies between the Option as set out in this Agreement and the terms of any collaborative research agreement under which the development of any New Technology was sponsored by the Licensee, the terms of the collaborative research agreement will prevail.

2.5 The period for exercise by the Licensee of the Option, with respect to particular New Technology, will be 6 months starting from the date of disclosure by UBC to the Licensee of the particular New Technology (the “**Option Period**” with respect to such New Technology). Such disclosure shall include reasonably relevant information relating to the New Technology as is in the possession of UBC’s Industry Liaison Office and which it is able to disclose to the Licensee.

2.6 In order to exercise the Option with respect to particular New Technology disclosed by UBC to Licensee, the Licensee will sign and deliver to UBC prior to the expiry of the Option Period applicable to such New Technology a Notice of Exercise of Option in the form attached as Schedule “**B**”, together with a summary business plan prepared in accordance with generally accepted business standards that describes the steps that the Licensee proposes to take to commercially exploit the New Technology including relevant market information and revenue projections.

2.7 During the Option Period as to a particular New Technology, UBC will not grant any license to commercially exploit the New Technology to any other party. If the Licensee does not exercise the Option within the Option Period in accordance with Article 2.6 as to such New

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Technology, the parties agree that the Option will expire with respect to such item of New Technology, and UBC will thereafter be free to deal with and commercialize such New Technology in any way, and without further obligation to the Licensee.

2.8 If the Licensee validly exercises the Option for a particular item of New Technology as provided in Article 2.6, then the parties will negotiate exclusively and in good faith to determine the specific terms and conditions on which a new exclusive (or, if elected by Licensee, non-exclusive) license will be granted by UBC to the Licensee under such New Technology. Such new license agreement shall be on commercially reasonable terms typical for similar license agreements, including commercially reasonable royalty rates and other financial terms and shall be generally consistent with the terms and conditions of this Agreement. The parties shall seek in good faith and using diligent efforts to reach agreement on such terms and to enter into such new license agreement as soon as practicable after Licensee exercises the Option.

2.9 If UBC and the Licensee are unable, despite each party using good faith efforts, to agree upon the specific terms and conditions of a new license agreement within a period of 6 months after the date when the Licensee exercises the Option pursuant to Article 2.6 with respect to a particular item of New Technology, then the Option as to such particular New Technology shall expire.

2.10 Any new license granted by UBC with respect to any New Technology shall provide UBC the right in perpetuity to use the New Technology without charge in any manner whatsoever for research, scholarly publication, educational or other non-commercial uses.

### **3.0 GRANT OF LICENSE**

3.1 Subject to Article 3.4, UBC grants to the Licensee the worldwide, exclusive license to use, practice and sublicense the Licensed Patents, Technology, UBC Improvements and any Assigned Licensee Improvements, and to research, develop, manufacture, have made, distribute, use, import, offer for sale and sell the Products and Licensee Owned Improvement Products on the terms and conditions set out in this Agreement.

3.2 The license granted under this Agreement is granted only to the Licensee and not to any Affiliated Companies.

3.3 The Licensee will not enter into a Naked Cross-License Agreement involving the Licensed Patents, Technology, UBC Improvements, or any Assigned Licensee Improvements without the prior written consent of UBC, such consent not to be unreasonably withheld. For the purposes of this

section a “Naked Cross-License Agreement” means an agreement between the Licensee and a third party possessing certain technology, that:

- (a) involves the Licensee granting license rights under the Licensed Patents, Technology, UBC Improvements, or any Assigned Licensee Improvements to such third party, and such third party granting to the Licensee, in consideration of such license rights granted by Licensee, license right under the third party’s technology, and
- (b) is entered into by the Licensee and such third party without the third party agreeing to pay to the Licensee and consideration other than the exchange of license rights described in subsection (a) of this definition.

3.4 The Licensee acknowledges and agrees that, notwithstanding the exclusive license granted by UBC under Article 3.1, UBC may use the Patents, Licensed Patents, Technology and any Improvements (other than Licensee Owned Improvements) without charge in any manner at all for research, scholarly publication, educational and all other non-commercial uses.

3.5 As a condition of UBC granting this license, the Licensee agrees to pay to UBC an initial license fee of [\*] (U.S. funds) (the “**Initial License Fee**”). The Initial License Fee will be paid concurrently with the execution of this Agreement, and will not be refunded to the Licensee (in whole or in part) under any circumstances.

3.6 UBC may register a financing statement regarding this Agreement under the *Personal Property Security Act* of British Columbia and/or under similar legislation in those jurisdictions in which the Licensee carries on business and/or has its chief place of business.

3.7 The Licensee will use reasonable efforts to give notice to UBC if it is carrying on business and/or locates its chief place of business in a jurisdiction outside British Columbia before starting business in that other jurisdiction. If UBC has registered a financing statement under Article 3.6, the Licensee will use reasonable efforts to provide UBC notice within 45 days of any change in jurisdiction.

3.8 On execution of this Agreement, the Licensee will pay to UBC the sum of [\*] (Canadian Funds) to reimburse UBC for all outside patent expenses invoiced to UBC or its agents, directly in connection with the filing or prosecution of the Patents prior to February 1, 2007, and UBC will confirm such amount by providing to the Licensee copies of the invoices submitted to UBC for such activities. To the extent that any such patent expenses have not been invoiced to UBC prior to February 1, 2007, and are therefore not included in the [\*] (Canadian Funds), amount, and to the extent that UBC incurs any additional outside patent expenses after the Effective Date for filing or prosecution of the Patents, the Licensee agrees that it will within 30 days of presentation by UBC to the Licensee of the invoices for such activities, reimburse to UBC the balance of such patent expenses.

#### **4.0 SUBLICENSING**

4.1 The Licensee may enter into Sublicense Agreements with its Affiliated Companies or any other third party, without UBC’s prior consent, provided that each such Sublicense Agreement is consistent with the terms and conditions contained in this Agreement, and that each such Sublicense Agreement shall contain the mandatory sublicensing provisions contained in Schedule “C” which provisions shall not be materially revised or amended without first obtaining the prior written consent of UBC, which consent shall not be unreasonably withheld. Within 10 business days of signing any Sublicense Agreement, the Licensee will provide to UBC a fully executed unredacted copy of each Sublicense Agreement and a certification signed by a senior officer of the Licensee that such Sublicense Agreement is consistent with the terms and conditions of this Agreement and includes the mandatory sublicensing provisions contained in Schedule “C”.

4.2 Any Sublicense Agreement granted by the Licensee will be granted only to the Sublicensee and cannot be assigned or further sub-sublicensed without the prior written consent of UBC, such consent not to be unreasonably withheld.

4.3 Promptly after executing a Sublicense Agreement, the Licensee will use reasonable efforts to give notice to UBC of the jurisdictions in which the Sublicensee is carrying on business. If the Licensee, during the term of the Sublicense Agreement, becomes aware of

the Sublicensee carrying on business in another jurisdiction, then the Licensee will use reasonable efforts to give notice to UBC within 45 days.

#### **5.0 ROYALTIES**

5.1 In consideration of the license granted under this Agreement, the Licensee will pay to UBC a royalty equal to:

- (a) [\*] of the Net Revenue arising from sales of Products in [\*] in [\*] where [\*];
- (b) [\*] of the Net Revenue arising from sales of:
  - (i) Licensee Owned Improvement Products in the [\*], and
  - (ii) Products in the [\*] in [\*] where [\*];
- (c) [\*] of the Net Revenue arising from sales of Products [\*] in [\*] where [\*];
- (d) [\*] of the Net Revenue arising from sales of:
  - (i) Licensee Owned Improvement Products in the [\*], and
  - (ii) Products in the [\*] in [\*] where the [\*];

- (e) [\*] of the Net Revenue arising from sales of Products in the [\*] in [\*] where [\*]; and
- (f) [\*] of the Net Revenue arising from sales of:
  - (i) Licensee Owned Improvement Products in the [\*], and
  - (ii) Products in the [\*] in [\*] where the [\*].

5.2 For greater clarity it is confirmed that:

- (a) the royalties set out in Article 5.1 will be payable by the Licensee on all Revenue regardless of whether such Revenue is received by the Licensee or any Sublicensee(s);
- (b) “**Licensee Owned Improvement Products**” shall be defined as meaning products, goods or services:
  - (i) that are covered or claimed by, or the manufacture or use of which is covered or claimed by, a Valid Claim in a patent filed with respect to a Licensee Owned Improvement; and/or
  - (ii) that incorporate or are based upon any material aspect of a Licensee Owned Improvementprovided that such products, goods or services are not also covered or claimed by a Patent or Licensed Patent;
- (c) if any Net Revenue may be categorized as arising from one or more of the fields of use listed in Articles 5.1(a) through (f) above, then the royalty rate applicable

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to such Net Revenue shall be the one that is most favourable to UBC; for clarity, Licensee shall pay UBC royalties under Article 5.1 based on sales of a particular Product or Licensee Owned Improvement Product on a country by country basis at only one royalty rate, as determined under one of the subsections in Article 5.1 above (and no more than one rate with respect to sales in any single country);

- (d) “**Valid Claim**” shall be defined as meaning a claim in a pending, issued or granted Patent or Improvement Patent that, at the time of sale of the applicable Product or Licensee Owned Improvement Product:
  - (i) has not expired, lapsed, been cancelled or become abandoned;
  - (ii) has not been admitted to be invalid through reissue or disclaimer or otherwise; or
  - (iii) has not been finally found to be invalid (or not valid) or unenforceable by an unreversed or unappealable final decision or judgment of a court or other authority or agency of competent jurisdiction.

Any claim being presented in a pending patent application that is being prosecuted in good faith shall be deemed to be the equivalent of a valid claim of an issued, unexpired patent until disallowed, rejected or abandoned.

5.3 The royalty is due and payable within 60 days of each respective Royalty Due Date and is to be calculated with respect to the Revenue in the three month period immediately before the applicable Royalty Due Date.

5.4 All royalties paid by the Licensee to UBC under this Agreement will be in Canadian dollars without any reduction or deduction of any nature or kind at all, except as provided in Section 5.7. If the Licensee or any Sublicensee receives any Revenue in a currency other than Canadian dollars, Licensee will calculate the amount of royalties owed in such currency, and such amount will then be converted to the equivalent in Canadian dollars on the date that any amount is payable to UBC, at the rate of exchange set by the Bank of Montreal for buying Canadian dollars with such currency. The amount of royalties owed in Canadian dollars resulting from the conversion is to be paid to UBC.

5.5 Products and Licensee Owned Improvement Products are deemed to have been sold by the Licensee or a Sublicensee and included in the Revenue when invoiced, delivered, shipped, or paid for, whichever is the first.

5.6 Any transaction or other commercial disposition involving the Patents, Improvement Patents, Technology, Improvements, Products or any Licensee Owned Improvement Products, between the Licensee or any Sublicensee and another person, that is not made at fair market value is deemed to have been made at fair market value, and the fair market value of the transaction, disposition, or other dealing will be added to and deemed part of the Revenue and will be included in the calculation of royalties under this Agreement.

5.7 The parties acknowledge that, since UBC is a non-profit, tax exempt, publicly funded educational institution, and as such UBC should not be subject to any withholding or other similar taxes on any payments made by the Licensee to UBC under this Agreement. However, if Licensee determines that it is required to pay or withhold on account of UBC amounts of taxes which are otherwise payable by UBC pursuant to any applicable law, including, but not limited to, United States federal, state or local tax law (“**Withholding Taxes**”),

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the Licensee will inform UBC of such determination and the parties will discuss the matter in good faith and seek diligently to determine if there is any legal mechanism (which does not impose any additional costs or burdens on Licensee) to avoid paying or withholding such Withholding Tax. Any such Withholding Taxes required by law to be paid or withheld shall be an expense of, and borne solely by UBC if UBC is the party on which the Withholding Taxes are levied, and if Licensee is required to withhold such Withholding Tax, Licensee may deduct the tax from the applicable payment, provided that

Licensee submits to UBC reasonable proof of payment of such Withholding Taxes, together with an accounting of the calculations of such taxes, within 30 days after such Withholding Taxes are remitted to the proper authority. The parties will cooperate reasonably in completing and filing documents required under the provisions of any applicable tax laws or under any other applicable law in connection with the making of any required tax payment or withholding payment, or in connection with any claim to a refund of or credit for any such payment.

**6.0 MILESTONES AND ANNUAL PAYMENTS**

6.1 In addition to all other payments due pursuant to this Agreement, the Licensee shall pay to UBC the following payments

- (a) if the Licensee has not executed a Sublicense Agreement for use of the Licensed Patents, Technology or any Improvements within the Therapeutic Field of Use, then the Licensee shall pay to UBC the applicable of the following milestone payments (the “**Milestone Payments**”) on Licensee’s achievement of each of the following applicable events with respect to each Product or Licensee Owned Improvement Product (the “**Milestone Events**”):

Milestone Event	Milestone Payment Amount (in US \$)	
	Product	Licensee Owned Improvement Product
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]

- (b) subject to Article 6.2 and 6.3, all Milestone Payments shall be payable by the Licensee to UBC within 30 days of December 31<sup>st</sup> of the year during which the applicable Milestone Event was achieved;
- (c) if the Licensee has executed a Sublicense Agreement for use of the Licensed Patents, Technology or any Improvements within the Therapeutic Field of Use, and in addition to entering into such Sublicense, the Licensee develops one or more Products or Licensee Owned Improvement Products within the Therapeutic Field of Use independent of the Sublicense Agreement, then the Licensee will

pay to UBC the applicable Milestone Payments set out in Article 6.1(a) on the Licensee’s achievement of the Milestone Events for such Products or Licensee Owned Improvement Products being developed by the Licensee independent of the Sublicense Agreement and on executing any further Sublicense Agreement with respect to such Products or Licensee Owned Improvement Products being developed by the Licensee, the Licensee will pay to UBC the greater of the Milestone Payments or Sublicensing Fees received by the Licensee in accordance with either Article 6.2 or 6.3 dependent on the stage of development of such Products or Licensee Owned Improvement Products as of the date that such further Sublicense Agreement is entered into. Such payments shall be paid to UBC regardless of whether there are any amounts payable by the Licensee under Article 6.2 and 6.3 with respect to the Sublicensee’s development of different Products or Licensee Owned Improvement Products developed under the Sublicense Agreement;

- (d) each year during the Term of this Agreement the Licensee will also pay to UBC on the dates set out below an annual payment equal to the amounts set out

below (the “**Annual Payment**”). This Annual Payment will not be refunded to the Licensee (in whole or in part) under any circumstances:

- (i) [\*] [\*]
- (ii) [\*] [\*]
- (iii) [\*] [\*]
- (iv) [\*] [\*]
- (v) [\*] [\*]
- (vi) [\*], and on [\*], of each subsequent year thereafter [\*]

6.2 Subject to Article 6.3, if the Licensee has executed a Sublicense Agreement for use of the Licensed Patents, Technology or any Improvements within the Therapeutic Field of Use, then upon the Sublicensee achieving a Milestone Event (as listed in the schedule in Article 6.1(a) above), the Licensee will pay to UBC the greater of either:

- (a) the Milestone Payment identified in the [\*] column of the table in Article 6.1(a) above with respect to achievement of such Milestone Event, and
- (b) a percentage of the total Sublicensing Fees received by Licensee from its Sublicensee under the terms of such Sublicense Agreement (which percentage will be determined in accordance with the following schedule) during the applicable period as provided expressly in Section 6.4:

Milestone Event	Percentage of Sublicensing Fees
If the Sublicense Agreement is executed prior to [*]	[*]
If the Sublicense Agreement is executed subsequent to [*]	[*]

6.3 If the Licensee has executed a Sublicense Agreement within the Therapeutic Field of Use, that grants such Sublicensee a license with respect to the Licensee Owned Improvements, and such Sublicense Agreement does not include a grant of any rights with respect to the Licensed Patents, Technology or any Improvements (other than the Licensee Owned Improvements) then upon the Sublicensee achieving a Milestone Event (as listed in the schedule in Article 6.1(a) above), the Licensee will pay to UBC the greater of either:

- (a) the Milestone Payment identified in the "Licensee Owned Improvement Product" column of the table in Article 6.1(a) above with respect to achievement of such Milestone Event, and
- (b) a percentage of the total Sublicensing Fees received by Licensee from its Sublicensee under the terms of such Sublicense Agreement (which percentage will be determined in accordance with the following schedule) during the applicable period as provided expressly in Section 6.4:

Milestone Event	Percentage of Sublicensing Fees
If the Sublicense Agreement is executed prior to [*]	[*]
If the Sublicense Agreement is executed subsequent to [*]	[*]

6.4 With respect to all Milestone Events achieved by a particular Sublicensee under a Sublicense Agreement during a particular calendar year, Licensee shall make the determination under Article 6.2 or 6.3, of whether Licensee will make payments under Article 6.2(a) or 6.3(a) above for such Milestone Event achievements (i.e., make the Milestone Payments under Article 6.1(a) owed with respect to such Milestone Events) or will pay a percentage of the Sublicensing Fees received under Article 6.2(b) or 6.3(b) from such Sublicensee, on an annual basis and will make such calculation effective as of December 31st of such year. For this purpose, the Licensee will prepare and deliver to UBC within 30 days of December 31st of each year a report and an accounting statement which sets out a comparison of:

- (a) all of the Sublicensing Fees received by the Licensee from such Sublicensee during the period starting on the later of (i) the execution of the Sublicense Agreement or (ii) December 31 of the year of achievement by the Sublicensee of the last Milestone Event in respect of which the Licensee has made a payment to UBC under Article 6.2 or 6.3; and ending on December 31 of the applicable year for which the report is delivered to UBC, and
- (b) the Milestone Event(s) that were achieved by the Sublicensee during the calendar year period ending on such December 31; and
- (c) a calculation showing the comparison of the total amounts that would be payable by Licensee under Article 6.2(a) or 6.3(a) based on achievement of such Milestone Events during such year, and the total amount that would be payable under Article 6.2(b) or 6.3(b), by applying the appropriate percentage to the total

Sublicensing Fees received by Licensee from such Sublicensee during the period specified in subsection (a) above.

The Licensee will also deliver to UBC along with the report and accounting statement referred to above, the amount determined to be payable to UBC in accordance with either Article 6.2(a) or (b); or 6.3(a) or 6.3(b).

For example, if a Sublicensing Agreement is executed after [\*], and such Sublicensee [\*] a Product during a particular calendar year (and that completion is the first Milestone Event achieved by such Sublicensee after executing the Sublicensing Agreement), then for achievement of such Milestone Event the Licensee will pay to UBC, under the terms of Article 6.2 and this Article 6.4, the greater of:

(i) [\*] (the amount identified in Article 6.1(a) above for achievement of such Milestone Event) and (ii) [\*] of all Sublicensing Fees paid to Licensee by such Sublicensee under such Sublicensing Agreement through to December 31 of such calendar year. If such Sublicensee subsequently [\*] the same Product, then for achievement of such Milestone Event the Licensee will shall pay to UBC, under Article 6.2, the greater of: (i) [\*] (the amount identified in Article 6.1(a) above for achievement of such Milestone Event), and (ii) an amount equal to [\*] of all Sublicensing Fees paid to Licensee by such Sublicensee under such Sublicensing Agreement *after* December 31 of the year in which the [\*] Milestone Event was achieved by such Sublicensee, *through* to December 31 of the calendar year in which such [\*] Milestone Event was achieved by such Sublicensee.

6.5 The Licensee will pay to UBC, in addition to all other amounts due under this Agreement, an annual maintenance fee of U.S. [\*] (the "Annual Maintenance Fee"). The Annual Maintenance Fee is payable on or before April 1 of each year during the Term, starting on April 1, 2007 and will not be refunded to the Licensee (in whole or in part) under any circumstances.

## 7.0 PATENTS

7.1 UBC will, on the request of the Licensee, take reasonable steps to apply for a patent with respect to the Technology, UBC Improvements, or any Assigned Licensee Improvements in the name of UBC provided that the Licensee pays all costs of applying for, registering and maintaining the patent in the jurisdictions in which the Licensee designates that a patent is required, and such patent shall be deemed included in the Licensed Patents. The Licensee will on UBC's request pay to UBC a reasonable payment as an advance against expected patent expenses over the next 3 months with respect to any such requested filing.

7.2 On the filing (thereafter including after issuance) of a Licensed Patent filed under Article 7.1, the Licensee becomes the licensee of the Licensed Patent on the terms and conditions set out in this Agreement.

7.3 Throughout the Term, the Licensee will within 30 days of presentation of receipts and/or invoices by UBC to the Licensee showing the amounts actually charged by Licensee's external patent counsel of for filing fees or similar external prosecution costs, reimburse to UBC the balance of all out-of-pocket patent filing, prosecution and maintenance costs incurred to such date regarding the Licensed Patents.

7.4 The Licensee will not contest the validity or scope of the Licensed Patents or the Technology, Improvements or any New Technology, to the extent such restriction is permitted by applicable law.

7.5 To the extent required by applicable law, the Licensee will ensure proper patent marking for all uses of the Licensed Patents licensed under this Agreement and will clearly mark the appropriate patent numbers on any Products covered by the Licensed Patents.

## 8.0 DISCLAIMER OF WARRANTY

8.1 Except as otherwise expressly provided in Article 8.3, UBC makes no representations, conditions or warranties, either express or implied, regarding the Licensed Patents, Technology, Improvements, Products or Licensee Owned Improvement Products. Without limitation, UBC specifically disclaims any implied warranty, condition or representation that the Licensed Patents, Technology, Improvements, Products or Licensee Owned Improvement Product:

- (a) correspond with a particular description;
- (b) are of merchantable quality;
- (c) are fit for a particular purpose; or
- (d) are durable for a reasonable period of time.

UBC is not liable for any loss, whether direct, consequential, incidental or special, that the Licensee or other third parties suffer arising from any defect, error or fault of, or failure to perform by, the Licensed Patents, Technology, Improvements, Products or Licensee Owned Improvement Products, even if UBC is aware of the possibility of the defect, error, fault or failure. The Licensee acknowledges that it has been advised by UBC to undertake its own due diligence regarding the Licensed Patents, Technology and any Improvements.

8.2 Nothing in this Agreement:

- (a) constitutes a warranty or representation by UBC as to title to the Licensed Patents, Technology or any Improvements, except as provided in Section 8.3 below, or that anything made, used, sold or otherwise disposed of under the license granted in this Agreement will not infringe the patents, copyrights, trademarks, industrial designs or other intellectual property rights of any third parties, including any patents, copyrights, trade-marks, industrial design or other intellectual property rights owned, in whole or in part, by UBC, or licensed by UBC to any third parties;
- (b) constitutes an express or implied warranty or representation by UBC that the Licensee has, or will have the freedom to operate or practice the Licensed Patents, Technology or any Improvements, or the freedom to make, have made, use, sell or otherwise dispose of Products or Licensee Owned Improvement Products; or
- (c) imposes an obligation on UBC to bring, prosecute or defend actions or suits against third parties for infringement of patents, copyrights, trade-marks, industrial designs or other intellectual property or contractual rights.

8.3 UBC hereby represents and warrants to Licensee that as of the Effective Date to the best of the knowledge of the UBC staff having responsibility for the commercialization of this Technology at the UBC Industry Liaison Office, and without having made any specific inquiry:

- (a) as between UBC and the inventors or the Technology employed by UBC, UBC has been assigned ownership of the Technology and the Patents;
- (b) UBC has corporate power and authority to grant, and is not prohibited by any legislation from granting, a license of technology under the Patents and the Technology under this Agreement; and
- (c) UBC has not previously granted to any third party any license to commercially exploit the Patents and/or the Technology that materially conflict with the license rights granted to the Licensee under this Agreement.

8.4 Notwithstanding Article 8.2, if there is an alleged infringement or misappropriation of the Licensed Patents, Technology, UBC Improvements or any Assigned Licensee Improvements or any right with respect to the Licensed Patents, Technology, UBC Improvements or any Assigned Licensee Improvements, the Licensee may take all appropriate steps, short of starting legal action, to stop or enjoin such infringement or misappropriation of the Licensed Patents, Technology, UBC Improvements or any Assigned Licensee Improvements, and will consult with UBC regarding such steps. If it is necessary to start any legal action to stop or enjoin any infringement or misappropriation of the Licensed Patents, Technology, UBC Improvements or any Assigned Licensee Improvements and/or to recover damages from such infringement or misappropriation, the Licensee may do so, provided that the Licensee first obtains UBC's prior written consent to initiate such action, which consent shall not be unreasonably withheld or delayed, and that the Licensee shall keep UBC reasonably informed regarding the progress of such action and indemnify UBC against any claims made against UBC by the defendant in such action based upon or relating to such action or the Licensed Patents, Technology, UBC Improvements or any Assigned Licensee Improvements. Provided that it has first granted its prior written consent, such consent not to be unreasonably withheld, UBC agrees to reasonably co-operate to the extent of signing all necessary documents or to join as a party plaintiff if legally required. All the direct and indirect costs and expenses of Licensee in bringing and conducting the legal action or settlement shall be paid by the Licensee including any out-of-pocket costs and expenses of UBC in its providing assistance. All recoveries from such legal action are for the benefit of, and shall be retained by, the Licensee.

8.5 If any complaint alleging infringement of any patent or other proprietary rights is made against the Licensee or a Sublicensee based upon the use of the Patents, improvement Patents, Technology or any Improvements or the manufacture, use or sale of the Products, the following procedure will be adopted:

- (a) the Licensee will promptly notify UBC on receipt of the complaint and will use reasonable efforts to keep UBC reasonably informed of the actions and positions taken by the complainant and taken or proposed to be taken by the Licensee on behalf of itself or a Sublicensee (to the extent such information can be disclosed without breaching confidentiality obligations or court orders or destroying privilege);
- (b) except as provided in Article 8.5(d), all costs and expenses incurred by the Licensee or any Sublicensee in investigating, resisting, litigating and settling the

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complaint, including the payment of any award of damages and/or costs to any third party, will be paid by the Licensee or any Sublicensee, as the case may be;

- (c) Licensee shall not make any final disposition of the complaint in a manner that materially negatively impacts the Licensed Patents, Technology, UBC Improvements or any Assigned Licensee Improvements without full consultation with, and approval by, UBC, such approval not to be unreasonably withheld;
- (d) UBC may elect to participate as a party in any litigation involving the complaint to the extent that the court may permit, *provided that* UBC shall not take any actions that materially negatively impact Licensee's interests under this Agreement or in such litigation, and any direct additional expenses incurred by the Licensee as the result of such participation will be paid by UBC (subject to the possibility of recovery of some or all of the additional expenses from the complainant); and
- (e) the Licensee will pay all royalties payable under Article 5.1 of this Agreement to UBC in trust from the date UBC receives notice of the complaint and until a resolution of the complaint has been finalized. If the complainant is successful, then the royalties paid to UBC in trust under this Article 8.5(e) will be returned to the Licensee, provided that the amount being returned to the Licensee is no more than the amount paid by the Licensee to the complainant in the settlement or other disposition of the complaint. If the complainant does not succeed, then UBC retains all royalties paid to it under this Article 8.5(e).

## 9.0 INDEMNITY & LIMITATION OF LIABILITY

9.1 The Licensee indemnifies, holds harmless and defends UBC, its Board of Governors, officers, employees, faculty, students, invitees and agents (the "Indemnitees") against any and all third party claims (including all associated legal fees and disbursements actually incurred) against any such Indemnitee arising out of the exercise by Licensee (or its Sublicensees) of any rights granted to Licensee under this Agreement, including without limitation against any damages or losses, consequential or otherwise, arising from any third party claim based in any manner at all from or out of the use of the Licensed Patents, Technology, Improvements, Products or Licensee Owned Improvement Product licensed under this Agreement, by the Licensee or its Sublicensees or their customers or end-users.

9.2 UBC's total liability, whether under the express or implied terms of this Agreement, in tort (including negligence) or at common law, for any loss or damage suffered by the Licensee, whether direct, indirect or special, or any other similar damage that may arise or does arise from any breaches of this Agreement by UBC, its Board of Governors, officers, employees, faculty, students or agents, is limited to **[\*]**, less amounts actually paid by UBC to the inventors of the Licensed Patents, Technology or Improvements out of such payments received by UBC from the Licensee based on such inventorship in accordance with UBC's policies regarding payments to its inventors, and *provided that* any such liability on the part of UBC in excess of CDN. **[\*]** may be recovered by the Licensee solely out of, and as a set off against, amounts payable by the Licensee to UBC under this Agreement after the date of any award of such damages or other liability.

9.3 Subject to Article 9.1, each Party acknowledges and agrees that the other Party will not be liable for any special, punitive, consequential or incidental damages arising from any breach or breaches of this Agreement.

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9.4 Notwithstanding the termination or expiration of this Agreement, the rights and obligations in Article 9 will survive and continue to bind the each party and its successors and assigns.

## 10.0 PUBLICATION & CONFIDENTIALITY

10.1 Each party will keep and use the other party's Confidential Information in confidence and will not, without the other party's prior written consent, disclose the other party's Confidential Information to any person or entity, except to the party's permitted sublicensees (if such party is Licensee) directors, officers, employees, faculty, students and professional advisors who require the Confidential Information to assist such party in performing its obligations or exercising its rights under this Agreement. Each party will use the other party's Confidential Information solely for the purposes permitted under this Agreement and will not, without the other party's prior written consent, use the other party's Confidential Information for any other purpose. The Licensee will maintain an appropriate internal program limiting the distribution of JBC's Confidential Information to only those Sublicensees, officers, employees and professional advisors who require such Confidential Information in performing the Licensee's obligations or exercising its rights under this Agreement and who have signed appropriate nondisclosure agreements.

10.2 Notwithstanding the foregoing, a party may disclose the other party's Confidential Information to the extent such disclosure is required by judicial or administrative process, provided that such party will promptly notify the other party of such requirement and allow it reasonable time to oppose the process before disclosing the specific Confidential Information.

10.3 UBC is not restricted from presenting at symposia, national or regional professional meetings, or from publishing in journals or other publications, accounts of its research relating to the Licensed Patents, Technology and any Improvements (other than Licensee Owned Improvements), provided that with respect to the Confidential Information only, the Licensee is provided with copies of the proposed disclosure at least 60 days before the presentation or publication date and does not, within 30 days after delivery of the proposed disclosure, give notice to UBC indicating that it objects to the proposed disclosure. Any objection to a proposed disclosure will specify the portions of the proposed disclosure considered objectionable (the "Objectionable Material"). On receiving notice from the Licensee that any proposed disclosure contains Objectionable Material, UBC and the Licensee agree to work together to revise the proposed disclosure to remove or alter the Objectionable Material in a manner acceptable to both the Licensee and UBC, in which case the Licensee will withdraw its objection. UBC is not restricted from publishing or presenting the proposed disclosure as long as the Objectionable Material has been removed. Any Objectionable Material will not be disclosed for six months from the date UBC delivered the proposed disclosure to the Licensee. After six months from the date UBC delivered the proposed disclosure to the Licensee, UBC is free to present and/or publish the proposed disclosure whether or not it contains Objectionable Material.

10.4 The Licensee requires of UBC, and to the extent permitted by law UBC agrees, that this Agreement, and each part of it, is confidential and will not be disclosed to third parties, as the Licensee claims that the disclosure would or could reveal commercial, scientific or technical information and would significantly harm the Licensee's competitive position and/or interfere with the Licensee's negotiations with prospective Sublicensees. Notwithstanding anything contained in Article 10, the Licensee acknowledges and agrees that UBC may identify the title of this Agreement, the parties to this Agreement and the names of the inventors of the Licensed Patents, Technology and any Improvements, and that UBC may also disclose to the

inventors of the Licensed Patents and Technology the amount of all payments made to UBC by the Licensee under this Agreement, the manner or method by which such payments were calculated and all Payment Reports delivered to UBC by the Licensee in connection with such payments.

10.5 Notwithstanding the termination or expiration of this Agreement, the rights and obligations in Article 10 survive and continue to bind the parties, their successors and assigns.

## **11.0 PRODUCTION & MARKETING**

11.1 The Licensee will not knowingly use the UBC Trade-marks or make reference to UBC or its name in any advertising or publicity, without the prior written consent of UBC. Without limitation, the Licensee will not issue a press release regarding this Agreement or the 'Licensed Patents, Technology, UBC Improvements or any Assigned Licensee Improvements

without first obtaining UBC's written approval, such approval not to be unreasonably withheld or delay, and provided that Licensee shall be permitted to make such public disclosures regarding the existence or terms of this Agreement as are required to comply with applicable law or regulation. If the Licensee is required by law or regulation to disclose the Agreement or any of its terms, the Licensee will provide UBC with reasonable prior notice to permit UBC to bring an application or other proceeding to contest the requirement.

11.2 The Licensee represents and warrants to UBC that it has the infrastructure, expertise and resources to:

- (a) develop and commercialize the Licensed Patents, Technology and any Improvements;
- (b) track and monitor on an ongoing basis performance under the terms of each Sublicense Agreement;
- (c) monitor patent infringement regarding any patent relating to the Licensed Patents, Technology and any Improvements licensed under this Agreement; and
- (d) handle the Licensed Patents, Technology and any Improvements with care and without danger to the Licensee, its employees, agents, or the public.

11.3 The Licensee agrees that it will, throughout the Term:

- (a) use Commercially Reasonable Efforts to develop and commercialize the Licensed Patents, Technology and any Improvements allocating at least the same degree of diligence, expertise, infrastructure, and resources as the Licensee is allocating to other products developed and marketed by the Licensee that have a similar profit potential, are at the same stage of development, and have similar product life, patent position, market potential and regulatory issues; and
- (b) use Commercially Reasonable Efforts to promote, market and sell the Product and Licensee Owned Improvement Product (once Regulatory Approval is achieved) in the applicable countries and exploit the Licensed Patents, Technology and any Improvements and to meet or cause to be met the market demand for the approved Products and Licensee Owned Improvement Products and the potential use of the Licensed Patents, Technology and any Improvements.

11.4 Without Limiting the generality of the obligations set out in Article 11.3, the Licensee will use Commercially Reasonable Efforts to [\*] according to the following development timeline:

- (a) Licensee will use Commercially Reasonable Efforts to [\*] within [\*] of the Effective Date;
- (b) Licensee will Use Commercially Reasonable Efforts to [\*] within [\*] of the Effective Date;
- (c) Licensee will use Commercially Reasonable Efforts to [\*] within [\*] of the Effective Date; and

- (d) Licensee will use Commercially Reasonable Efforts to [\*] within [\*] of the Effective Date.

It is understood and agreed that actions by any Sublicensee may satisfy any of the above timeline matters. The Licensee further acknowledges UBC's objective in licensing the Licensed Patents, Technology and any Improvements to the Licensee is that the Licensee use Commercially Reasonable Efforts to promote, market and sell Products (once Regulatory Approval is achieved) for use in several therapeutic fields, including possible [\*]. Therefore, if the Licensee is developing a Product for a particular therapeutic field in accordance with the timelines set out in Articles 11.4(a) through (d), but is unable to develop, or cause to be developed other Product(s) within one or more other therapeutic fields of use, then the Licensee will at the request of UBC consider in good faith the grant by the Licensee of one or more sublicenses of the Licensed Patents, Technology and any Improvements on commercially reasonable terms to a third party or parties identified by UBC as being able to develop, or cause to be developed Product(s) within one or more of the therapeutic fields of use not being exploited by the Licensee.

11.5 If UBC believes in good faith that the Licensee is in material breach of Article 11.3, UBC may give notice to the Licensee under Article 18.3, which notice shall specify particulars of the alleged breach. Within 30 days of receiving UBC's notice, the Licensee shall provide notice to UBC of its election to:

- (a) proceed with remedying the breach in accordance with Article 18.3, or
- (b) dispute the breach ("**Dispute**") and refer the Dispute to mediation in accordance with Articles 11.6; or
- (c) accept the breach.

If the Licensee elects to proceed with remedying the breach, then the Licensee will be deemed to have waived any right to refer the matter to mediation in accordance with Article 11.6. If the Licensee fails to make an election in accordance with this Article, then the Licensee will be deemed to have accepted the breach and UBC may terminate this Agreement.

11.6 If the Licensee elects to refer the Dispute to mediation, UBC and Licensee will jointly appoint an impartial, independent mediator with (to the extent available) expertise in the research and development of pharmaceutical products and in licensing agreements regarding such activities (the "**Mediator**") within 15 days of the Licensee's election. On appointment of Mediator the following rules and procedures will govern the conduct of the parties and the Mediator before and during the mediation of a Dispute:

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- (a) within 15 days of the appointment of the Mediator, each party will provide to the Mediator and to the other party a written summary of its position and copies of all documents on which it intends to rely. On receiving a party's summary and documents, the other party then has 15 days to submit to the other party and the Mediator a summary of such other party's position in response to the party's position;
  - (b) after each of the Licensee and UBC has provided its summary and documents and response under Article 11.6(a), but not more than 60 days from the appointment of the Mediator, the parties agree to meet in the presence of the

Mediator with a view to resolving the Dispute. The role of the Mediator will be to assist in negotiating a resolution of a Dispute and will not make a binding decision without the parties' prior written agreement. Each party will use good faith, diligent efforts to seek to agree to a resolution of the Dispute that is mutually satisfactory and facilitates the diligent and profitable development and commercialization of the Licensed Patents, Technology, Products and Licensee Owned Improvement Products by or on behalf of Licensee;

- (c) the mediation of a Dispute may be terminated by either party, by giving notice to the other party:
  - (i) if the other party fails to comply with its obligations under Article 11.6; or
  - (ii) if the parties cannot agree on a resolution of the Dispute within 60 days from the appointment of the Mediator;
- (d) any information or documents disclosed by either party under this Article 11.6 must be kept confidential and must not be used except to attempt to resolve the Dispute in the context of the mediation; and
- (e) each party must bear its own costs of complying with Article 11.6 and the parties must bear equally the costs of any Mediator engaged.

11.7 If the parties cannot agree on the resolution of the Dispute within 60 days from the appointment of the Mediator, or if the mediation of the Dispute has been terminated under Article 11.6(c), then the Licensee will (counting from the end of the 60 day period) have a further 30 days to remedy the material breach in accordance with Article 18.3(a) (if such breach in fact has occurred). If the Licensee fails to remedy the breach (if such material breach in fact has occurred) within such 30 day period then UBC may terminate this Agreement, provided that it is understood and agreed if Licensee disputes that such material breach has occurred, no such termination shall occur or be permitted unless and until it is determined in a final judgment (which is no longer subject to any appeal) that a material breach occurred and has not been cured by Licensee.

## 12.0 ACCOUNTING RECORDS & REPORTS

12.1 The Licensee will maintain at its principal place of business, or another place as may be most convenient, separate accounts and records of all Revenues, Sublicensing Fees, Sublicense Agreements and all business done in connection with the Patents, Improvement Patents, Technology or any Improvements. The accounts and records will be in sufficient detail to enable proper returns to be made under this Agreement and the Licensee will cause its Sublicensees to keep and deliver to the Licensee similar accounts and records.

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12.2 The Licensee will complete and deliver to UBC:

- (a) within 60 days of each and every Royalty Due Date, a completed Payment Report in the form attached as Schedule "D", (or an amended form as required by UBC from time to time) together with the royalty payable under this Agreement. A separate Payment Report shall be prepared and delivered for each Sublicensee and Sublicense Agreement, including an accounting statement setting out in detail how the amount of Revenue received by such Sublicensee was determined and identifying each Sublicensee and the location of the business of each Sublicensee. The first Payment Report will be submitted within

60 days of the first Royalty Due Date after the receipt of the first Revenue, and thereafter a Payment Report shall be delivered every three months regardless of whether any Revenue was received in the preceding period; and,

- (b) on or before December 1st of each year during the Term, starting on December 1, 2007 an Annual Report in the form attached as Schedule "D" (or an amended form as required by UBC from time to time).

12.3 The calculation of royalties will be carried out in accordance with generally accepted accounting principles in the United States, or the standards and principles adopted by the U.S. Financial Accounting Standards Board applied on a consistent basis.

12.4 The Licensee will retain the accounts and records referred to in Article 12.1 for at least 6 years from when they were made and will permit a certified public accountant from a nationally-recognized accounting firm selected by UBC, to inspect, at UBC's expense, the accounts and records during the Licensee's normal business hours. The Licensee will provide to accountant access to all such accounts and records as necessary to verify the accounts and records (including the accounts and records pertaining to Revenue received by any Sublicensee(s)) and will allow copies to be made of the accounts, records and agreements. If an inspection of the Licensee or Sublicensee's records by such accountant shows an underreporting or underpayment by the Licensee of any amount to UBC, by more than five percent (5%) for any 12 month period, then the Licensee will reimburse UBC for the cost of the inspection as well as pay to UBC any amount found due (including any interest) within 30 days of notice by UBC to the Licensee. If such inspection shows an overpayment by Licensee, Licensee may credit such overpayment against any other amounts owed to UBC, *provided that* if there are no more payments owed then UBC shall reimburse Licensee for the amount of such overpayment.

12.5 Any inspection under Article 12.4 shall be subject to a confidentiality obligation under which the inspecting accountant shall be under a confidentiality agreement to ensure that all information provided to such Agreement under such Article remains confidential and is treated as confidential by such accountant provided that such accountant may disclose to UBC whether the royalty payments by Licensee are accurate including all documentation supporting the accountant's determination, and any extent of any underpayment or overpayment.

### 13.0 INSURANCE

13.1 During the Term, and for a period of three years thereafter, the Licensee will procure and maintain insurance (including public liability and commercial general liability insurance and insurance covering product liability), as would be acquired by a reasonable and prudent businessperson carrying on a similar line of business at a similar stage of development,

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such insurance being at a minimum sufficient to cover Licensee's indemnification obligations under Section 9.1.

13.2 Without limiting Article 13.1, one month before the start of any Human Clinical Trials:

the Licensee will give notice to UBC of the terms and amount of the product liability, clinical trials, public liability, and commercial general liability insurance and such other types of insurance which it has placed. This insurance will:

- (a) be placed with a reputable and financially secure insurance carrier;
- (b) include UBC, its Board of Governors, faculty, officers, employees, students and agents as additional insureds;
- (c) provide coverage regarding all activities under this Agreement;
- (d) include a waiver of subrogation against UBC, and a severability of interest and cross-liability clauses; and
- (e) provide that the policy cannot be cancelled or materially altered except on at least 30 days' prior notice to UBC.

13.3 UBC may from time to time request reasonable amendments to the terms or the amount of coverage contained in the Licensee's insurance policy, and Licensee will use reasonable efforts to accommodate such reasonable requests. The Licensee will provide to UBC for its approval certificates of insurance evidencing the coverage seven days before the earlier of any Human Clinical Trials. The Licensee will not:

- (a) start any Human Clinical Trials, or
- (b) sell any Product or Licensee Owned Improvement Products

at any time unless, a certificate of insurance has been provided and approved by UBC, and the insurance outlined in Article 13.2 is in effect.

13.4 The Licensee will also require each Sublicensee to procure and maintain:

- (a) public liability and commercial general liability insurance and such other types of insurance as would be acquired by a reasonable and prudent businessperson carrying on a similar line of business; and
- (b) in any event, one month before the start of any Human Clinical Trials by the Sublicensee, product liability, clinical trials, public liability and commercial general liability insurance in reasonable amounts, with a reputable and financially secure insurance carrier.

The Licensee will ensure that all Sublicensees' policies of insurance include UBC, its Board of Governors, faculty, officers, employees, students and agents as additional insureds.

#### 14.0 ASSIGNMENT & CHANGE OF CONTROL

14.1 The Licensee will not assign or transfer this Agreement or any of its obligations under this Agreement without the prior written consent of UBC, such consent not to be

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unreasonably withheld or delayed, provided that Licensee may assign this Agreement without such consent to its Affiliate Company or to its successor in interest in connection with the merger, acquisition or sale of all or substantially all of Licensee's assets, so long as such assignee provides to UBC in writing its agreement to undertake and perform all of Licensee's obligations under this Agreement as the assignee of Licensee entire interests in the Agreement.

14.2 UBC will have the right to assign its rights, duties and obligations under this Agreement to a company of which it is the sole shareholder, or a society which it has incorporated or which has purposes which are consistent with the objectives of UBC. If UBC makes such an assignment, [\*\*\*], provided that UBC assigns to such company or society the entire right, title and interest in and to all the Licensed Patents, Technology, UBC Improvements and any Assigned Licensee Improvements and the company or society, as the case may be, signs a written agreement which provides that the company or society assumes all obligations or covenants from UBC and that the Licensee retains all rights granted to the Licensee under this Agreement.

#### 15.0 GOVERNING LAW

15.1 This Agreement is governed by, and will be construed in accordance with, the laws of the Province of British Columbia and the federal laws of Canada, without regard to any conflicts of law rules or principles that would require application of different law. All parties agree that by executing this Agreement they have attorned to the jurisdiction of the Supreme Court of British Columbia.

#### 16.0 NOTICES

16.1 All reports and notices or other documents that a party is required or may want to deliver to any other party will be delivered:

- (a) in writing; and
- (b) either by personal delivery or by registered or certified mail at the address for the receiving party set out in Article 16.2 or as varied by any notice.

Any notice personally delivered is deemed to have been received at the time of delivery. Any notice mailed in accordance with this Article 16.1 is deemed to have been received at the end of the fifth day after it is posted.

16.2 The address for delivery of notices and instructions for making payments to UBC are set out in the attached Schedule "F". The address for delivery of notices to the Licensee is set out below:

Nicholas N. Vahanian, Chief Medical and Operations Officer  
NewLink Genetics Corporation  
Iowa State University Research Park  
2901 South Loop Drive, Suite # 3900  
Ames, Iowa 50010

Telephone: 515-296-5555  
Fax: 515-296-5557

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#### 17.0 TERM

17.1 The term (the "Term") of this Agreement starts on the Effective Date and ends on:

- (a) the day that is exactly 20 years later; or
- (b) the expiry of the last Licensed Patent,

whichever is last to occur, unless terminated earlier under Article 18.

#### 18.0 TERMINATION OF AGREEMENT

18.1 This Agreement automatically and immediately terminates without notice to the Licensee if any bankruptcy proceeding under the bankruptcy laws of the United States is started by or against the Licensee.

18.2 UBC may, at its option, immediately terminate this Agreement by giving notice to the Licensee if one or more of the following occurs:

- (a) the Licensee makes or suffers the appointment of a receiver or a receiver manager with control of all or substantially all of Licensee's assets; the termination of all or substantially all of the Licensee's employees; or the Licensee ceasing or initiating a program intending to cease carrying on business;

- (b) any resolution is passed or order made or other steps taken for the winding up, liquidation or other termination of the existence of the Licensee;
- (c) if any Sublicensee is in material breach of its Sublicense Agreement (and such breach is causing harm to UBC), and the Licensee fails on receiving notice from UBC to take all commercially reasonable steps under the terms of the Sublicense Agreement to cause such Sublicensee to cure such breach; and
- (d) if the Licensee, or any Affiliated Company, is in material breach of, any other agreement between the Licensee or such Affiliated Company and UBC and the material breach has not been cured within the time provided for the curing of such breach under the terms of the other agreement.

18.3 Other than as set out in Articles 18.1 and 18.2, a party may terminate this Agreement for any material breach by the other party of its material obligation under this Agreement *provided that* such material breach is not cured by the breaching party after such party provides the following notice to the party in breach:

- (a) 45 days notice (which notice provides particulars of the specific breach) in the case of any breach which can reasonably be remedied within 45 days of the delivery of such notice; or
- (b) if the breach cannot be remedied within 45 days and the breach is not remedied within such further period as may be reasonably necessary, or within 90 days after receipt of notice (which notice provides particulars of the specific breach), whichever is sooner.

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18.4 If this Agreement is terminated under Article 18.1 to 18.3, the Licensee will make all outstanding royalty and other payments to UBC under Articles 5 and 6 that have accrued and are owed prior to the date of termination, and UBC may proceed to enforce payment of all outstanding royalties or other monies owed to UBC that have accrued and are owed prior to the date of termination, and each party may exercise any or all of the rights and remedies available under this Agreement or otherwise available by law or in equity, successively or concurrently, at the option of such party. Within five days of the Effective Termination Date, the Licensee will deliver to UBC all Licensed Patents, Technology, UBC Improvements and any Assigned Licensee Improvements in its possession or control and has no further right of any nature at all in the Licensed Patents, Technology, UBC Improvements or any Assigned Licensee Improvements.

18.5 The Licensee and all Sublicensees will cease to use the Licensed Patents, Technology, UBC Improvements or any Assigned Licensee Improvements in any manner at all or to manufacture or sell the Products within five days from the Effective Termination Date. The Licensee will then deliver to UBC an accounting within 30 days from the Effective Termination Date. The accounting will specify the inventory or stock of Products manufactured and remaining unsold on the Effective Termination Date. Without limitation, if this Agreement is terminated under Article 18.1, no Products will be sold without the prior written consent of UBC. The Licensee will continue to make royalty and other payments to UBC in the same manner specified in Articles 5 and 6 on all Products that are sold in accordance with this Article 18.5, notwithstanding anything contained in, or any exercise of rights by UBC, under Article 18.4.

18.6 Notwithstanding the termination or expiration of this Agreement, Article 12 remains in full force and effect until 6 years after:

- (a) all payments of royalty required to be made by the Licensee to UBC under this Agreement have been made by the Licensee to UBC; and
- (b) any other claim or claims of any nature or kind at all made by UBC against the Licensee under this Agreement has been settled or resolved in court.

## **19.0 MISCELLANEOUS COVENANTS OF LICENSEE**

19.1 The Licensee represents and warrants to UBC that the Licensee is a corporation duly organized, existing and in good standing under the laws of Iowa and has the power, authority and capacity to enter into this Agreement and to carry out the transactions contemplated by this Agreement, all of which have been duly and validly authorized by all requisite corporate proceedings.

19.2 The Licensee will comply with all applicable laws, regulations and ordinances, whether Federal, State, Provincial, County, Municipal or otherwise, with respect to the Patents, Improvement Patents, Technology and any Improvements and this Agreement.

19.3 The royalties specified in this Agreement are exclusive of taxes. If UBC is required to collect a tax to be paid by the Licensee or any of its Sublicensees, the Licensee will pay the tax to UBC on demand.

19.4 The Licensee will pay interest on all amounts due and owing to UBC under this Agreement but not paid by the Licensee on the due date, at the rate of 12.68% per annum, calculated annually not in advance. The interest accrues on the balance of unpaid amounts from time to time outstanding, from the date on which portions of the amounts become due and owing until payment in full.

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## **20.0 MANAGEMENT OF CONFLICTS OF INTEREST**

20.1 The Licensee acknowledges that it is aware of UBC's Conflict of Interest Policy #97, Patent and Licensing Policy #88 and Research Policy #87 (<http://www.policy.ubc.ca/>), and that UBC may amend these policies or introduce new policies from time to time.

20.2 Subject to Article 20.3 the Licensee and UBC agree, that:

- (a) the facilities and research programs of the Licensee will be conducted independently of all UBC facilities, faculty, students or staff, and in particular, independently of and from the Investigator and the laboratory facilities made available to the Investigator by reason of the Investigator's employment at UBC;
- (b) no students, post-doctoral fellows or other UBC staff will participate or be involved in the Licensee's research, projects or utilize its facilities; and
- (c) any disclosures of inventions made by the Investigator to the Licensee will be immediately forwarded by the Licensee to UBC.

20.3 The Licensee and UBC may, from time to time, enter into written agreements to permit activities which would otherwise be prohibited by Article 20.2.

**21.0 GENERAL**

21.1 Nothing contained in this Agreement is to be deemed or construed to create between the parties a partnership or joint venture. No party has the authority to act on behalf of any other party, or to commit any other party in any manner at all or cause any other party's name to be used in any way not specifically authorized by this Agreement.

21.2 Subject to the limitations in this Agreement, this Agreement operates for the benefit of and is binding on the parties and their respective successors and permitted assigns.

21.3 No condoning, excusing or overlooking by any party of any default, breach or non-observance by the other party at any time or times regarding any terms of this Agreement operates as a waiver of that party's rights under this Agreement. A waiver of any term, or right under, this Agreement will be in writing signed by the party entitled to the benefit of that term or right, and is effective only to the extent set out in the written waiver.

21.4 No exercise of a specific right or remedy by any party precludes it from or prejudices it in exercising another right or pursuing another remedy or maintaining an action to which it may otherwise be entitled either at law or in equity.

21.5 All terms which require performance by the parties after the expiry or termination of this Agreement, will remain in force despite this Agreement's expiry or termination for any reason.

21.6 Part or all of any Article that is indefinite, invalid, illegal or otherwise voidable or unenforceable may be severed and the balance of this Agreement will continue in full force and effect.

21.7 The Licensee acknowledges that UBC has represented to Licensee that the law firm of Richards Buell Sutton LLP has acted solely for UBC in connection with this Agreement and that all other parties have been advised to seek independent legal advice.

21.8 This Agreement sets out the entire understanding between the parties and no changes are binding unless signed in writing by the parties to this Agreement.

21.9 Time is of the essence of this Agreement.

21.10 Unless the contrary intention appears, the singular includes the plural and vice versa and words importing a gender include other genders.

**SIGNED BY THE PARTIES AS AN AGREEMENT** on the 27 day of February, 2007, but effective as of the Effective Date.

SIGNED FOR AND ON BEHALF of  
**THE UNIVERSITY OF BRITISH COLUMBIA**  
 by its authorized signatories:

/s/ Barbara M. Campbell  
 \_\_\_\_\_  
 Authorized Signatory      Barbara M. Campbell  
    Associate Director  
    University — Industry Liaison Office

\_\_\_\_\_  
 Authorized Signatory

SIGNED FOR AND ON BEHALF of  
**NEWLINK GENETICS CORPORATION**  
 by its authorized signatories:

/s/ Nicholas N. Vahanian  
 \_\_\_\_\_  
 Authorized Signatory

\_\_\_\_\_  
 Nicholas N. Vahanian, Chief Medical & Operations Officer  
 Please print Name and Title of Signatory

Please print Name and Title of Signatory

CONFIDENTIAL

**SCHEDULE "A"**

**DESCRIPTION OF "PATENTS" AND "TECHNOLOGY"**

UBC File #	Inventor(s)	Description	Patent #
[*]	[*]	[*]	[*]

**SCHEDULE "B"**

**NOTICE OF EXERCISE OF OPTION**

TO: THE UNIVERSITY OF BRITISH COLUMBIA

**NEWLINK GENETICS CORPORATION** hereby exercises the Option provided for in the License Agreement dated \_\_\_\_\_, 2006 (the "License Agreement") to license the following New Technology:

- \_\_\_\_\_ &nb sp;
- \_\_\_\_\_ &nb sp;

**[IDENTIFY THE NEW TECHNOLOGY IN RESPECT OF WHICH NEWLINK IS INTENDING TO EXERCISE ITS OPTION]**

upon the terms and conditions contained in Articles 2.4 et seq. of the License Agreement between NewLink Genetics Corporation and The University of British Columbia dated \_\_\_\_\_, 2006.

Attached hereto as is a Business Plan prepared in compliance with the License Agreement.

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**SCHEDULE "C"**

**MANDATORY SUBLICENSING PROVISIONS**

1. The Sublicense Agreement shall be personal to the Sublicensee, and shall not contain the right to grant any further sub-sublicenses and shall not be assignable without the prior written consent of UBC, such consent not to be unreasonably withheld], except that the Sublicensee may assign such Sublicense Agreement without such consent to its successor in interest pursuant to the acquisition or merger of or sale of all or substantially all of the assets of such Sublicensee. In addition, except as expressly provided herein, the Sublicensee shall not transfer or otherwise dispose of any or all of the rights, duties or obligations granted to it under the Sublicense Agreement (but provided that Sublicensee may use third party contractors to perform routine functions on its behalf in the development or commercialization of Products or Licensee Owned Improvement Products).
2. The Sublicensee shall acknowledge all ownership of the sublicensed Technology, Improvements, and Licensed Patents as set out in Article 2.1 of the License Agreement (in this Schedule "C", the "License Agreement").
3. The Sublicensee shall acknowledge that UBC has the right to use the Technology, Improvements (other than Licensee Owned Improvements), and Licensed Patents without charge in any manner whatsoever for research, scholarly publication, educational and other non-commercial uses in all fields of use in accordance with the terms of the License Agreement.
4. Publication and Confidentiality
  - (a) The Sublicensee shall keep and use all of UBC's Confidential Information in confidence and will not, without UBC's prior written consent, disclose any of UBC's Confidential Information to any person or entity, except those of the Sublicensee's directors, officers, employees, technical consultants and professional advisors who require said Confidential Information in connection with the Sublicensee performing its obligations or exercising its rights under the Sublicense Agreement. The Sublicensee shall also covenant and agree that it will initiate and maintain an appropriate internal program limiting the internal distribution of UBC's Confidential Information to only those directors, officers, employees, technical consultants and professional advisors who require said Confidential Information in connection with the Sublicensee performing its obligations or exercising its rights under the Sublicense Agreement and who are under obligations of confidentiality consistent to those of the License Agreement.
  - (b) The Sublicensee shall acknowledge that UBC shall not be restricted from presenting at symposia, national or regional professional meetings, or from publishing in journals or other publications, accounts of its research relating to the Technology and any Improvements

5. The Sublicensee shall agree not to use UBC's name, trade-marks, service marks, logos, insignia, seal, or designs without the prior written consent of UBC, such consent not to be unreasonably withheld.
6. The Sublicensee shall procure and maintain insurance in accordance with Article 13.4 of the License Agreement.
7. The Sublicensee shall acknowledge and agree that UBC makes no representations, conditions or warranties, either express or implied, with respect to the Licensed Patents, Technology, Improvements, Products or Licensee Owned Improvement Products. Without limiting the generality of the foregoing, the Sublicensee shall acknowledge that:
  - (i) UBC specifically disclaims any express or implied warranty, condition or representation as to title to the Licensed Patents, Technology or any Improvements or that anything made, used, sold or otherwise disposed of under the license granted in the Sublicense Agreement will not infringe the patents, copyrights, trade-marks, industrial designs or other intellectual property rights of any third parties, including any patents, copyrights, trade-marks, industrial design or other intellectual property rights owned, in whole or in part, by UBC, or licensed by UBC to any third parties;
  - (ii) UBC makes no express or implied warranty, condition or representation that the Licensee or Sublicensee has, or will have the freedom to operate or practice the Licensed Patents, Technology or any Improvements, or the freedom to make, have made, use, sell or otherwise dispose of Products or Licensee Owned Improvement Products; or
  - (iii) UBC is under no obligation to bring, prosecute or defend actions or suits against third parties for infringement of patents, copyrights, trade-marks, industrial designs or other intellectual property or contractual rights.
8. The Sublicensee shall acknowledge and agree that UBC will not be liable for any loss, whether direct, consequential, incidental or special, which the Sublicensee or any other third parties suffer, arising from any defect, error or fault of the Licensed Patents, Technology, Improvements, Products or Licensee Owned Improvement Products, or their failure to perform, even if UBC is aware of the possibility of the defect, error, fault or failure. The Sublicensee will also acknowledge that it has been advised to undertake its own due diligence regarding the Licensed Patents, Technology, Improvements, Products or Licensee Owned Improvement Products, and that UBC is under no obligation to bring, prosecute or defend actions or suits against third parties for infringement of patents, copyrights, trade-marks, industrial designs or other intellectual property or contractual rights in relation to the Licensed Patents, Technology, Improvements, Products or Licensee Owned Improvement Products.
9. The Sublicensee shall indemnify holds harmless and defends UBC and its Board of Governors, officers, employees, faculty, students, invitees and agents against any and all third party claims against such indemnitees (including all associated legal fees and disbursements actually incurred) arising out of the exercise by Sublicensee of any rights under the Sublicense Agreement, including without limitation against any damages or losses, consequential or otherwise, resulting from such third party claims based in any manner at all from or out of the use of the Licensed Patents, Technology, Improvements,

Products or Licensee Owned Improvement Products by the Sublicensee or its customers or end-users.

10. The Sublicensee shall agree to limit its claims against UBC, whether under the express or implied terms of the Sublicense Agreement or the License Agreement, in tort (including negligence) or at common law, for any loss or damage suffered by the Sublicensee, whether direct, indirect or special, or any other similar damage that may arise or does arise from any actions or inactions, defaults or breaches by UBC, its Board of Governors, officers, employees, faculty, students or agents, to [\*].
11. The Sublicensee shall also acknowledge and agree that UBC will not be liable for consequential or incidental damages, including any consequential or incidental damages arising from any breach or breaches of the Sublicense Agreement or the License Agreement.
12. The Sublicensee shall include termination provisions such that the Sublicense Agreement shall terminate:
  - (a) upon termination of the License Agreement between UBC and the Licensee;
  - (b) automatically if any proceeding under any applicable bankruptcy or insolvency laws, or any other legislation of similar purport, are started by or against the Sublicensee;
  - (c) if the Sublicensee ceases to carry on business, or any resolution is passed or order made or other steps taken for the winding up, liquidation or other termination of the existence of the Sublicensee;
  - (d) if the Sublicensee is in material default under any term of the Sublicense Agreement and:
    - (i) if such default is reasonably curable within thirty (30) days after receipt of notice of such default and such default is not cured within thirty (30) days after receipt of written notice thereof, or
    - (ii) if such default is not reasonably curable within thirty (30) days after receipt of written notice thereof, and such default is not cured within such further reasonable period of time as may be necessary for the curing of such default;
  - (e) if the Sublicensee fails to procure or maintain insurance as required under the Sublicense Agreement.

13. The Sublicensee shall cease to use the Licensed Patents, Technology, Improvements in any manner whatsoever and shall cease to manufacture Products within five days from the effective date of termination of the Sublicense Agreement. If the Sublicense Agreement is terminated due to a default of the Licensee, then the Sublicensee will be entitled to dispose of all previously made Products, but no more, and the terms of the Sublicense Agreement shall continue to be applicable during the period that the Sublicensee carries out such disposition.

14. The Sublicensee shall maintain separate accounts and records of all business done in connection with the Licensed Patents, Technology, Improvements, Products and Licensee Owned Improvement Products. These accounts and records will be in sufficient detail to enable proper returns to be made by the Licensee to UBC under the License Agreement.

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**SCHEDULE "D"**

**Payment Report for the Period dd/mm/yy to dd/mm/yy**

**Instructions for Completing this Report**

Please fill out each section in full, identifying in the Royalty Summary Table the unit sales and geographical sales areas. If the licence with UBC involves several product lines, please prepare a separate Summary Table for each product line. For licences involving one or more sublicenses, please prepare an additional report for the Revenue received by each Sublicensee.

**PLEASE NOTE: An interest rate of [\*] per annum, calculated annually not in advance will be assessed against all payments made after the due date.**

Licensee NewLink Genetics Corporation Agreement # \_\_\_\_\_ UBC ID # \_\_\_\_\_  
(or sublicensee)

UBC Technology

Report Type (check one and complete as appropriate)

- Single Product Line  Product Line Trade Name \_\_\_\_\_
- Multiple Products  Page \_\_\_\_\_ Of \_\_\_\_\_ Product Line Trade Name \_\_\_\_\_
- Sublicense Report  Page \_\_\_\_\_ Of \_\_\_\_\_

Payments this Quarter (please complete separate tables for multiple product lines) Royalties on Product Sales

Country	Units Sold	Unit Price (domestic currency)	Gross sales	Less Allowances *	Net Sales	Royalty Rate	Conversion Rate (to Canadian \$)	Period Royalty Amount (Canadian \$)	
								This yr	Last yr
Canada									
US									
Europe (specify countries)									
Other									
<b>Total Product Royalties</b>								_____	_____

**Additional Payments (complete all that apply)**

Minimum Royalty Fee	Amount		
Milestone Payment	Amount		
Annual Licence Maintenance Fee	Amount		
		Total Payments for Period	
			This Year      Last Year

\*Please indicate the reasons for returns or other allowances, if significant. Please note any unusual occurrences that affected royalty amounts during the period.

Prepared by \_\_\_\_\_ Date     /     /      Phone \_\_\_\_\_

I \_\_\_\_\_ (print name), \_\_\_\_\_ (title) hereby certify the foregoing information as true and correct.

Signature

Date Signed

CONFIDENTIAL

**SCHEDULE "E"**

**UBC License Agreement Annual Report**

The information to be completed below shall constitute the annual report required pursuant to the UBC License Agreement. Any information or documents provided by the Licensee in this report shall not be interpreted as affecting the express rights and obligations of the Licensee contained in the License Agreement. This report is in addition to the Payment Report to accompany each royalty payment.

Date of Report: \_\_\_\_\_ Person Preparing This Report: \_\_\_\_\_

Name of Licensee: \_\_\_\_\_ UBC File Number: \_\_\_\_\_

Jurisdiction of Corporation: \_\_\_\_\_ Head Office  
Address: \_\_\_\_\_

Contact Person for Company \_\_\_\_\_

Licensed Technology: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ E-mail Address: \_\_\_\_\_

1. Please provide a brief report on the status of development of the UBC Technology, progress on creating a commercial Product or Licensee Owned Improvement Product, or subsequent marketing of the Product or Licensee Owned Improvement Product as appropriate.
2. Has the Licensee filed any patent applications for modifications or improvements relating to the original UBC Technology?
3. Has the Licensee become aware of any potential 3<sup>rd</sup> party infringing on the UBC patents or related intellectual property? If so please provide details and outline what the Licensee is doing about this.
4. Has the Licensee met any milestone or performance objectives in the past year as set forth in the license agreement? Please outline the past year's accomplishments.
5. Does the Licensee expect to meet any milestone or performance objective in the coming year as set forth in the license agreement? If so please provide details.
6. If applicable, has the Licensee granted sublicenses to 3<sup>rd</sup> parties and if so have copies of the sublicense agreement been provided to the Technology Manager at UBC? If not, please enclose a copy of each sublicense agreement.

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7. Has the licensee made any sales in the last 12 months? Yes o No o  
If so please submit a completed Royalty Payment Report.

- a) Date of sales of Products or Licensee Owned Improvement Products utilizing the Technology;
- b) Date of any clinical trials.

8. Does your company have public liability insurance?

9. Please provide the Licensee's estimate or projection of gross sales revenue for products based on the UBC Technology for the next 12 months by licensee and any sub-licensee.

10. Is there any other information relating to this License that you think we should be aware of? Please summarize them below or contact us directly.

Prepared by \_\_\_\_\_ Date     Dd/mm/yy     Phone \_\_\_\_\_

I \_\_\_\_\_ (print name), \_\_\_\_\_ (title) hereby certify the foregoing information as true and correct.

\_\_\_\_\_

Once completed, please submit this report to:

**Managing Director c/o Licensing Compliance Officer**  
**University — Industry Liaison Office**  
**#103 — 6190 Agronomy Road,**  
**Vancouver, BC**  
**V6T 1Z3**

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**SCHEDULE “F”**

**ADDRESS FOR NOTICES & PAYMENT INSTRUCTIONS**

1. The address for delivery of notices to UBC is:

The Director  
 University – Industry Liaison Office  
 University of British Columbia  
 #103 – 6190 Agronomy Road  
 Vancouver, British Columbia  
 V6T 1Z3  
 Telephone: (604) 822-8580  
 Fax: (604) 822-8589

2. Payment of all amounts due to UBC under the terms of this license may be made as follows:

- a) by cheque made payable to “The University of British Columbia” delivered to UBC at the above address; or  
 b) by wire transfer in accordance with the instructions set out below:

Note: Please ensure ALL of the information is provided for efficient receipt of wire payments:

**For CAD \$ Deposits via wire**  
**(General):**

**Pay Via: [\*]**  
**Pay to: [\*]**  
**Bank Address:**  
**[\*]**  
**For Account: [\*]**  
**Beneficiary: [\*]**  
**Reference: [\*]**  
**Phone: [\*]**  
**Re: [\*]**  
 For **Royalties** [\*]  
 For **Patent Fees** [\*]  
**Dept Name: [\*]**

**For USD Deposits via wire:**

**Pay Via: [\*]**  
**Pay to: [\*]**  
**Bank Address:**  
**[\*]**  
**For Account: [\*]**  
**Beneficiary: [\*]**  
**Reference: [\*]**  
**Phone: [\*]**  
**Re: [\*]**  
 For **Royalties** [\*]  
 For **Patent Fees** [\*]  
**Dept Name: [\*]**  
**Cover/Reimbursement: [\*]**  
**Receiving Bank: [\*]**  
**Beneficiary Bank: [\*]**

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## LICENSE AGREEMENT

BETWEEN  
NEWLINK GENETICS

AND

DREXEL UNIVERSITY

EFFECTIVE AS OF

OCTOBER 13<sup>th</sup>, 2004

## LICENSE AGREEMENT

This License Agreement (this "Agreement") is made on October, 13<sup>th</sup>, 2004, by and between Drexel University, a Pennsylvania nonprofit corporation, with offices located at 3201 Arch Street, Suite 100, Philadelphia, Pennsylvania 19104 ("DREXEL"), and NewLink Genetics Corporation, a Delaware for-profit corporation ("LICENSEE"), with its principal offices at Iowa State University Research Park, 2901 South Loop Drive, Suite 3900. This Agreement is effective as of October, 13<sup>th</sup>, 2004 (the "Effective Date").

## BACKGROUND

1. DREXEL owns certain intellectual property developed by Dr. Uri Galili of DREXEL relating to Compositions and methods for vaccines comprising .alpha.-galactosyl epitopes, as described more fully in Attachment 1;
2. DREXEL owns the United States letters patent and/or applications therefore listed in Attachment 1 to this Agreement relating to the intellectual property developed by Drs. Uri Galili and Patricia M. Repik as described above;
3. LICENSEE desires to obtain the exclusive right and license to use and exploit the intellectual property developed by Drs. Uri Galili and Patricia M. Repik described in Attachment 1.
4. DREXEL has determined that the exploitation of the intellectual property developed by Drs. Uri Galili and Patricia M. Repik is in the best interest of DREXEL and is consistent with its educational and research missions and goals.

NOW, THEREFORE, in consideration of the promises and covenants contained in this Agreement and intending to be legally bound, the parties agree as follows:

## ARTICLE 1

## DEFINITIONS

1.1. "Affiliate" means any legal entity directly or indirectly controlling, controlled by or under common control with LICENSEE that has executed (a) this Agreement or (b) a written joinder agreement, in a form satisfactory to DREXEL, agreeing to be bound by all of the terms and conditions of this Agreement as if such Affiliate were an original party to this Agreement. For purposes of this Agreement, "control" means the direct or indirect ownership of more than fifty percent (50%) of the outstanding voting securities of a legal entity, or the right to receive more than fifty percent (50%) of the profits or earnings of a legal entity, or the right to control the policy decisions of a legal entity.

1.2. "Agreement" shall have the meaning given in the first paragraph hereof.

1.3. "Calendar Quarter" means each three-month period, or any portion thereof, beginning on January 1, April 1, July 1 and October 1.

1.4. "Confidential Information" means and includes all technical information, inventions, developments, discoveries, software, know-how, methods, techniques, formulae, data, processes and other proprietary ideas, whether or not patentable or copyrightable, regardless whether DREXEL identifies such information as confidential or proprietary at the time it is delivered or communicated to LICENSEE.

1.5. "Default" shall have the meaning given in Section 5.3

1.6. "Development Plan" means a plan for the development and/or marketing of the Patent Rights and Technical Information that demonstrates LICENSEE's capability to bring the Patent Rights and Technical Information to practical application and is more fully set forth in Attachment 2.

1.7. "Effective Date" shall have the meaning given in the preamble hereof.

1.8. "Fair Market Value" means the cash consideration that LICENSEE or its Sublicensee would realize from an unaffiliated, unrelated buyer in an arm's length sale of an identical item sold in the same quantity and at the same time and place of the transaction.

1.9. "Indemnified Party" shall have the meaning given in Section 8.2.

1.10. "Field of Use" means Compositions and methods for vaccines comprising .alpha.-galactosyl epitopes for diagnosis and treatment of cancer, viral and other infectious diseases.

1.11. "Liability" and "Liabilities" shall have the meaning given in Section 8.2.

1.12. "License" shall mean the license granted by DREXEL to LICENSEE pursuant to Section 2.1.

1.13. "Licensed Product(s)" means products that are made, made for, used or sold by LICENSEE or any Sublicensees and that: (a) in the absence of this Agreement would infringe at least one claim of Patent Rights; (b) use a process or machine covered by a claim of Patent Rights; or (c) use, at least in part, any Technical Information.

1.14. "LICENSEE" shall have the meaning given in the first paragraph of this Agreement.

1.15. "Net Sales" means the consideration or Fair Market Value attributable to the Sale of any Licensed Product(s), less qualifying costs directly attributable to such Sale and actually

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identified on the invoice and borne by LICENSEE or its Sublicensee. Such qualifying costs shall be limited to the following:

distributors;

1.15.1 Discounts, in amounts customary in the trade, for quantity purchases, for prompt payments and for wholesalers and

1.15.2 Credits or refunds, not exceeding the original invoice amount, for claims or returns;

1.15.3 Prepaid outbound transportation expenses and transportation insurance premiums; and

1.15.4 Sales and use taxes and other fees imposed by a governmental agency.

1.16. "Patent Rights" means all patent rights represented by or issuing from the United States or foreign patents listed in Attachment 1 or the patents issuing from the United States or foreign patent applications listed in Attachment 1, and their foreign counterparts and extensions, including continuation, divisional and re-issue applications and continuation-in-part applications.

1.17. "Sale" means any bona fide transaction for which consideration is received or expected for the sale, use, lease, transfer or other disposition of Licensed Product(s) excluding any sale, use, lease, transfer or other disposition to a Sublicensee unless such Sublicensee is an end user. A Sale of Licensed Product(s) shall be deemed completed at the time LICENSEE or its Sublicensee invoices, ships, or receives payment for such Licensed Product(s), whichever occurs first. Sale shall not include the non-compensated use, transfer or other disposition of Licensed Product for research, development or clinical trial purposes.

1.18. "Sell Off Right" shall have the meaning given in Section 5.8.

1.19. "Sublicense" shall have the meaning given in Section 2.4.1.

1.20. "Sublicense Assignment" shall have the meaning given in Section 2.4.2.

1.21. "Sublicensee" shall have the meaning given in Section 2.4.1.

1.22. "Technical Information" means all the information contained in the patents and the patent applications listed in Attachment 1 (other than the information referenced from patents and publications cited in such patents and patent applications) and any other technical information disclosed or referenced in Attachment 1, in each case that is necessary or useful for practicing the invention(s) covered by Patent Rights.

1.23. "Transaction Documents" means this Agreement.

1.24. "Trigger Event" means any of the following:

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1.24.1 If LICENSEE becomes insolvent, bankrupt or generally fails to pay its debts as such debts become due; is adjudicated insolvent or bankrupt; admits in writing its inability to pay its debts; or shall suffer a custodian, receiver or trustee for it or substantially all of its property to be appointed and, if appointed without its consent, not be discharged within thirty (30) days; makes an Assignment for the benefit of creditors; or suffers proceedings under any law related to bankruptcy, insolvency, liquidation or the reorganization, readjustment or the release of debtors to be instituted against it and, if contested by it, not dismissed or stayed within ten (10) days;

1.24.2 If proceedings under any law related to bankruptcy, insolvency, liquidation, or the reorganization, readjustment or the release of debtors are instituted or commenced by LICENSEE;

1.24.3 If LICENSEE shall by any act or failure to act indicate its consent to, approval of or acquiescence in any of the proceedings described in Sections 1.24.1 or 1.24.2; or [NOTE: *The bankruptcy of a Sublicensee or an Affiliate may have no effect whatsoever on NewLink's ability to perform its obligations under this Agreement. Only NewLink's own bankruptcy/non-performance is an appropriate termination trigger.*]

1.24.4 If a Sublicensee or Affiliate experiences the circumstances described in 1.24.1, 1.24.2 or 1.24.3 and the LICENSEE fails to terminate the Sublicense or provide adequate assurances to DREXEL that LICENSEE will cover all royalty obligations that would arise under such Sublicensee.

## ARTICLE 2

### LICENSE GRANT

- 2.1 **License Grant.** DREXEL grants to LICENSEE and its Affiliates for the term of this Agreement an exclusive, world-wide license under the Patent Rights to make, have made, use, import, sell and offer for sale Licensed Product(s) in the Field of Use, except that to the extent that any Affiliate exercises any rights granted by DREXEL hereunder, LICENSEE remains primarily liable to DREXEL for the duties and obligations of any Affiliate hereunder, and any act or omission of an Affiliate would be deemed to be a breach by LICENSEE of this Agreement. DREXEL grants to LICENSEE only the qualified right to grant sublicenses as more fully described in Section 2.4. No other rights or licenses are granted.
- 2.2 **Exclusivity.** The License is exclusive, except that DREXEL may use and permit other nonprofit organizations to use the Patent Rights and the Technical Information for educational and non-commercial research purposes.
- 2.3 **U.S. Government Rights.** LICENSEE or its Affiliates acknowledge that pursuant to Public Laws 96-517, 97-256 and 98-620, codified at 35 U.S.C. 200-212, the United States

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government retains certain rights in intellectual property funded in whole or part under any contract, grant or similar agreement with a Federal agency. Pursuant to these laws, the government may impose certain requirements regarding such intellectual property, including but not limited to the requirement that products resulting from such intellectual property sold in the United States must be substantially manufactured in the United States. The License is expressly subject to all applicable United States government rights as provided in the above-mentioned laws and any regulations issued under those laws, as those laws or regulations may be amended from time to time.

- 2.4 **Sublicense Conditions.** The right to sublicense granted to LICENSEE under Section 2.1 is subject to the following conditions:
- 2.4.1 LICENSEE may sublicense the rights granted in this Agreement by written sublicense agreement in a form acceptable to DREXEL, which form shall (a) prohibit the sublicensee ("Sublicensee") from further sublicensing without DREXEL's prior consent and (b) require that the Sublicensee be subject to the terms and conditions of the license granted to LICENSEE under this Agreement (each, a "Sublicense").
- 2.4.2 Within thirty (30) days after LICENSEE enters into any Sublicense LICENSEE must deliver to DREXEL a complete copy of the Sublicense written in the English language (DREXEL's receipt of the Sublicense shall not constitute an approval of the Sublicense or a waiver of any of DREXEL's rights or LICENSEE's obligations under this Agreement).
- 2.4.3 In the event of a default by LICENSEE under Section 5.3 hereunder, all payments then or thereafter due to LICENSEE from each of its Sublicensees shall, upon notice from DREXEL to any such Sublicensee, become owed directly to DREXEL for the account of LICENSEE; provided that DREXEL shall remit to LICENSEE the amount by which such payments in the aggregate exceed the total amount owed by LICENSEE to DREXEL. If this Agreement is terminated, DREXEL has the right to accept as successors to LICENSEE such consent not to be unreasonably withheld or delayed, existing Sublicensees in good standing at the date of termination, provided that the Sublicensees consent in writing to be bound by all the terms and conditions of this Agreement.
- 2.4.4 Even if LICENSEE enters into Sublicenses, LICENSEE remains primarily liable to DREXEL for all of LICENSEE's duties and obligations contained in this Agreement. LICENSEE shall diligently enforce the terms and conditions of each Sublicense, and if any Sublicensee commits an act or omission that would be a breach of this Agreement if performed by LICENSEE, LICENSEE shall exercise all rights and remedies it has under the Sublicense.

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## ARTICLE 3

### FEES AND ROYALTIES

- 3.1 **License Initiation Fee and Royalties.**
- 3.1.1 In partial consideration of the License, LICENSEE shall pay to DREXEL on the Effective Date of this Agreement, a non-refundable license initiation fee of [\*].
- 3.1.2 In partial consideration of the License, LICENSEE shall pay to DREXEL on the Effective Date of this Agreement, a non-refundable fee of [\*] for past patent costs.
- 3.1.3 In further consideration of the exclusive License granted to LICENSEE, LICENSEE shall pay to DREXEL the below listed royalties based on the Net Sales of Licensed Products made, made for, used or sold by LICENSEE, its Affiliates and/or Sublicensees.

[\*] of Net Sales for each Licensed Product that is a [\*] on Sales in [\*]\*

[\*] of Net Sales for each Licensed Product that is a [\*] on Sales in [\*]\*

[\*] of Net Sales for each Licensed Product that is an [\*] on Sales in [\*]\*

\*Reduced if combined with other technologies (defined in Stacking royalty below).

Stacking royalty

(if combined with other technologies)

[\*] of Net Sales

for each Licensed Product that is an [\*] on Sales in [\*].

[\*] of Net Sales for each Licensed Product that is an [\*] on Sales in [\*].

[\*] of Net Sales for each Licensed Product that is an [\*] on Sales in [\*].

3.1.4 In further consideration of the exclusive License granted to LICENSEE, LICENSEE shall pay to DREXEL the following milestone payments:

3.1.4.1 Upon [\*] for any Licensed Product, the sum of: [\*] on each [\*] for [\*]. Capped at [\*].

3.1.4.2 Upon [\*] for any Licensed Product, the sum of: [\*] on each [\*] for the United States. Capped at [\*].

3.1.4.3 Upon [\*] for any Licensed Product, the sum of: [\*] on each [\*] for [\*].

3.1.4.4 Upon [\*] for any Licensed Product, the sum of: [\*] on each [\*] for the United States.

3.1.5 LICENSEE shall pay to DREXEL [\*] of any Sublicense initiation fee or other such consideration paid by each Sublicensee of this Agreement, other than up front sums received: (i) for the purchase of an equity interest in LICENSEE at Fair Market Value;

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(ii) for research and development work performed by or for LICENSEE not to exceed Fair Market Value; or (iii) for purchase of a supply of Licensed Product at Fair Market Value. Any non-cash consideration received by the LICENSEE from such Sublicensees shall be valued at its Fair Market Value as of the date of receipt.

3.1.6 Net Sales of any Licensed Product shall not be subject to more than one assessment of the scheduled royalty; such assessment shall be the highest applicable royalty.

3.2 Diligence and Maintenance Fees.

3.2.1 LICENSEE shall use its commercially reasonable efforts to [\*]. Notwithstanding the above, LICENSEE (a) [\*] within 5 years of the Effective Date and/or (b) shall demonstrate on the 5th anniversary of the Effective Date and on each anniversary thereafter that LICENSEE has [\*] to make [[\*].

3.2.2 LICENSEE shall provide to DREXEL, on the Effective Date and on each anniversary thereafter, written progress reports, setting forth in such detail as DREXEL may reasonably request: (a) the progress of the development, evaluation, testing and commercialization of each Licensed Product; and (b) the LICENSEE'S strategic alliances with industry counterparts that, in the best judgment of the LICENSEE, represent effective and beneficial business relationships. LICENSEE shall also notify DREXEL in writing within thirty (30) days after the first commercial sale of each Licensed Product.

3.2.3 LICENSEE shall provide to DREXEL, at least as frequently as they are distributed to the Board of Directors and/or management of LICENSEE copies of: all Board and managerial reports that relate to the Technical Information, Patent Rights and Licensed Products.

3.2.4 LICENSEE shall pay to DREXEL a non-refundable annual license maintenance fee of [\*] due and payable on the first anniversary of the Effective Date. Thereafter, the LICENSEE shall pay to DREXEL a non-refundable annual license maintenance

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fee of [\*] due and payable on each anniversary of the Effective Date until the end of this Agreement.

3.3 Royalty Reports and Records.

3.3.1 Prior to the commencement of Sales of Licensed Products, LICENSEE shall deliver to DREXEL within forty-five days after the end of LICENSEE'S fiscal year a statement signed by the Chief Financial Officer indicating that there have been no Sales of Licensed Product for such fiscal year. Once that Sales of Licensed Products are realized, LICENSEE shall deliver to DREXEL within forty-five (45) days after the end of each Calendar Quarter a written report, certified by the chief financial officer of LICENSEE, setting forth the calculation of the royalties due to DREXEL for such Calendar Quarter, including, without limitation:

3.3.1.1 Number of Licensed Products involved in Sales, listed by country;

3.3.1.2 Gross consideration for Sales of Licensed Products, including all amounts invoiced, billed, or received;

3.3.1.3 Qualifying costs, as defined in Section 1.15, listed by category of cost;

3.3.1.4 Net Sales of Licensed Products listed by country;

3.3.1.5 Royalties owed to DREXEL, listed by category, including without limitation earned, Sublicensee derived, and minimum royalty categories; and

- 3.3.2 LICENSEE shall pay the royalties due under Sections 3.1 and 3.3 to DREXEL within thirty (30) days following the last day of the Calendar Quarter in which the royalties accrue. LICENSEE shall send DREXEL with such royalties the report described in Section 3.3.1.
- 3.3.3 LICENSEE shall maintain and cause its Sublicensees to maintain, complete and accurate books and records that enable the royalties payable under this Agreement to be verified. The records for each Calendar Quarter shall be maintained for three (3) years after the submission of each report under Article 3. Upon reasonable prior notice to LICENSEE, LICENSEE shall provide an independent auditor selected by DREXEL and reasonably acceptable to LICENSEE with access to all books and records relating to the Sales of Licensed Products by LICENSEE and its Sublicensees to conduct a review or audit of those books and records. The auditor shall disclose to DREXEL the findings of the accuracy of any report made or payment submitted by LICENSEE during the audited period, but shall not disclose to any of DREXEL any confidential information of LICENSEE not necessary for such purpose. Access to LICENSEE's books and records shall be made available no more than once each Calendar Year, during normal business hours, and during each of three (3) years after the

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expiration or termination of this Agreement. If DREXEL determines that LICENSEE has underpaid any royalty due by five percent (5%) or more, then LICENSEE shall pay to DREXEL promptly the costs and expenses of DREXEL and its accountants in connection with their review or audit, in addition to such underpayment.

3.4 Currency, Place of Payment, Interest, Payment of Expenses.

- 3.4.1 All dollar amounts referred to in this Agreement are expressed in United States dollars. All payments to DREXEL under this Agreement shall be made in United States dollars by check payable to "Drexel University". If LICENSEE receives revenues from Sales of Licensed Products in currency other than United States dollars, then revenues shall be converted into United States dollars at the conversion rate for the foreign currency as published in the eastern edition of The Wall Street Journal as of the last business day of the applicable Calendar Quarter.
- 3.4.2 Amounts that are not paid when due shall accrue interest from the due date until paid, at a rate equal to [\*] per month or part thereof (or the maximum allowed by law, if less).

#### ARTICLE 4

##### CONFIDENTIALITY

- 4.1 Non-Disclosure by LICENSEE. LICENSEE shall maintain in confidence and not disclose to any third party any Confidential Information of DREXEL. LICENSEE shall ensure that its employees have access to Confidential Information only on a need-to-know basis and are obligated in writing to abide by LICENSEE's obligations under this Agreement. The foregoing obligation shall not apply to:
- 4.1.1 Information that is known to LICENSEE prior to the time of disclosure or independently developed by LICENSEE without use of or reference to the Confidential Information, in each case, to the extent evidenced by written records promptly disclosed to DREXEL;
- 4.1.2 Information disclosed to LICENSEE by a third party that has a right to make such disclosure;
- 4.1.3 Information that is or becomes patented, published or otherwise part of the public domain as a result of acts by DREXEL or a third person obtaining such information as a matter of right; or
- 4.1.4 Information that is required to be disclosed by order of United States governmental authority or a court of competent jurisdiction; provided that LICENSEE shall use best efforts to obtain confidential treatment of such information as permitted by the agency or court.

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- 4.2 Limited Non-Disclosure by DREXEL. DREXEL shall not be obligated to accept any confidential information from LICENSEE except for the reports required in Sections 3.2 and 3.3. DREXEL shall not disclose those reports to any third party other than DREXEL's outside advisors who are bound by obligations of confidentiality (subject to exceptions similar to these applicable to LICENSEE under Section 4.1). DREXEL bears no institutional responsibility for maintaining the confidentiality of any other information of LICENSEE.

#### ARTICLE 5

##### TERM AND TERMINATION

- 5.1 Term. This Agreement, unless sooner terminated as provided in this Agreement, terminates upon expiration of the last to expire or become abandoned of the Patent Rights.
- 5.2 Termination by LICENSEE. LICENSEE may, upon sixty (60) days written notice to DREXEL, terminate this Agreement by doing all of the following:
- 5.2.1 Ceasing to make, have made, use, import, sell and offer for sale all Licensed Products;
- 5.2.2 Terminating all Sublicenses, and causing all Sublicensees and Affiliates to cease making, having made, using, importing, selling and offering for sale all Licensed Products; and
- 5.2.3 Paying all monies owed to DREXEL under this Agreement, up to the date of termination of this Agreement.
- 5.3 Termination by DREXEL. DREXEL may terminate this Agreement if any of the following events of default ("Default") occur:

- 5.3.1 LICENSEE is more than thirty (60) days late in paying to DREXEL royalties, expenses, or any other monies due under this Agreement and LICENSEE does not pay DREXEL in full within ten (10) days after written notice of the failure to pay.
- 5.3.2 LICENSEE experiences a Trigger Event; or
- 5.3.3 LICENSEE breaches this Agreement (other than a breach solely under Sections 5.3.1 or 5.3.2) and does not cure the breach within sixty (60) days after written notice of the breach.
- 5.4 Effect of Termination. In the event of a termination under Sections 5.1 or 5.3 hereof, all duties of DREXEL and all rights (but not duties) of LICENSEE and any Affiliate and/or Sublicensee under this Agreement shall immediately terminate without the necessity of any action being taken either by DREXEL or by LICENSEE or any Affiliate or Sublicensee. Upon and after any termination of this Agreement, LICENSEE and any Affiliate and/or

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Sublicensee shall refrain from further manufacture, sale, marketing, importation and/or distribution of Licensed Product(s), except as provided in this Article 5.

- 5.5 Return of Confidential Information. Upon termination of this Agreement, LICENSEE and any Affiliate and/or Sublicensee shall, at DREXEL's request, return to DREXEL all Confidential Information.
- 5.6 Inventories. Upon termination of this Agreement, LICENSEE shall cause physical inventories to be taken immediately of: (a) all completed Licensed Product(s) on hand under the control of LICENSEE or any Affiliate or Sublicensee; and (b) such Licensed Product(s) as are in the process of manufacture and component parts thereof as of the date of termination of this Agreement, which inventories shall be reduced to writing. LICENSEE shall deliver copies of such written inventories, verified by an officer of LICENSEE forthwith to DREXEL. DREXEL shall have 45 days after receipt of such verified inventories within which to challenge the inventory and request an audit. Upon five days written notice to LICENSEE, DREXEL and its agents shall be given access during business hours to the premises of LICENSEE, its Affiliates and/or Sublicensees for the purpose of conducting an audit. Upon the termination of this Agreement, LICENSEE shall, at its own expense forthwith remove, efface or destroy all references to DREXEL from all advertising or other materials used in the promotion of LICENSEE's business or the business of any Affiliate or Sublicensee and LICENSEE and any Affiliate and/or Sublicensee shall not thereafter represent in any manner that it has rights in or to the Patent Rights or Licensed Product(s).
- 5.7 Sell Off Rights. Notwithstanding the foregoing, if this Agreement terminates other than pursuant to Section 5.1, 5.3.1 or 5.3.2, LICENSEE and its Affiliates shall have a period of six (6) months to sell off its inventory of Licensed Product(s) existing on the date of termination of this Agreement and shall pay royalties to DREXEL with respect to such Licensed Product(s) within thirty (30) days following the expiration of such six-month period ("Sell Off Right").
- 5.8 Survival. LICENSEE's obligation to pay all monies owed accruing under this Agreement shall survive termination of this Agreement. In addition, the provisions of Article 4 - Confidentiality, Article 5 - Term and Termination, Article 8 - Disclaimer of Warranties; Indemnification, Article 9 Use of DREXEL's Name; Independent Contractor and Article 10 - Additional Provisions shall survive such termination.

## ARTICLE 6

### PATENT MAINTENANCE AND REIMBURSEMENT

DREXEL retains control over the prosecution and maintenance of Patent Rights. Notwithstanding the foregoing, DREXEL shall obtain LICENSEE's consent prior to filing any

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additional patent application(s) in any country not identified on Attachment 1. LICENSEE shall reimburse DREXEL for all reasonable documented attorneys fees, expenses, official fees and other charges incident to the preparation, prosecution and maintenance of Patent Rights within thirty (30) days after LICENSEE's receipt from time to time of invoices for such fees, expenses and charges. DREXEL shall seek reasonable claims to protect the Patent Rights consistent with DREXEL's overall patent strategy. DREXEL's patent counsel shall keep LICENSEE advised as to the status of the Patent Rights by providing LICENSEE, in a timely manner at least thirty (30) days prior to their due date, with copies of all official documents and correspondence relating to the filing, prosecution, maintenance, and validity of the Patent Rights. LICENSEE shall have fifteen (15) calendar days to review and comment on patent-related documents prior to the filing of such documents and correspondence. DREXEL shall not abandon prosecution of any patent application or maintenance of any patent with the Patent Rights without first notifying LICENSEE sixty (60) days prior to any bar date, of DREXEL's intention and reasons therefore, and providing LICENSEE with reasonable opportunity to assume responsibility for prosecution and maintenance of such patents and patent applications. However, with respect to the issued patents, DREXEL'S patent counsel will send invoices directly to LICENSEE for patent fees and taxes related to maintenance of such patents, with copies to DREXEL, at least 60 days prior to a deadline. LICENSEE shall pay such invoices directly to such patent counsel at least 30 days prior to the deadline, with a copy of correspondence and payment to DREXEL.

## ARTICLE 7

### INFRINGEMENT AND LITIGATION

- 7.1 Notification of Infringement. DREXEL and LICENSEE are responsible for notifying each other promptly of any infringement of Patent Rights which may come to their attention. DREXEL and LICENSEE shall consult one another in a timely manner concerning any appropriate response to the infringement.

7.2 Prosecution by LICENSEE. LICENSEE may prosecute such infringement at its own expense. LICENSEE shall not settle or compromise any such suit in a manner that imposes any obligations or restrictions on DREXEL or grants any rights to the Technical Information or the Patent Rights, without DREXEL's prior written permission. Except as otherwise provided in Section 7.3, financial recoveries from any such litigation will first be applied to reimburse LICENSEE for its litigation expenditures with additional recoveries being paid to LICENSEE, subject to a royalty due DREXEL based on the provisions of Article 3.

7.3 Intervention by DREXEL. LICENSEE's rights under Section 7.2 are subject to the continuing right of DREXEL to intervene at DREXEL's own expense and join LICENSEE in any claim or suit for infringement of the Patent Rights. Any consideration received by LICENSEE in settlement of any claim or suit shall be shared between DREXEL and LICENSEE in proportion with their share of the litigation expenses in such infringement action.

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7.4 Prosecution by DREXEL. If LICENSEE fails to prosecute any infringement, then DREXEL may prosecute such infringement at its own expense. In such event, financial recoveries will be entirely retained by DREXEL.

7.5 Cooperation. In any action to enforce any of the Patent Rights, either party, at the request and expense of the other party shall cooperate to the fullest extent reasonably possible. This provision shall not be construed to require either party to undertake any activities, including legal discovery, at the request of any third party except as may be required by lawful process of a court of competent jurisdiction.

## ARTICLE 8

### DISCLAIMER OF WARRANTIES; INDEMNIFICATION

8.1 NO WARRANTIES. DREXEL represents and warrants to LICENSEE that: (i) DREXEL has sufficient legal and/or beneficial title under its interest in to the Patent Rights necessary to grant the License; and (ii) it has not granted any right to a third party under the Patent Rights. EXCEPT AS EXPRESSLY PROVIDED HEREIN, THE PATENT RIGHTS, TECHNICAL INFORMATION, LICENSED PRODUCTS AND ALL OTHER TECHNOLOGY LICENSED UNDER THIS AGREEMENT ARE PROVIDED ON AN "AS IS" BASIS, AND DREXEL MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT THERETO. BY WAY OF EXAMPLE BUT NOT OF LIMITATION, DREXEL MAKES NO REPRESENTATIONS OR WARRANTIES: (a) OF COMMERCIAL UTILITY; (b) OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE; OR (c) THAT THE USE OF THE PATENT RIGHTS, TECHNICAL INFORMATION, LICENSED PRODUCTS OR ANY TECHNOLOGY LICENSED UNDER THIS AGREEMENT WILL NOT INFRINGE ANY PATENT, COPYRIGHT, TRADE SECRET OR TRADEMARK OR OTHER PROPRIETARY OR PROPERTY RIGHTS OF OTHERS. DREXEL SHALL NOT BE LIABLE TO LICENSEE, LICENSEE'S SUBLICENSEES OR THEIR RESPECTIVE SUCCESSORS OR ASSIGNS OR ANY THIRD PARTY WITH RESPECT TO: ANY CLAIM ARISING FROM USE OF THE PATENT RIGHTS, TECHNICAL INFORMATION, LICENSED PRODUCTS OR ANY TECHNOLOGY LICENSED UNDER THIS AGREEMENT OR FROM THE MANUFACTURE, USE OR SALE OF LICENSED PRODUCTS; OR ANY CLAIM FOR LOSS OF PROFITS, LOSS OR INTERRUPTION OF BUSINESS, OR FOR INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OF ANY KIND.

8.2 Indemnification. LICENSEE shall indemnify, defend and hold harmless DREXEL, its trustees, officers, agents and employees (individually, an "Indemnified Party", and collectively, the "Indemnified Parties"), from and against any and all third party liability, loss, damage, action, claim or expense suffered or incurred by the Indemnified Parties

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(including attorneys' fees and expenses) (individually, a "Liability", and collectively, the "Liabilities") that results from or arises out of [\*]; and (c) the enforcement by an Indemnified Party of this Section 8.2. Without limiting the foregoing, LICENSEE shall defend, indemnify and hold harmless the Indemnified Parties from and against any Liabilities resulting from:

8.2.1 Any product liability or other claim of any kind related to the use by a third party of a Licensed Product that was manufactured, sold or otherwise disposed by LICENSEE, its Affiliates, its assignees, Sublicensees, vendors or other third parties;

8.2.2 A claim by a third party that the Technical Information or Patent Rights or the design, composition, manufacture, use, sale or other disposition of any Licensed Product infringes or violates any patent, copyright, trade secret, trademark or other intellectual property rights of such third party; and

8.2.3 Clinical trials or studies conducted by or on behalf of LICENSEE, its Affiliates, its assignees, Sublicensees or agents relating to the Technical Information, Patent Rights or Licensed Products, including, without limitation, any claim by or on behalf of a human subject of any such clinical trial or study, any claim arising from the procedures specified in any protocol used in any such clinical trial or study, any claim of deviation, authorized or unauthorized, from the protocols of any such clinical trial or study, and any claim resulting from or arising out of the manufacture or quality control by a third party of any substance administered in any clinical trial or study.

8.3 Rights of DREXEL in Liability Action. LICENSEE is not permitted to settle or compromise any claim or action giving rise to Liabilities in a manner that imposes any restrictions or obligations on DREXEL or grants any rights to the Technical Information, Patent Rights or Licensed Products without DREXEL's prior written consent. If LICENSEE fails or declines to assume the defense of any such claim or action within thirty (30) days after notice thereof, then DREXEL may assume the defense of such claim or action for the account and at the risk of LICENSEE, and any Liabilities related thereto shall be conclusively deemed a liability of LICENSEE. The indemnification rights of DREXEL or other Indemnified Party contained herein are in addition to all other rights that such Indemnified Party may have at law or in equity or otherwise.

8.4 Insurance

8.4.1 LICENSEE and any Affiliate shall procure and maintain a policy or policies of comprehensive general liability insurance, including broad form and contractual liability, in a minimum amount of \$2,000,000 combined single limit per occurrence and in the aggregate

as respects personal injury, bodily injury and property damage arising out of such party's performance of this Agreement.

- 8.4.2 LICENSEE and any Affiliate shall, upon commencement of clinical trials involving Licensed Products, procure and maintain a policy or policies of product liability insurance in a minimum amount of \$3,000,000 combined single limit per occurrence and in the aggregate as respects bodily injury and property damage arising out of such party's performance of this Agreement.
- 8.4.3 The policy or policies of insurance described in this Section 8.4 shall be issued by an insurance carrier with an A.M. Best rating of "A-" or better and shall name DREXEL as an additional insured with respect to LICENSEE's performance of this Agreement. LICENSEE and any Affiliate shall provide DREXEL with certificates evidencing the insurance coverage required herein and all subsequent renewals thereof. Such certificates shall provide that the insurance carrier(s) notify DREXEL in writing at least 30 days prior to cancellation or material change in coverage.
- 8.4.4 DREXEL may periodically review the adequacy of the minimum limits of liability insurance specified in this Section, and DREXEL reserves the right in its reasonable discretion to require LICENSEE and any Affiliate to adjust the liability insurance coverages, but may not require LICENSEE to maintain limits in excess of what is deemed reasonable in the biopharmaceutical industry. The specified minimum insurance amounts do not constitute a limitation on the obligation of LICENSEE and any Affiliate to indemnify DREXEL under this Agreement.

## ARTICLE 9

### USE OF DREXEL'S NAME

LICENSEE and its Affiliates, employees, Sublicensees and agents shall not use, and LICENSEE shall not permit its Sublicensees to use, DREXEL's name or any adaptation thereof, in any advertising or promotional materials or any DREXEL seal, logotype, trademark, or service mark, or the name, mark, or logotype of any DREXEL representative or organization in any way, without the prior written consent of DREXEL in its sole discretion. Notwithstanding the above, Drexel and LICENSEE will work cooperatively to agree upon language for press releases and public statements.

## ARTICLE 10

### ADDITIONAL PROVISIONS

- 10.1 No Agency. Nothing in this Agreement shall be deemed to establish a relationship of principal and agent between DREXEL and LICENSEE or its Affiliates or Sublicensees, nor any of their agents or employees for any purpose whatsoever, nor shall this Agreement be construed as creating any other form of legal association or arrangement which would impose liability upon one party for the act or failure to act of the other party.
- 10.2 No Assignment. None of LICENSEE, its Affiliates and/or Sublicensees is permitted to assign this Agreement or any part of it, either directly or by merger or other operation of law, without the prior written consent of DREXEL not to be unreasonably withheld or delayed. Any prohibited assignment of this Agreement or the rights hereunder shall be null and void. No assignment relieves LICENSEE, its Affiliates and/or Sublicensees of responsibility for the performance of any accrued obligations that LICENSEE, its Affiliates and/or Sublicensees has prior to such assignment.
- 10.3 No Waiver. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other subsequent breach or condition, whether of like or different nature.
- 10.4 Notices. All notices, requests, consents and other communications hereunder shall be in writing and shall be delivered in person or sent overnight delivery by Federal Express or by certified or registered mail, return receipt requested, or telexed in the case of non-U.S. residents, and shall be deemed to have been given when hand delivered, one (1) day after mailing when mailed by overnight courier (e.g. Federal Express or Express Mail) or five (5) days after mailing by registered or certified mail, as follows (provided that notice of change of address shall be deemed given only when received):

If to DREXEL:

Office of Research  
Drexel University  
Technology Commercialization  
3225 Arch Street, Ground Floor  
Philadelphia, Pennsylvania 19104  
Attention: Anil Rastogi  
Vice President for Special Projects

If to LICENSEE:

Nicholas Vahanian  
NewLink Genetics Corporation  
2901 South Loop Dr, Suite 3900  
Ames, IA 50010

or to such other names or addresses as LICENSEE or DREXEL, as the case may be, shall designate by notice to each other person entitled to receive notices in the manner specified in this Section 10.4.

- 10.5 Governing Law and Jurisdiction. This Agreement shall be construed and governed in accordance with the laws of the State of Delaware, without giving effect to conflict of law provisions of any jurisdiction. In the event that a party to this Agreement perceives the existence of a dispute with the other party concerning any right or duty provided for herein, the parties will, as soon as practicable, confer in an attempt to resolve the dispute. If the parties are unable to resolve such dispute amicably, then the parties hereby submit to the exclusive jurisdiction of and venue in the state and federal courts located in Delaware with respect to any and all disputes concerning the subject of, or arising out of, this Agreement.
- 10.6 No Discrimination. DREXEL and LICENSEE, its Affiliates and Sublicensees shall not discriminate against any employee or applicant for employment because of race, color, sex, sexual or affectional preference, age, religion, national or ethnic origin, handicap, or because he or she is a disabled veteran or a veteran of the Vietnam Era.
- 10.7 Compliance with Laws. LICENSEE, its Affiliates and Sublicensees shall comply with all prevailing laws, rules and regulations that apply to its activities or obligations under this Agreement. Without limiting the foregoing, it is understood that this Agreement may be subject to United States laws and regulations controlling the export of technical data, computer software, laboratory prototypes and other commodities, articles and information, including the Arms Export Control Act as amended in the Export Administration Act of 1979, and that the parties' obligations are contingent upon compliance with applicable United States export laws and regulations. The transfer of certain technical data and commodities may require a license from the cognizant agency of the United States Government and/or written assurances by LICENSEE, its Affiliates and/or Sublicensees that LICENSEE shall not export data or commodities to certain foreign countries without prior approval of such agency. DREXEL neither represents that a license is not required nor that, if required, it will issue.
- 10.8 Binding Nature of Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns, except that any assignment by LICENSEE must comply with Section 10.2 to be effective.
- 10.9 Counterparts, Headings and Exhibits. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The headings used in this Agreement are for convenience only and are not to be considered in construing or interpreting any term or provision of this Agreement. All Schedules and Exhibits hereto are hereby incorporated in this Agreement and made a part hereof.

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- 10.10 Integration and Amendment. This Agreement embodies the entire agreement and understanding among the parties hereto and thereto and supersedes all prior agreements and understandings relating to the subject matter hereof or thereof. This Agreement may not be changed, modified, extended or terminated except by written amendment executed by an authorized representative of each party.
- 10.11 Severability. If any provision of this Agreement shall be held to be illegal, invalid or unenforceable, then such illegality, invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render illegal, invalid or unenforceable any other provision of this Agreement, and this Agreement shall be carried out as if any such illegal, invalid or unenforceable provision were not contained herein.
- 10.12 Number of Days. In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays and holidays; provided that if the final day of any time period falls on a Saturday, Sunday or holiday on which Federal banks are or may elect to be closed, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or such holiday.

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IN WITNESS WHEREOF, the parties, intending to be legally bound, have caused this Agreement to be executed by their duly authorized representatives.

DREXEL UNIVERSITY

LICENSEE:  
NEW LINK GENETICS CORPORATION

By: /s/Anil Rastogi

By: /s/Nicholas Vahanian

Name: Anil Rastogi, Ph.D.

Name: Nicholas Vahanian, M.D.

Title: Vice President  
for Special Projects

Title: Chief Medical and Operations Officer

Date: October 13, 2004

Date: October 14, 2004

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**Attachment 1 - List of Patents and Patent Applications**

Drexel Patents:

[\*]

**Attachment 2 - Development Plan**

[\*]

**Drexel University and NewLink Genetics**

**Term Sheet for License Agreement**

**September 15, 2004**

[\*]

[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

Accepted and agreed to:

DREXEL UNIVERSITY

NEWLINK GENETICS

By:     /s/Anil Rastogi      
 Anil Rastogi, Ph.D.  
 Vice Provost & Vice President  
 Entrepreneurship & Technology Commercialization

By:     /s/Nicholas Vahanian      
 Nicholas Vahanian, M.D.  
 Chief Medical and Operations Officer

Date:     Sept. 20, 2004    

Date:     Sept. 21, 2004    

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**LICENSE AGREEMENT BETWEEN CENTRAL IOWA HEALTH SYSTEM  
AND NEWLINK GENETICS CORPORATION**

**THIS LICENSE AGREEMENT** (the “Agreement”), by and between **CENTRAL IOWA HEALTH SYSTEM**, a not-for-profit corporation, organized and existing under the laws of the state of Iowa (“CIHS”), and **NEWLINK GENETICS CORPORATION**, a Delaware corporation, having a principal place of business at 2901 S. Loop Drive, Ames, Iowa, 50010 (“NEWLINK”) is effective as of the 2<sup>nd</sup> day of August, 2001(the “Effective Date”). CIHS and NEWLINK are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

**RECITALS**

**WHEREAS**, CIHS owns one hundred percent (100%) interest in the Human Gene Therapy Research Institute located in Des Moines, Iowa (“HGTRI”);

**WHEREAS**, CIHS owns the Inventions, Licensed Patents and Licensed Technology (as hereinafter defined); and

**WHEREAS**, CIHS has the right to grant, and NEWLINK desires to acquire, licenses to make use and sell certain products utilizing the Licensed Patents and Licensed Technology, and to grant sublicenses upon the terms and conditions hereinafter set forth;

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements herein contained, the Parties agree as follows:

**1. DEFINITIONS**

**1.0 “Active Component”** shall mean an ingredient in a Combination Product, which is biologically active and can be used for either therapeutic or preventative purposes, but does not include diluents, vehicles, adjuvants, or any other ingredients which does not have any, or which has only incidental, therapeutic or preventative properties when present alone.

**1.1 “Affiliate”** shall mean an entity which controls, is controlled by, or is under common control with, a party. For this purpose, “control” means the possession of the power to direct or cause the direction of the management and the policies of an entity, whether through ownership directly or indirectly of fifty percent (50%) or more of the stock entitled to vote, or where control of fifty percent (50%) or more of such rights is not permitted in the country where such entity exists, the maximum permitted in such country.

**1.2 “Commercially Reasonable Efforts”** shall mean the application of efforts and resources consistent with industry standards for a product of similar market and profit potential. Commercially Reasonable Efforts requires that a Party promptly assign responsibility for such matter to specific employee(s) who are held accountable for the progress of such project.

**1.3 “Control”** shall mean the ability to grant a license, sublicense, or access as

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provided for herein without violating the terms of any agreement or other arrangement with any Third Party.

**1.4 “Invention”** shall mean any invention covered by one or more Valid Claims within the Licensed Patents.

**1.5 “Field of Use”** shall mean the diagnosis, prevention, treatment and mitigation of diseases and conditions in humans, animals, and plants.

**1.6 “Licensed Patents”** shall mean (a) the patents and patent applications listed in Exhibit A, and (b) all provisionals, divisionals, substitutions, and continuations of the patents and patent applications in Section 1.6(a), as well as any claim in a continuation-in-part patent or application that would be entitled to claim priority to the filing date of one or more of the patents or patent applications in Section 1.6(a), and (c) the patent applications from which the patents listed on Exhibit A issued, excluding those claims within such patent applications that do not cover the inventions claimed in the patents and patent applications listed in Exhibit A, and (d) all reissues, re-examinations, and extensions of any of the preceding patents or of patents issuing on the preceding patent applications, and all foreign counterparts thereof.

**1.7 “Licensed Product(s)”** shall mean any product useful in the Field of Use, (a) the manufacture, use or sale of which is covered in whole or in part by one or more Valid Claims within the Licensed Patents or (b) that incorporates any Licensed Technology.

**1.8 “Licensed Technology”** shall mean all proprietary information, know-how, biological, chemical or physical materials, procedures, methods, prototypes, designs, technical data, reports, and pre-clinical data owned or Controlled by HGTRI before and as of the Effective Date that are necessary for NEWLINK to exercise and practice all Valid Claims of the Licensed Patents pursuant to this Agreement, as designated by mutual agreement of the Parties and listed or attached in written format in Exhibit B, after the earlier of (a) NEWLINK’s completion of its review of the records and documents at HGTRI relating to such Licensed Technology or (b) six (6) months after the Effective Date. It is understood that NEWLINK’s review of such records and documents at HGTRI shall be during such times and subject to such restrictions (including, but not limited to, confidentiality obligations) as the Parties mutually agree. “Licensed Technology” does not include Licensed Patents.

**1.9 “Net Sales”** shall mean the total amount (in United States dollars) invoiced for sales of the Licensed Product, by NEWLINK, its Affiliates, or Sublicensees to unrelated Third Parties in bona fide arm’s length transactions, less the following deductions, in each case related specifically to the Licensed Product in question and actually allowed and taken and not otherwise recovered by or reimbursed to NEWLINK, its Affiliates, or Sublicensees: (a) trade, cash and quantity discounts; (b) taxes on sales (such as sales or use taxes) to the extent added to the sales price and set forth separately as such in the total amount invoiced; (c) freight, insurance and other transportation charges to the extent added to the sales price and set forth separately as such in the total amount invoiced; and (d) amounts repaid or credited by reason of rejections, defects or returns or because of the retroactive price reductions, chargebacks, or rebates under any government programs.

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Phase III clinical trials, respectively, in each case as prescribed by the U.S. Food and Drug Administration or a corresponding foreign entity.

**1.11 “Regulatory Approval”** shall mean (a) in the United States, approval by the FDA of an NDA or equivalent application (such as a BLA or PMA) and satisfaction of any related applicable FDA registration and notification requirements (if any); and (b) in any country other than the United States, approval by regulatory authorities having jurisdiction over such country of a single application or set of applications comparable to an NDA and satisfaction of any related applicable regulatory and notification requirements, if any, together with any other approval necessary to make and sell Products commercially in such country.

**1.12 “Sublicensee”** shall mean any Third Party (a) to whom NEWLINK or its Affiliates has granted a license or sublicense under the Licensed Patents to develop, make, have made, import, use, sell, offer for sale, or otherwise exploit a Licensed Product in the Field of Use within the Territory; or (b) to whom NEWLINK or its Affiliates has granted a right to distribute a Licensed Product in the Field of Use in the Territory pursuant to an agreement between NEWLINK and such Third Party; provided that such Third Party has the responsibility for marketing and/or promoting the Licensed Products within the territory in which such distribution rights are granted. For the avoidance of doubt, wholesalers and retailers who do not take such marketing and/or promotion responsibility shall not be Sublicensees.

**1.13 “Term”** shall have the meaning set forth in Section 8.0.

**1.14 “Territory”** shall mean worldwide.

**1.15 “Third Party(ies)”** shall mean any entity other than CIHS, HGTRI or NEWLINK.

**1.16 “Valid Claim”** shall mean either (a) a claim of an issued and unexpired patent included within the Licensed Patents which has not been held invalid or unenforceable by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal; or (b) a claim of a pending patent application included within the Licensed Patents, which claim has not been abandoned or finally disallowed without the possibility of appeal or refiling of such application. Notwithstanding the foregoing, if a claim of a pending patent application has not issued as a claim of an issued patent within seven (7) years from the date from which such claim takes priority, such pending claim shall not be a Valid Claim for purposes of the Agreement, unless and until the patent is issued including such claim.

## 2. GRANT

**2.0 License Grant.** Subject to the reservation of rights set forth in Section 2.1 below, CIHS hereby grants to NEWLINK, upon the terms and conditions herein specified, an exclusive royalty-bearing license, including the right to grant sublicenses, under the Licensed Patents and Licensed Technology to develop, make, have made, use, sell, offer for sale, and import Licensed Products in the Territory and in the Field of Use only.

**2.1 Reservation of Rights.** The grant in Section 2.0 shall be subject to and non-exclusive with respect to:

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(a) The right of CIHS to practice the inventions claimed in the Licensed Patents and to use the Licensed Technology for its own non-commercial bona fide research.

(b) The right of CIHS to license nonexclusively other academic or research institutions to practice the inventions claimed in the Licensed Patents and to use the Licensed Technology for non-commercial research purposes.

(c) The right of CIHS to publish any information included in the Licensed Technology and Licensed Patents provided that NEWLINK shall have the right to review such information prior to publication. CIHS shall provide NEWLINK with a copy of the proposed publication at least thirty (30) days prior to submission of such proposed publication to the publisher. NEWLINK will provide comments, if any, within thirty (30) days of receipt of such proposed publication. If NEWLINK determines that such proposed publication contains Confidential Information of NEWLINK, then NEWLINK may notify CIHS in writing, prior to the expiration of the thirty (30) day period, specifying the information that NEWLINK considers its Confidential Information, and may request that such Confidential Information be deleted from the proposed publication. If NEWLINK determines that the proposed publication contains subject matter for which intellectual property protection should be sought, then NEWLINK may so notify CIHS in writing prior to the expiration of the thirty (30) day period and CIHS shall then delay publication of such information for up to a maximum of sixty (60) days from receipt of such notice solely to enable NEWLINK to file Patent Applications or seek other forms of intellectual property protection as deemed necessary by NEWLINK.

**2.2 Government Rights.** This Agreement is subject to all terms and conditions of Title 35 United States Code Sections 200 through 204, including, without limitation, an obligation that Licensed Products sold or produced in the United States be “manufactured substantially in the United States,” and NEWLINK agrees to take all reasonable action necessary on its part as licensee to enable CIHS to satisfy its obligation thereunder, relating to the Licensed Technology and the inventions claimed in the Licensed Patents.

**2.3 Due Diligence.**

(a) NEWLINK agrees to [\*], (2) obtain, at a minimum, the[\*] for NEWLINK (or its Affiliates, and its Sublicensees) to [\*] in [\*] in which [\*] are projected to provide [\*] NEWLINK, its Affiliates and Sublicensees, and (3) following receipt of the [\*] in [\*] during the Term of this Agreement. As used herein, “[\*]” shall include but is not limited to, [\*].

(i) As part of its Commercially Reasonable Efforts, NEWLINK shall deliver to CIHS, within ninety (90) days of the Effective Date, a [\*] the [\*] to [\*] the [\*] and [\*] of [\*] and [\*] and [\*] for the [\*] of [\*] of the [\*]. Every half year thereafter, on or before January 1 and June 1 of each calendar year, NEWLINK shall provide CIHS with an [\*] showing the [\*] commencing upon such half yearly date.

(ii) Within thirty (30) days after January 1 of each year, NEWLINK shall make a written annual progress report (“Progress Report”) to CIHS covering the preceding calendar year ending December 31 and detailing the progress of NEWLINK toward commercial use of the Licensed Products. Such report shall include, at a minimum, information sufficient to enable CIHS to satisfy reporting requirements of the U.S. Government and for CIHS to ascertain

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progress by NEWLINK toward meeting the diligence requirements of this Section 2.3.

(iii) The sole purpose of the [\*] and Progress Reports shall be for informational purposes and to enable the Parties to discuss in good faith NEWLINK’s compliance with its obligation to use Commercially Reasonable Efforts as set forth in this Section 2.3. The reporting obligations of NEWLINK under Sections 2.3(a)(i) and 2.3(a)(ii) shall expire upon the commencement of NEWLINK’s reporting obligations under Section 2.3(b).

(b) Commencing ninety (90) days after commercial launch of a Licensed Product in a country and within sixty (60) days after December 31 of each calendar year thereafter, NEWLINK shall provide written annual reports to CIHS which shall include but not be limited to: reports of progress on research and development, Regulatory Approvals received for Licensed Products, manufacturing, sublicensing, marketing and sales activities by NEWLINK, its Affiliates or Sublicensees during the preceding twelve (12) months, as well as, plans of such activities for the coming year. NEWLINK shall also deliver to CIHS a copy of its annual report to stockholders, promptly following the availability of such report.

(c) Without limiting the foregoing, NEWLINK shall have the specific obligation to achieve the following diligence milestones:

(i) Within [\*] after the Effective Date, either (a) NEWLINK will have expended [\*] for research and development related to the Inventions; or (b) NEWLINK will have raised [\*] in equity capital;

(ii) Within [\*] after the Effective Date, either (a) NEWLINK or its Sublicensee will have developed a Licensed Product through [\*] or (b) NEWLINK will have expended [\*] for research and development related to the Inventions; or (c) NEWLINK will have raised an aggregate of [\*] in equity capital, including the equity capital amount set forth in subsection (i) above;

(iii) Within [\*] years after the Effective Date, either (a) NEWLINK or its Sublicensee will have commenced [\*] on a Licensed Product; or (b) NEWLINK will have expended [\*] for research and development related to the Invention; or (c) NEWLINK will have raised an aggregate of [\*] in equity capital, including the equity capital amounts of subsections (i) and (ii) above;

(d) In addition, NEWLINK shall use Commercially Reasonable Efforts to negotiate appropriate sponsored research programs with researchers at CIHS in connection with the development of Licensed Products or other product opportunities in the Field of Use, as funds become available to NEWLINK for basic research. Funds provided by NEWLINK for such sponsored research programs may be used to satisfy the diligence milestones set forth in Section 2.3(c).

(e) NEWLINK shall use Commercially Reasonable Efforts to grant sublicenses for the development and commercialization of Licensed Products within the Field of Use that are not otherwise being diligently developed or commercialized by NEWLINK, its Affiliates or Sublicensees; provided however, that in no event shall NEWLINK be obligated to grant to any Third Party a sublicense if such Third Party is a [\*] or [\*], or if the grant of such sublicense would reasonably have an adverse effect on NEWLINK’s, its Affiliate’s or

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Sublicensee’s development or commercialization of Licensed Products in the field of [\*]. CIHS recognizes that NEWLINK will initially focus its development efforts on a few products of strategic importance, and agrees that NEWLINK’s Commercially Reasonable Efforts hereunder will be evaluated in view of NEWLINK’s available resources and financing stage.

#### **2.4 Failure to Meet Due Diligence Requirements.**

(a) In the event that NEWLINK fails to meet the diligence milestones of Section 2.3(c)(i), the Parties shall in good faith review for a period of thirty (30) days whether NEWLINK has materially satisfied its diligence obligations under this Agreement. If CIHS, in good faith, reasonably concludes that NEWLINK has failed in this respect, it shall so notify NEWLINK in writing and NEWLINK shall then have six (6) months to cure such failure. In the event that NEWLINK fails to meet the diligence milestones of Sections 2.3(c)(ii) or 2.3(c)(iii), the Parties shall in good faith review for a period of thirty (30) days whether NEWLINK has materially satisfied such diligence obligation under this Agreement. If CIHS, in good faith, concludes that NEWLINK has failed in this respect, it shall so notify NEWLINK in writing and NEWLINK shall then have three (3) months to cure such failure. In each case, if NEWLINK fails to cure its failure to meet the appropriate milestone within the applicable cure period, CIHS shall have the right, at its option, to either terminate, or convert to non-exclusive, the license granted under Section 2.0 of this Agreement.

(b) In addition to Section 2.4(a), if CIHS determines in its reasonable good faith judgement that NEWLINK has failed to (i) use Commercially Reasonable Efforts to develop or commercialize the Licensed Products in a particular field within the Field of Use, and/or (ii) use

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Commercially Reasonable Efforts to grant sublicenses for the development and commercialization of Licensed Products within the Field of Use that are not otherwise being diligently developed or commercialized by NEWLINK, its Affiliates or Sublicensees, pursuant to Section 2.3(e), then CIHS shall so notify NEWLINK in writing, and following such notice, the Parties shall in good faith review for a period of thirty (30) days whether NEWLINK has materially satisfied such diligence obligations. If CIHS, in good faith, reasonably concludes that NEWLINK has failed in this respect, it shall so notify NEWLINK in writing and NEWLINK shall then have six (6) months to cure such failure. If NEWLINK fails to cure such failure within the applicable cure period, CIHS shall have the right, at its option, to either terminate, or convert to non-exclusive, the license granted under Section 2.0 of this Agreement with respect to such particular field.

## 2.5 Sublicenses.

(a) **General.** The license granted to NEWLINK under Section 2.0 of this Agreement shall include the right to grant sublicenses. Any sublicenses granted by NEWLINK under this Agreement shall be subordinate to the terms and conditions of this Agreement. NEWLINK shall promptly notify CIHS of the identity and address of each Sublicensee with whom it concludes a sublicense agreement and agrees to provide to CIHS a redacted copy of each such sublicense agreement sufficient in scope to ensure compliance with the terms of this Agreement.

(b) **Assignment of Sublicenses.** Upon request by a Sublicensee, and at CIHS's discretion, a sublicense granted by NEWLINK under the Licensed Patents and Licensed Technology shall remain in effect and be assigned to CIHS in the event this Agreement terminates, but only to the extent such sublicense is consistent with the terms of this Agreement and is not in breach thereof.

## 3. ROYALTIES AND MILESTONES

3.0 **License Issue Fee.** In partial consideration of the licenses granted under Section 2.0, NEWLINK shall enter into a stock purchase agreement with the Stoddard Cancer Research Institute (a d.b.a. of CIHS) in the form attached hereto as Exhibit C (the "Stock Purchase Agreement") concurrently with the execution of this Agreement, which Stock Purchase Agreement shall be consistent with the terms set forth in subsections (a) and (b), as follows:

(a) NEWLINK shall issue, [\*] to the Stoddard Cancer Research Institute, [\*] shares of NEWLINK's common stock (the "Shares"); and

(b) In addition, the Stock Purchase Agreement shall provide that CIHS shall have the following rights with respect to such Shares:

(i) The right to [\*];

(ii) [\*];

(iii) The right to [\*] [\*] in [\*], to [\*]; and

(iv) [\*] no later than [\*] following an [\*].

3.1 **Patent Fees and Expenses.** Additionally, NEWLINK shall reimburse CIHS for

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any out-of-pocket patent fees and expenses incurred by CIHS for filing, prosecuting and maintaining the Licensed Patents [\*], subject to the following: (a) if NEWLINK fails or elects not to pay any such patent fees or expenses with respect to a patent or patent application within thirty (30) days after an invoice therefor from CIHS, NEWLINK's rights and licenses granted to NEWLINK hereunder with respect to such patent or patent application shall immediately terminate and such patent application or patent shall no longer be included in Licensed Patents; and (b) if NEWLINK disputes its obligation to pay any out-of-pocket patent fees and expenses invoiced by CIHS pursuant to Section 3.1, then the Parties shall for thirty (30) days in good faith attempt to resolve the dispute, provided that NEWLINK shall not thereby be relieved of its obligations to make timely payment of any and all undisputed amounts when due to CIHS.

3.2 **Royalties.** Subject to the terms and conditions of this Agreement, commencing on the Effective Date of this Agreement, NEWLINK shall pay CIHS royalties on Net Sales of Licensed Products by NEWLINK, its Affiliates and Sublicensees on a country-by-country and Licensed Product-by-Licensed Product basis as follows:

(a) In countries where the manufacture, use, sale, offer for sale, or import of Licensed Products would, but for the grant of the license under the Agreement, infringe a Valid Claim of the Licensed Patents, NEWLINK shall pay to CIHS a royalty on Net Sales of Licensed Products in such countries at a rate equal to [\*] of annual Net Sales of Licensed Products. In the event that the manufacture, sale or use of any Licensed Product is not covered by a Valid Claim within the Licensed Patents in a country, then NEWLINK shall pay to CIHS a royalty with respect to Net Sales in such country of such Licensed Products by NEWLINK, its Affiliates and Sublicensees at a rate equal to [\*].

(b) The royalty obligations of NEWLINK shall expire on a country-by-country and Licensed Product-by-Licensed Product basis upon the later of (i) the expiration of the last to expire Valid Claim within the Licensed Patents covering the Licensed Product in a country (such expiration to occur only after expiration of extensions of any nature to such patents which may be obtained under applicable statutes or regulations in the respective countries of the Territory, such as the Drug Price Competition and Patent Term Restoration Act of 1984 in the U.S.A., and similar patent extension laws in other countries), or (ii) until [\*] following the first commercial sale of a Licensed Product in a country. Following expiration of the royalty obligations for each Licensed Product in each country, NEWLINK shall retain a fully-paid, [\*] license under the Licensed Technology to make, have made, use, sell, offer for sale, and import such Licensed Products in such country.

(c) **Combination Products.** Sales of any products that contain one or more Licensed Products and one or more Active Component(s) that is not a Licensed Product ("Combination Product") shall be determined as follows. Net Sales shall first be calculated in accordance with the definition of Net Sales set forth in Section 1.10, and then multiplied by the fraction, A/A + B, where A is the invoiced sales price charged for the Licensed Products included in such Combination Product and B is the invoiced sales price charged for the other Active Component(s) included in the Combination Product. If there are no separate sales of such Active Component(s), Net Sales of the Combination Product shall first be determined in accordance with the

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Product nor the other Active Component(s) included in such Combination Product are sold separately, then Net Sales of the Combination Product shall be first determined in accordance with the definition of Net Sales set forth in Section 1.10, as adjusted by a mechanism to be agreed upon by the Parties in good faith based upon the respective fair market values of such Licensed Product and such Active Component(s). The cost in each case shall be determined in accordance with generally accepted accounting principles of the United States.

(d) Notwithstanding the foregoing, in no event shall the royalties owed to CIHS on a given Licensed Product under Section 3.2(a) be less than [\*] of Net Sales (as defined in Section 1.10) in the case of Licensed Products covered by a Valid Claim, or less than [\*] of Net Sales (as defined in Section 1.10) in the case of Licensed Products not covered by a Valid Claim.

**3.3 Minimum Royalties.** Following the First Commercial Launch of Licensed Product, NEWLINK shall pay to CIHS a minimum annual royalty as follows: Prior to December 31 of the calendar year in which the first Licensed Product is Commercially Launched, NEWLINK shall pay to CIHS [\*] (“Initial Payment”). A second payment of [\*] shall be due on the first anniversary of the Initial Payment. Prior to each of the second and third anniversaries of the Initial Payment, NEWLINK shall pay CIHS [\*], and prior to the fourth and fifth anniversaries of the Initial Payment, NEWLINK shall pay CIHS [\*]. Any royalties resulting from Net Sales of Licensed Products in a given year may be credited against the minimum royalty due for that year. For purposes of this Section 3.3, “First Commercial Launch” or “Commercially Launched” shall mean, with respect to each Licensed Product in each country, the first bona fide commercial sale of a Licensed Product in a country by or under authority of NewLink, its Affiliates or Sublicensees, including without limitation, any offer for sale or sale made by NewLink, its Affiliates or Sublicensees to a Third Party pursuant to a written agreement.

**3.4 Sublicensing Fee.** In addition to the amounts owed by NewLink to CIHS pursuant to Section 3.0, 3.1, 3.2, and 3.3 above, if NEWLINK grants a sublicense of its rights hereunder to a Third Party, NEWLINK agrees to pay to CIHS a sublicensing fee of [\*] of any [\*] and other consideration (other than [\*] or [\*] on [\*], and [\*] within [\*] of [\*]) (collectively, the “Sublicensing Fee”) received by NEWLINK from each Sublicensee in consideration for the grant of a sublicense of the Licensed Patents or development of a Licensed Product.

**3.5 Third Party Royalties.** NEWLINK shall be responsible for all Third Party payments and/or licenses of Third Party technology necessary to practice the Licensed Patents and Licensed Technology to make, use or sell Licensed Products (“Necessary Rights”). In the event that NEWLINK pays royalties to Third Parties pursuant to a written agreement under which it obtains Necessary Rights for a particular Licensed Product in a particular country(ies) (each a “Third Party Agreement”), NEWLINK may offset, on a Licensed Product-by-Licensed Product and country-by-country basis, up to [\*] of the royalties due under such Third Party Agreements against royalties which are due CIHS hereunder for such Licensed Product in such country(ies), in each case, in such calendar year. Notwithstanding the foregoing, the royalty due to CIHS as set forth in Section 3.2 in each calendar quarter for any Licensed Product shall not be reduced to less than [\*] of that (or, i.e., [\*] of Net Sales for Licensed Products covered by a Valid Claim in such country, and [\*] of Net Sales for Licensed Products not covered by a Valid Claim in such country).

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### **3.6 Schedule and Form of Payment/Taxes.**

(a) Following the first commercial sale of a Licensed Product, NEWLINK shall make quarterly written reports to CIHS within thirty (30) days after the end of each calendar quarter, stating in each such report the aggregate Net Sales of Products sold by NEWLINK, its Affiliates and Sublicensees during the calendar quarter. Simultaneously with the delivery of each such report, NEWLINK shall pay to CIHS the total royalties, if any, due to CIHS for the period of such report. If no royalties are due, NEWLINK shall so report. Neither Party shall provide to Third Parties any information contained in reports provided to such Party pursuant to this Section 3.6, except as required by a Party’s agreements with its licensors.

(b) All amounts payable to CIHS hereunder shall be payable in United States dollars. All amounts payable to CIHS hereunder shall be payable in United States dollars in Iowa, or at such other place as CIHS may reasonably designate, provided, however, that if the law of any foreign country prevents any payment payable to CIHS hereunder to be made in Iowa, or otherwise designated by CIHS or prevents any such payment to be made in United States dollars, CIHS agrees to accept such royalty in form and place as permitted, including deposits by NEWLINK in the applicable foreign currency in a local bank or banks in such country designated by NEWLINK. If any currency conversion is required in connection with any payments to CIHS hereunder, such conversion shall be made at the buying rate for the transfer of such other currency as quoted by CITICORP BANK (NEW YORK) on the last business day of the applicable accounting period, in the case of any payment payable with respect to a specified accounting period, or in the case of any other payment, the last business day prior to the date of such payment. All such payments shall be paid in United States dollars, originated from a United States bank located in the United States and made by bank wire transfer in immediately available funds to such account as the receiving party shall designate.

(c) Where required to do so by applicable law or treaty, NEWLINK shall withhold taxes required to be paid to a taxing authority on account of such income to CIHS, and NEWLINK shall furnish CIHS with satisfactory evidence of such withholding and payment in order to permit CIHS to obtain a tax credit or other relief as may be available under the applicable law or treaty.

(d) Any amounts payable to CIHS hereunder that are not paid on the date such payments are due under this Agreement shall accrue interest from the due date until paid, at a rate equal to [\*] per month (or the maximum allowed by law, if less). Said

**3.7 Records.** NEWLINK shall maintain complete and accurate records showing gross sales, deductions and other relevant information sufficient to enable accurate calculation of royalties on a country-by-country and Licensed Product-by-Licensed Product basis and other fees payable hereunder by NEWLINK to CIHS. NEWLINK shall, at CIHS's request and expense, provide certified statements from NEWLINK's auditors, concerning royalties and other fees due pursuant to this Agreement. Once a calendar year, CIHS shall have the right to select a certified public accountant to inspect, on reasonable notice and during regular business hours, the records of NEWLINK to verify NEWLINK's statements and royalty payments due pursuant to this Agreement. Inspections conducted under this Section 3.7 shall be at CIHS's expense, provided, if such an audit correctly uncovers a deficiency in payment of royalties payable by NEWLINK hereunder, NEWLINK shall immediately pay to CIHS such deficient amount, and if the amount of any such deficiency is greater than five percent (5%) of the total amount due during the audited period, NEWLINK shall bear the reasonable out of pocket expenses of such accounting firm to conduct such audit. Records shall be preserved by NEWLINK for five (5) years for inspection by CIHS.

#### **4. PROSECUTION AND MAINTENANCE OF LICENSED PATENTS**

**4.0 Prosecution.** CIHS shall, using patent counsel of its choice, have the initial right to control the preparing, filing, prosecuting and maintaining patent applications and patents within the Licensed Patents. CIHS shall provide NEWLINK a reasonable opportunity to review and comment upon all such filings prior to their submission to patent authorities. If CIHS elects not to pursue any patent application or patent within the Licensed Patents, CIHS shall notify NEWLINK reasonably in advance of any filing deadline or material date and NEWLINK shall have the right, but not the obligation, to assume control of the preparation, filing, protection and maintenance of such patent or patent application, at its expense.

**4.1 Payment of Costs.** NEWLINK shall pay all costs incurred in connection with preparing, filing, prosecuting and maintaining patent applications and patents within the Licensed Patents that accrue on or after January 1, 2000. In the event that NEWLINK decides not to continue to pay costs related to a particular patent/patent application within the Licensed Patents in a particular country, NEWLINK shall timely notify CIHS in writing thereof, and concurrent with such notice, NEWLINK's rights under this Agreement to practice the inventions under such patent/patent application within the Licensed Patents in such country shall immediately terminate.

##### **4.2 Patent Enforcement.**

**(a)** Each Party shall notify the other Party in writing of any alleged or threatened infringement of Licensed Patents of which it becomes aware and which may adversely impact the rights of the Parties hereunder.

**(b)** NEWLINK shall have the first right, but not the obligation, to prosecute any infringement of the Licensed Patents or defend any declaratory judgment with respect to the

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Licensed Patents. If NEWLINK elects to commence an action described above, CIHS may, to the extent permitted by law, elect to join as a party to the action. Any recovery obtained in such an action shall be used first to reimburse costs of NEWLINK, then CIHS, in prosecuting such action (including reasonable attorney's fees). Any remainder of the recovery shall be distributed as follows: [\*]. CIHS shall have the right, but not the obligation, to prosecute any such infringement of the Licensed Patents if NEWLINK does not elect to do so within one hundred eighty (180) days after the Parties become aware of allegedly infringing activities. Any recovery obtained in such an action brought by CIHS under the preceding sentence shall be used first to reimburse costs of CIHS, then NEWLINK, in prosecuting such action (including reasonable attorney's fees). Any remainder of the recovery shall be distributed as follows: [\*].

**4.3 Control of Third Party Enforcement Actions.** During the term of this Agreement, either Party that brings an action to enforce the Licensed Patent shall prosecute such action, at its own expense, utilizing counsel of its choice, subject to reimbursement of costs pursuant to Section 4.2(b). No settlement, consent judgment or other voluntary final disposition of any such suit may be entered into without the written consent of the other Party, which consent shall not unreasonably be withheld.

**4.4 Cooperation.** In any suit to enforce and/or defend the Licensed Patent pursuant to this Agreement, the Party not in control of such suit shall, at the request and expense of the controlling Party, cooperate in all respects and, to the extent reasonably possible, have its employees testify when requested and make available relevant records, papers, information, samples, specimens, and the like. Any out-of-pocket costs incurred by the Party not in control of such suit shall be promptly reimbursed by the Party controlling such suit, subject to reimbursement pursuant to Section 4.2(b).

**4.5 Activities for Licensed Products Infringing Rights of Third Parties.** Each Party shall promptly notify the other if any legal proceedings are commenced or threatened against either Party alleging that the manufacture, use, sale or possession of the Licensed Product infringes a Third Party's patent or other intellectual property rights. In such event, the Parties shall meet to discuss the course of action to be taken with respect to an enforcement action with respect to such infringement or misappropriation.

#### **5. MARKINGS**

**5.1 Product Markings.** NEWLINK shall mark all Licensed Products (or their containers or labels) made, sold, or otherwise disposed of by NEWLINK, its Affiliates or Sublicensees, under the license granted in this Agreement, in accordance with all applicable United States and foreign statutes pertaining to the marking of products with patent pending, patent number(s), copyrights, or other intellectual property notices and legends required to maintain the intellectual property rights licensed in this Agreement.

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#### **6. CONFIDENTIALITY**

**6.0 Confidential Information.** Except as expressly provided herein, the Parties agree that, for the term of this Agreement and for five (5) years thereafter, the receiving Party shall not publish or otherwise disclose and shall not use for any purpose any Confidential Information furnished to it by the other Party hereto pursuant to this Agreement. For purposes of this Agreement, "Confidential Information" shall mean all nonpublic technical and/or business information (whether patentable or copyrightable), including without limitation, inventions, unpublished and draft patent applications and any information

contained therein, formulae, trade secrets, processes, laboratory notebooks, reports, technical data and technology, that is owned or possessed by the disclosing Party and furnished or otherwise made available to the receiving Party either (a) between January 1, 1999 and the Effective Date (“Pre-Agreement Period”) or (b) after the Effective Date, provided that such information is either (i) disclosed in writing and marked “Confidential,” or in a similar manner, to indicate its confidential nature, or (ii) if disclosed orally, is confirmed in writing as confidential within forty-five (45) days following such disclosure. Notwithstanding the foregoing, the Parties understand and agree that the marking and reduction to writing requirements of subsections (i) and (ii) above shall not apply to Confidential Information disclosed during the Pre-Agreement Period.

**6.1 Confidential Information Exclusions.** Notwithstanding the provisions of Section 6.0, the obligation of confidentiality shall not apply to information that the receiving Party can demonstrate:

- (a) is now in the public domain or which becomes generally available to the public through no fault of the receiving Party; or
- (b) is already known to, or in the possession of, the receiving Party prior to disclosure by the disclosing party as can be demonstrated by documentary evidence; or
- (c) is disclosed on a non-confidential basis from a Third Party having the right to make such a disclosure; or
- (d) is independently developed by the receiving Party (without the use of any Confidential Information) as can be demonstrated by competent documentary evidence.

**6.2 Permitted Usage.** Notwithstanding the provisions of Section 6.0 above, the receiving Party may use or disclose Confidential Information of the disclosing Party to the extent necessary to exercise the rights granted to it hereunder (provided it uses reasonable efforts to protect such information commensurate with the efforts used to protect its own information) in prosecuting or defending litigation, complying with applicable governmental regulations and/or submitting information to tax or other governmental authorities; provided that if the receiving Party is required by law to make any public disclosures of Confidential Information of the disclosing Party, to the extent it may legally do so, it will give reasonable advance notice to the disclosing Party of such disclosure and will use its reasonable efforts to secure confidential treatment of Confidential Information prior to its disclosure (whether through protective orders or otherwise).

## 7. WARRANTIES AND INDEMNITIES

### 7.0 Representations and Warranties.

(a) NEWLINK hereby represents and warrants that (i) it has the authority and right to enter into and perform this Agreement, and has taken all necessary corporate or other action and obtained all necessary approvals to do so, and (ii) its execution, delivery and performance of this Agreement does not and will not conflict with any other agreement to which it is or becomes a party or by which it is or becomes bound.

(b) CIHS hereby represents and warrants that to the best of its knowledge as of the Effective Date, all rights, interest, and title in and to the Invention has been properly assigned by all inventors thereof to HGTRI.

**7.1** CIHS MAKES NO REPRESENTATIONS AND EXTENDS NO WARRANTIES OF ANY KIND EXPRESS OR IMPLIED. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR THAT USE OF A LICENSED PRODUCT OR A PRODUCT MADE USING A LICENSED PROCESS WILL NOT INFRINGE ANY PATENT, COPYRIGHT, TRADEMARK, OR OTHER RIGHTS OF THIRD PARTIES.

### 7.2 Indemnities.

(a) NEWLINK agrees to indemnify, hold harmless and defend CIHS, HGTRI, and their respective trustees, officers, employees, students, and agents from and against all losses, liabilities, damages, costs and expenses (including without limitation, reasonable attorney’s fees and other expenses of litigation) (“Liabilities”) arising from any claims, demands, actions or other proceedings (“Claims”) by any and all Third Parties for [\*] arising out of (i) [\*], under this Agreement and (ii) [\*]; provided however, that NEWLINK shall not be obligated to indemnify, hold harmless and defend CIHS, HGTRI, and their respective trustees, officers, employees, students, and agents from and against any Liabilities arising from any Claims arising out of the [\*] of CIHS, HGTRI, and their respective trustees, officers, employees, students, and agents.

(b) NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES, WHATSOEVER, WHETHER GROUNDED IN TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, CONTRACT OR OTHERWISE. CIHS SHALL NOT HAVE [\*] WITH RESPECT TO LICENSED PRODUCT(S).

(c) NEWLINK shall at all times comply, through insurance or self-insurance, with all statutory workers’ compensation and employers’ liability requirements covering any and all employees with respect to activities performed under this Agreement.

**7.3 Insurance.** In addition to the foregoing, NEWLINK shall maintain during the term of this Agreement, Comprehensive General Liability Insurance, including Products Liability Insurance, with reputable and financially secure insurance carrier(s) to cover the indemnity granted in Section 7.2. NEWLINK shall maintain an insurance policy that provides minimum limits of liability as follows: beginning on the Effective Date to the commencement of the first clinical trial of any Licensed Product, the minimum limit shall be two million dollars (\$2,000,000); beginning on the commencement of the first clinical trial of any Licensed Product to the commencement of the first Phase III clinical trial of any Licensed Product, the minimum limit shall increase to ten million dollars (\$10,000,000); and beginning on the first Phase III clinical trial of any Licensed Product to the termination or expiration of this Agreement, the minimum limit shall increase to twenty million dollars (\$20,000,000). Such insurance shall include CIHS, HGTRI, and their respective trustees, officers, employees, students, and agents as additional insureds. Such insurance shall be written to cover claims incurred, discovered, manifested, or made during or

after the expiration of this Agreement and should be placed with carriers with ratings of at least A- as rated by A.M. Best. Within fifteen (15) days of the Effective Date of this Agreement, NEWLINK shall furnish a Certificate of Insurance evidencing primary coverage and additional insured requirements and requiring thirty (30) days prior notice of cancellation or material change to CIHS. NEWLINK shall advise CIHS, in writing, that it maintains excess liability coverage (following form) over primary insurance for at least the minimum limit set forth above. All such insurance of NEWLINK shall be primary coverage.

## 8. TERM AND TERMINATION

**8.0 Term.** Unless previously terminated as herein provided, the term of this Agreement shall commence upon the Effective Date and expire on the date when NEWLINK has no further royalty obligations hereunder.

### 8.1 Termination.

(a) This Agreement may be terminated prior to its expiration under Section 8.0 under the following circumstances:

(i) If a Party commits material breach of this Agreement, the non-breaching Party at its option, may terminate this Agreement by giving the breaching Party written notice of its election to terminate as of a stated date, not less than forty-five (45) days from the date of the notice. Such notice shall state the nature of the defaults claimed by the non-breaching Party. The breaching Party may, during such forty-five (45) day period, or such longer period as may be specified in such notice, correct any default stated in such notice and if such default is corrected, this Agreement shall continue in full force and effect as if such notice had not been given.

(ii) This Agreement may be terminated by NEWLINK, at will, at any time upon not less than sixty (60) days prior written notice to CIHS.

(b) NEWLINK may terminate its license with respect to a specific patent or patent application within the Licensed Patents, at will, at any time upon not less than ninety (90) days prior written notice to CIHS. In such event, the specified patent application or patent shall no

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longer be a Licensed Patent and NEWLINK shall retain an exclusive license to the remaining patents and patent applications within the Licensed Patents.

### 8.2 Effect of Termination.

(a) **Accrued Obligations.** Termination of this Agreement for any reason shall not release either Party hereto from any liability which, at the time of such termination, has already accrued to the other Party or which is attributable to a period prior to such termination nor preclude either Party from pursuing any rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement.

(b) **Termination of Agreement.** In the event of any early termination of this Agreement, whether by CIHS pursuant to Section 2.4(a) due to NEWLINK's failure to meet one or more of its diligence obligations, or by CIHS pursuant to Section 8.1(a)(i) due to NEWLINK's material breach, or by NEWLINK pursuant to Section 8.1(a)(ii), in each case:

(i) NEWLINK, its Affiliates and Sublicensees shall immediately cease all development and commercialization of Licensed Products, and all practice or use of the Licensed Patents and Licensed Technology; provided, however, that NEWLINK, its Affiliates, Sublicensees and distributors shall have the right to sell or otherwise distribute Licensed Products in their inventories or otherwise in their control as of such termination of this Agreement for a period not to exceed three (3) months from such termination.

(ii) NEWLINK shall return, or destroy, at CIHS's option, all Confidential Information of CIHS, including any copies of any Licensed Technology.

(c) **Termination of a patent within the Licensed Patents.** In the event of any early termination of NEWLINK's license to a particular patent and/or patent application within the Licensed Patents, whether by NEWLINK pursuant to Section 8.1(b), or by CIHS pursuant to Section 4.1, in each case:

(i) NEWLINK, its Affiliates and Sublicensees shall immediately cease all development and commercialization of Licensed Products relating to such patent or patent application, and all practice or use of such patent or patent application; provided, however, that NEWLINK, its Affiliates, Sublicensees and distributors shall have the right to sell or otherwise distribute Licensed Products relating to such patent or patent application that is in their inventories or otherwise in their control as of such termination of this Agreement for a period not to exceed three (3) months from such termination.

(ii) NEWLINK shall return, or destroy, at CIHS's option, all Confidential Information of CIHS, including any copies of any Licensed Technology relating to such patent or patent application, unless such Confidential Information or Licensed Technology also relates to patents or patent applications with respect to which NEWLINK still retains a license under this Agreement.

(d) **Termination of a field within the Field.** In the event of any termination of NEWLINK's license to a particular field within the Field, by CIHS pursuant to Section 2.4(b):

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(i) NEWLINK, its Affiliates and Sublicensees shall immediately cease all development and commercialization of Licensed Products in such field, and all practice or use of Licensed Patents and Licensed Technology in such field; provided, however, that NEWLINK, its Affiliates, Sublicensees and distributors shall have the right to sell or otherwise distribute Licensed Products in such field that is in their inventories or otherwise in their control as of such termination of this Agreement for a period not to exceed three (3) months from such termination.

(ii) NEWLINK shall return, or destroy, at CIHS's option, all Confidential Information of CIHS, including any copies of any Licensed Technology relating to field, unless such Confidential Information or Licensed Technology also relates to Licensed Patents, Licensed Technology or Licensed Products in a field with respect to which NEWLINK retains a license under this Agreement.

**8.3 Survival.** Articles 1, 5, 6, and 9, and Sections 2.5(b), 3.2-3.7, 4.5, 7.1, 7.2, 8.2 and 8.3 of this Agreement shall survive expiration or termination of this Agreement.

## 9. MISCELLANEOUS

**9.0 Notices.** All notices, requests and other communications hereunder shall be in writing and shall be personally delivered, sent by courier, sent by registered or certified mail, return receipt requested, postage prepaid, or sent via facsimile in each case to the respective address specified below, or such other address as may be specified in writing to the other Party hereto:

CIHS: Central Iowa Health System  
1200 Pleasant Street  
Des Moines, Iowa 50309  
Attn: President  
Fax: 515-241-5994

with copies to: Wilson Sonsini Goodrich & Rosati  
Professional Corporation  
650 Page Mill Road  
Palo Alto, California 94304-1050  
Attn: Kenneth A. Clark, Esq.  
Fax: (650) 493-6811

Iowa Health System  
1200 Pleasant Street  
Des Moines, Iowa 50309  
Attn: General Counsel  
Fax: 515-241-4656

NEWLINK: NEWLINK Genetics Corporation  
2901 S. Loop Drive  
Ames, Iowa 50010  
Attn: Chairman

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Fax: 515-296-5557

with a copy to: Cooley Godward, L.L.P.  
380 Interlocken Crescent  
Suite 900  
Broomfield, CO 80021-8023  
Attn: James C. Linfield, Esq.  
Fax: (650) 493-6811

Any such notice mailed by registered or certified mail or air express shall be deemed to have been given when mailed, as evidenced by the date on the receipt retained by the sender. Either Party may change the address to which notices to it are to be given by notice as provided herein.

**9.1 Force Majeure.** Neither Party to this Agreement shall be liable for delay or failure in the performance of any of its obligations hereunder if such delay or failure is due to causes beyond its reasonable control, including, without limitation, acts of God, fires, earthquakes, strikes and labor disputes, acts of war, civil unrest, or intervention of any governmental authority, provided that the affected Party shall use reasonable efforts to remedy any such delay or failure.

**9.2 Assignments.** Except as provided in this Section 9.2, this Agreement may not be assigned by NEWLINK without the written prior consent of CIHS, which consent shall not be unreasonably withheld, provided that NEWLINK may assign this Agreement without CIHS' prior consent to an Affiliate or in connection with the sale or transfer of all or substantially all the assets of NEWLINK relating to the Agreement. CIHS may assign this Agreement at its discretion.

**9.3 Injunctive Relief.** The Parties acknowledges that the terms hereunder are necessary and reasonable to protect the Parties, and expressly agree that monetary damages may not be a sufficient remedy for any breach of this Agreement, and therefore the breaching Party will not oppose the non-breaching Party's requests for injunctive relief as a remedy for any such breach. In addition, the Parties agrees that they shall be entitled to seek temporary and permanent injunctive relief against any threatened violation of the terms of this Agreement or the continuation of any such violation in any court of competent jurisdiction, without the necessity of proving actual damages or the posting of any bond. For avoidance of doubt, any such equitable remedies shall be cumulative and not exclusive and are in addition to any other remedies, which either Party may have under this Agreement or applicable law.

**9.4 Severability.** In the event that any provisions of this Agreement are determined to be invalid or unenforceable by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect without said provision. In such event, the parties shall in good faith negotiate an amendment providing a substitute clause for any provision declared invalid or unenforceable, which shall most nearly approximate the intent of the Parties in entering this Agreement.



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Inventions and know how

1. [\*]

2. [\*]

3. [\*]

4. [\*]

5. [\*]

**EXHIBIT "C"**

Stock Purchase Agreement with the Stoddard Cancer Research Institute

**NEWLINK GENETICS CORPORATION**

**STOCK PURCHASE AGREEMENT**

This Stock Purchase Agreement (the "Agreement") is made this 2<sup>nd</sup> day of August, 2001, between Newlink Genetics Corporation, a Delaware corporation (the "Company"), and Stoddard Cancer Research Institute, a d.b.a. of Central Iowa Health System, an Iowa non-profit corporation, (the "Purchaser").

1. Sale of Stock. The Company hereby agrees to sell to the Purchaser and the Purchaser hereby agrees to purchase an aggregate of [\*] shares of the Company's Common Stock (the "Shares").

2. Payment of Purchase Price. The purchase price for the Shares shall be deemed paid by Purchaser's grant of licenses to the Company pursuant to Section 2.0 of the License Agreement dated August 2, 2001 between Purchaser and the Company.

3. Representations and Warranties of the Company. The Company represents and warrants to the Purchaser as follows:

(a) Organization and Standing. The Company is a corporation duly organized and validly existing under, and by virtue of, the laws of the State of Delaware and is in good standing under such laws. The Company has requisite corporate power and authority to own and operate its properties and assets, and to carry on its business as presently conducted. The Company is duly qualified to do business as a foreign corporation in each jurisdiction in which the failure to be so qualified will have a material adverse affect on the Company's business.

(b) Corporate Power; Authorization. The Company has all requisite legal and corporate power and authority to execute and deliver this Agreement and to issue the Common Stock sold under this Agreement. All corporate action on the part of the Company, its officers, directors and stockholders necessary for the authorization, execution, delivery and performance of this Agreement and the performance of all of the Company's obligations under this Agreement has been taken. The Shares, when issued in compliance with the provisions of this Agreement will be validly issued, fully paid and nonassessable.

(c) Capitalization. The authorized capital stock of the Company consists or will, upon the execution of the Agreement, consist of 12,000,000 shares of Common Stock and 3,000,000 shares of Preferred Stock, 1,600,000 of which is designated Series A Preferred Stock. Immediately prior to the execution of this Agreement, 5,198,200 shares of Common Stock and 420,000 shares of Series A Preferred Stock will be issued and outstanding. No other shares of capital stock will be outstanding. All of the issued and outstanding shares of Common Stock and Series A Preferred Stock are duly authorized, validly issued, fully paid and nonassessable, and were issued in compliance with applicable federal and state securities laws. Except for (i) the conversion privileges of the Series A Preferred Stock, (ii) 188,000 shares of Common Stock subject to issued options issued under the Company's 2000 Equity Incentive Plan, and (iii) 1,500,000 shares of Common Stock reserved for future issuance pursuant to the Company's Equity Incentive Plan and (iv) the rights provided in the Company's Investors' Rights Agreement, there are no other outstanding shares of capital stock or outstanding rights of first refusal, preemptive rights or other rights, options, warrants, conversion rights, or other

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agreements either directly or indirectly for the purchase or acquisition from the Company of any shares of its capital stock.

4. Representations and Warranties of the Purchaser. Purchaser represents and warrants to the Company as follows:

(a) Restricted Securities. Purchaser is aware that the Shares to be issued to Purchaser by the Company pursuant to this Agreement have not been registered under the Securities Act of 1933, as amended (the "Act"), and that the Shares are deemed to constitute "restricted securities" under Rule 144 promulgated under the Act.

(b) Accredited Investor. Purchaser is an accredited investor within the meaning of Regulation D prescribed by the Securities and Exchange Commission pursuant to the Act.

(c) Investment Experience. By virtue of such Purchaser's experience in evaluating and investing in private placement transactions of securities in companies similar to the Company, Purchaser has sufficient knowledge and experience in business and financial matters to evaluate the Company, its proposed activities and is capable of evaluating the merits and risks of such Purchaser's investment in the Company, Purchaser has the capacity to protect such Purchaser's own interests in connection with the purchaser of the Shares by virtue of the business or financial expertise of any professional advisors to Purchaser who are unaffiliated with and who are not compensated by the Company or any of its affiliates, directly or indirectly. Purchaser has the ability to accept the high risk and lack of liquidity inherent in this type of investment.

(d) Investment Intent. Purchaser is acquiring the Securities for investment for such Purchaser's own account and not with a view to, or for resale in connection with, any distribution thereof. Purchaser understands that the Securities have not been registered under the Act by reason of a specific exemption from the registration provisions of the Act that depends upon, among other things, the bona fide nature of the investment intent as expressed herein.

(e) Rule 144. Purchaser understands that the exemption from registration under Rule 144 will not be available for at least two years from the date of receipt of the Shares unless at least one year from the date of receipt (i) a public trading market then exists for the Common Stock of the Company, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 are complied with; and that any sale of the Shares may be made only in limited amounts in accordance with such terms and conditions and that after ninety days after the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Shares may be resold by persons other than affiliates in reliance on Rule 144 without compliance with paragraphs (c), (d), (e) and (h) thereof, and by affiliates without compliance with paragraph (d) thereof.

(f) Knowledge of Company, Company Information. Purchaser is familiar with the Company, the nature of its business, its financial prospects and the merits and risks of an investment in the Company, and has the capacity to protect its own interests. Purchaser has had an opportunity to discuss the Company's business, management and financial affairs with directors, officers and management of the Company. Purchaser has also had the opportunity to ask questions of, and receive answers from, the Company and its management regarding the terms and conditions of this investment.

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(g) Additional Capital. Purchaser understands that the Company may need to raise additional financing to support expansion, develop new or enhanced applications and services, respond to competitive pressures, acquire complementary business or technologies or take advantage of unanticipated opportunities. Purchaser understands that the Company may need to raise additional funds by selling debt or equity securities, by entering into strategic relationships or through other arrangements. Purchaser understands that such financing may be dilutive to existing stockholders.

5. **[\*].**

(a) [redacted] The Company hereby [redacted], on the terms set forth in this Section 5, [redacted] to [redacted] or [redacted] of [redacted] of the [redacted] which the [redacted] to [redacted] to [redacted] and [redacted]. The Purchaser may [redacted] on the [redacted] and [redacted] the [redacted] to [redacted]. For the purposes of [redacted] of the [redacted] is a [redacted] the [redacted] is the [redacted] of [redacted] and the [redacted] is the [redacted] of the [redacted] of [redacted] of or [redacted] of, as the case may be, [redacted] or [redacted] to the [redacted] of the [redacted].

(b) [redacted] of the [redacted] or [redacted] and [redacted] or [redacted] to [redacted] and [redacted] of [redacted] or [redacted] into [redacted] that [redacted] does [redacted] to a [redacted] or [redacted] or [redacted] to [redacted] or [redacted] of the [redacted] to [redacted] or [redacted] by the [redacted] of the [redacted] to [redacted] to [redacted] by the [redacted] of the [redacted] or [redacted] or [redacted] or [redacted] from [redacted] or [redacted] or [redacted] by the [redacted] of the [redacted] of [redacted] in [redacted] with [redacted] or [redacted] by the [redacted] and [redacted] the [redacted] and other [redacted] or [redacted] or [redacted] or [redacted].

(c) [redacted] In the event [redacted] to [redacted] of [redacted], it [redacted] to the [redacted] of its [redacted] the [redacted] of [redacted] the [redacted] the [redacted] to [redacted] the [redacted] the [redacted] of the [redacted] and [redacted] to the [redacted] of [redacted] of [redacted] to [redacted]. The [redacted] from the [redacted] of the [redacted] to [redacted] of [redacted] of the [redacted] for the [redacted] and [redacted] the [redacted] in the [redacted] to the [redacted] the [redacted] of [redacted] to be [redacted] and [redacted] for [redacted] to the [redacted] if [redacted] or in [redacted] the [redacted] of the [redacted] in the [redacted]

(d) [redacted] The [redacted] be [redacted] the [redacted] to [redacted] any [redacted] or [redacted] of [redacted] to any [redacted] or [redacted] or [redacted] of the [redacted].

(e) [redacted] The [redacted] under this Section 5 [redacted] the [redacted] of the [redacted] to [redacted] by the [redacted]

6. [redacted]

(a) [redacted] If the [redacted] to [redacted] of [redacted] for [redacted] or [redacted] of [redacted] other [redacted] to [redacted] or [redacted] to [redacted] to [redacted] or [redacted] on [redacted] or [redacted] the [redacted] to be [redacted] the [redacted] of the [redacted] the [redacted] the [redacted] and [redacted] and [redacted] the [redacted] of [redacted] in [redacted] the [redacted] of [redacted] the [redacted] in [redacted].

(b) [redacted] If the [redacted] for [redacted] the [redacted] is for [redacted] the [redacted] to [redacted] be [redacted] the [redacted] in [redacted] and the [redacted] of [redacted] in the [redacted] to [redacted] in [redacted] with the [redacted] or [redacted] by the [redacted]. Notwithstanding any other provision of this Section, if the [redacted] that [redacted] on the [redacted] of [redacted] to be [redacted] and [redacted] may [redacted] of the [redacted] with the [redacted] that may be [redacted] in the [redacted] and [redacted] the [redacted] and all other [redacted] to have [redacted] in [redacted] in [redacted] as nearly as [redacted], to the [redacted] of [redacted] which they [redacted] to be [redacted] in [redacted].

(c) [redacted] of the [redacted] of [redacted] for the [redacted] shall be [redacted] by the [redacted] to the [redacted] of [redacted] and [redacted] of the [redacted] in the [redacted] by [redacted] which [redacted] by the [redacted] and [redacted] on the [redacted] of the [redacted].

(d) [redacted] The [redacted] under this Section 6 [redacted] to a [redacted] of [redacted] to [redacted] or [redacted]. ‘

(e) [redacted] The [redacted] under this Section 6 [redacted] as to the [redacted] or a [redacted] when [redacted] is [redacted] under this Agreement [redacted] in [redacted]

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7. Financial Information. The Company will provide the Purchaser with reports and provide access for Purchaser as set forth below.

(a) As soon as practicable after the end of each fiscal year, and in any event within one hundred twenty (120) days thereafter, consolidated balance sheets of the Company and its subsidiaries, if any, as of the end of such fiscal year, and unaudited consolidated statements of income and consolidated statements of changes in financial position of the Company and its subsidiaries, if any, for such year, prepared in accordance with generally accepted accounting principles and setting forth in each case in comparative form the figures for the previous fiscal year (or, at the election of the Company, setting forth in comparative form the budgeted figures for the fiscal year then reported), all in reasonable detail.

(b) As soon as practicable after the end of each quarter, and in any event within sixty (60) days after each quarterly accounting period, an unaudited quarterly report including a balance sheet, profit and loss statement and cash flow analysis (prepared in accordance with generally accepted accounting principles other than for accompanying notes and subject to changes resulting from year-end audit adjustments).

(c) The Company shall permit each Purchaser, at such Purchaser's expense, to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Investor.

(d) Anything in Section 7(c) to the contrary notwithstanding, the Purchaser or transferee of the Purchaser by reason of this Agreement shall not have access to any trade secrets or classified information of the Company. The Purchaser hereby agrees to hold in confidence and trust and not to misuse or disclose any confidential information provided pursuant to Section 7(c) and any transferee of must agree, in writing, to the same. The Company shall not be required to comply with this Section 7(c) in respect of the Purchaser or transferee of the Purchaser whom the Company reasonably determines to be a competitor or an officer, employee, director or greater than 5% shareholder of a competitor or to the extent compliance would result in disclosure of trade secrets.

(e) Termination of Covenants. The covenants set forth in this Section 7 shall terminate and be of no further force or effect upon the closing of the Company's initial underwritten public offering pursuant to an effective registration statement filed by the Company under the Act.

8. Legends. The share certificate evidencing the Shares issued hereunder shall be endorsed with the following legends (in addition to any legend required under applicable state securities laws):

(a) THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL SATISFACTORY

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TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

(b) THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS PURSUANT TO THE COMPANY'S BYLAWS. SUCH BYLAW, AMONG OTHER THINGS, RESTRICTS CERTAIN RIGHTS WITH RESPECT TO THE SALE AND TRANSFER OF THE SHARES AND OTHERWISE ENCUMBERS THE SHARES REPRESENTED HEREBY. COPIES OF THE BYLAWS MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.

(c) Any legend required to be placed thereon by the Delaware Commissioner of Corporations or any other applicable state securities laws.

9. Restrictions on Transfer.

(a) Without in any way limiting the foregoing, Purchaser further agrees that Purchaser shall in no event make any disposition of all or any portion of the Shares which Purchaser is being issued unless and until: (i) there is then in effect a registration statement under the Act covering such proposed disposition and such disposition is made in accordance with said registration statement; or (ii) (A) The transferee has agreed in writing to be bound by the terms of this Agreement, (B) Purchaser shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (C) if reasonably requested by the Company, Purchaser shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of the Shares under the Act. In addition, Purchaser agrees that any such disposition shall be made in accordance with the provisions of the Company's Bylaws, provided however that the Company hereby waives any right of first refusal pursuant to Article XIV of the Company's Bylaws with respect to any transfer of the Shares by Purchaser to any parent corporation or entity, subsidiary or affiliate of Purchaser.

(b) The Company shall not be required (i) to transfer on its books any Shares which shall have been sold or transferred in violation of any of the provisions set forth in the Section 9(a) or (ii) to treat as owner of such Shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Shares shall have been so transferred.

(c) Purchaser hereby agrees that for a period of not less than 180 days following the effective date of the first registration statement of the Company covering Common Stock (or other securities) to be sold on its behalf in an underwritten public offering, Purchaser shall not, to the extent requested by the Company or any underwriter, sell or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any Common Stock of the Company held by Purchaser at any time during such period except Common Stock included in such registration.

(d) In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Common Stock held by Purchaser (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

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10. Adjustment for Stock Split. All references to the number of Shares and the purchase price of the Shares in this Agreement shall be appropriately adjusted to reflect any stock split, stock dividend or other change in the Shares which may be made by the Company after the date of this Agreement.

11. Tax Consequences. The Purchaser has reviewed with the Purchaser's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Purchaser is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Purchaser understands that the Purchaser (and not the Company) shall be responsible for the Purchaser's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

12. General Provisions.

(a) This Agreement shall be governed by the laws of the State of Delaware. This Agreement represents the entire agreement between the parties with respect to the purchase of Common Stock by the Purchaser and may only be modified, amended or waived in writing signed by both parties.

(b) Any notice, demand or request required or permitted to be given by either the Company or the Purchaser pursuant to the terms of this Agreement shall be in writing and shall be deemed given when delivered personally or deposited in the U.S. Mail, First Class with postage prepaid, and addressed to the parties at the addresses of the parties set forth at the end of this Agreement or such other address as a party may request by notifying the other in writing.

(c) Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors and assigns of the parties, hereto.

(d) Either party's failure to enforce any provision or provisions of this Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party thereafter from enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

(e) The Purchaser agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purposes or intent of this Agreement.

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IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first set forth above.

**COMPANY**

NEWLINK GENETICS CORPORATION  
a Delaware corporation

**PURCHASER**

STODDARD CANCER RESEARCH INST.  
a d.b.a. of Central Iowa Health System

/s/Charles Link, Jr.  
(Signature)

Charles Link, Jr.  
(Print Name)

Chairman  
(Title)

2901 S. Loop Drive  
(Address)

Ames, IA 50010  
(City, State Zip)

/s/ Eric Crowell  
(Signature)

Eric Crowell  
(Print Name)

President  
(Include Title if signing on behalf of an entity)

1200 Pleasant St.  
(Address)

Des Moines, IA 50309  
(City, State Zip)

**Cooperative Research and  
Development Agreement**

**(CRADA #1901)**

[\*]

**NCI Principal Investigator**

**John C. Morris, M.D.  
Metabolism Branch, CCR, NCI**

**Collaborator Principal Investigator**

**Nicholas Vahanian, M.D.  
NewLink Genetics Corporation**

**Term of CRADA**

**Four (4) years from date of the final CRADA signature**

**Prepared by  
Technology Transfer Branch  
National Cancer Institute**

PUBLIC HEALTH SERVICE

**COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT**

This Cooperative Research and Development Agreement, hereinafter referred to as the "CRADA," consists of this Cover Page, an attached Agreement, and various Appendices referenced in the Agreement. This Cover Page serves to identify the Parties to this CRADA:

- (1) the following Bureau(s), Institute(s), Center(s) or Division(s) of the National Institutes of Health ("NIH"), the Food and Drug Administration ("FDA"), and the Centers for Disease Control and Prevention ("CDC"): National Cancer Institute, hereinafter singly or collectively referred to as the Public Health Service ("PHS"); and
- (2) NewLink Genetics Corporation, which has offices at 2901 South Loop Drive, Suite 3900, Ames, Iowa 50010; hereinafter referred to as the "Collaborator."

**COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT**

**Article 1. Introduction**

This Cooperative Research and Development Agreement (CRADA) between PHS and the Collaborator will be effective when signed by all Parties. The research and development activities which will be undertaken by each of the Parties in the course of this CRADA are detailed in the Research Plan (RP) which is attached as Appendix A. The funding and staffing commitments of the Parties are set forth in Appendix B. Any exceptions or changes to the CRADA are set forth in Appendix C. This CRADA is made under the authority of the Federal Technology Transfer Act, 15 U.S.C. §3710a and is governed by its terms.

**Article 2. Definitions**

As used in this CRADA, the following terms shall have the indicated meanings:

- 2.1 "Affiliate" means any corporation or other business entity controlled by, controlling, or under common control with Collaborator. For this purpose, A "control" means direct or indirect beneficial ownership of at least fifty (50) percent of the voting stock or at least fifty (50) percent interest in the income of such corporation or other business.
- 2.2 "Cooperative Research and Development Agreement" or "CRADA" means this Agreement, entered into by PHS pursuant to the Federal Technology Transfer Act of 1986, as amended, 15 U.S.C. 3710a et seq. and Executive Order 12591 of October 10, 1987.
- 2.3 "Government" means the Government of the United States as represented through the PHS agency that is a Party to this agreement.
- 2.4 "IP" means intellectual property.
- 2.5 "Invention" means any invention or discovery which is or may be patentable or otherwise protected under title 35, United States Code, or any novel variety or plant which is or may be protectable under the Plant Variety Protection Act (7 U.S.C. 2321 et seq.).

- 2.6 “**Principal Investigator(s)**” or “**PIs**” means the persons designated respectively by the Parties to this CRADA who will be responsible for the scientific and technical conduct of the RP.
- 2.7 “**Proprietary/Confidential Information**” means confidential scientific, business, or financial information provided that such information does not include:
- 2.7.1 information that is publicly known or available from other sources who are not under a confidentiality obligation to the source of the information;
  - 2.7.2 information which has been made available by its owners to others without a confidentiality obligation;
  - 2.7.3 information which is already known by or available to the receiving Party without a confidentiality obligation; or

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2.7.4 information which relates to potential hazards or cautionary warnings associated with the production, handling or use of the subject matter of the Research Plan of this CRADA.

- 2.8 “**Research Materials**” means all tangible materials other than Subject Data first produced in the performance of this CRADA.
- 2.9 “**Research Plan**” or “**RP**” means the statement in Appendix A of the respective research and development commitments of the Parties to this CRADA.
- 2.10 “**Subject Invention**” means any Invention of the Parties, conceived or first actually reduced to practice in the performance of the Research Plan of this CRADA.
- 2.11 “**Subject Data**” means all recorded information first produced in the performance of this CRADA by the Parties.

### **Article 3. Cooperative Research**

- 3.1 **Principal Investigators.** PHS research work under this CRADA will be performed by the PHS laboratory identified in the RP, and the PHS Principal Investigator (PI) designated in the RP will be responsible for the scientific and technical conduct of this project on behalf of PHS. Also designated in the RP is the Collaborator PI who will be responsible for the scientific and technical conduct of this project on behalf of the Collaborator.
- 3.2 **Research Plan Change.** The RP may be modified by mutual written consent of the Principal Investigators. Substantial changes in the scope of the RP will be treated as amendments under Article 13.6.

### **Article 4. Reports**

- 4.1 **Interim Reports.** The Parties shall exchange formal written interim progress reports on a schedule agreed to by the PIs, but at least within twelve (12) months after this CRADA becomes effective and at least within every twelve (12) months thereafter. Such reports shall set forth the technical progress made, identifying such problems as may have been encountered and establishing goals and objectives requiring further effort, any modifications to the Research Plan pursuant to Article 3.2, and identify Subject Inventions pursuant to Article 6.1.
- 4.2 **Final Reports.** The Parties shall exchange final reports of their results within four (4) months after completing the projects described in the RP or after the expiration or termination of this CRADA.

### **Article 5. Financial and Staffing Obligations**

- 5.1 **PHS and Collaborator Contributions.** The contributions of the Parties, including payment schedules, if applicable, are set forth in Appendix B. PHS shall not be obligated to perform any of the research specified herein or to take any other action required by this CRADA if the funding is not provided as set forth in Appendix B. PHS shall return excess funds to the Collaborator when it sends its final fiscal report pursuant to Article 5.2, except for staffing support pursuant to Article 10.3. Collaborator acknowledges that the U.S. Government will have the authority to retain and expend any excess funds for up to one (1) year subsequent to the expiration or termination of the CRADA to cover any costs incurred during the term of the CRADA in undertaking the work set forth in the RP.

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- 5.2 **Accounting Records.** PHS shall maintain separate and distinct current accounts, records, and other evidence supporting all its obligations under this CRADA, and shall provide the Collaborator a final fiscal report pursuant to Article 4.2.

- 5.3 **Capital Equipment.** Equipment purchased by PHS with funds provided by the Collaborator shall be the property of PHS. All capital equipment provided under this CRADA by one party for the use of another Party remains the property of the providing Party unless other disposition is mutually agreed upon by in writing by the Parties. If title to this equipment remains with the providing Party, that Party is responsible for maintenance of the equipment and the costs of its transportation to and from the site where it will be used.

### **Article 6. Patent Applications**

- 6.1 **Reporting.** The Parties shall promptly report to each other in writing each Subject Invention and any patent applications filed thereon resulting from the research conducted under this CRADA that is reported to them by their respective employees. Each Party shall report all Subject Inventions to the other Party in sufficient detail to determine inventorship. Such reports shall be treated as Proprietary/Confidential Information in accordance with Article 8.4.

- 6.2 **Filing of Patent Applications.** [\*] shall be responsible for filing patent or other IP applications in a timely manner and [\*] and after consultation with [\*]. The Parties will consult and mutually determine a filing strategy for [\*] subject inventions.
- 6.3 **Patent Expenses.** The expenses attendant to the filing of patent or other IP applications generally shall be paid by the Party filing such application. If an exclusive license to any Subject Invention is granted to the Collaborator, the Collaborator shall be responsible for all past and future out-of-pocket expenses in connection with the preparation, filing, prosecution and maintenance of any applications claiming such exclusively-licensed inventions and any patents or other IP grants that may issue on such applications. The Collaborator may waive its exclusive license rights on any application, patent or other IP grant at any time, and incur no subsequent compensation obligation for that application, patent or IP grant.
- 6.4 **Prosecution of Intellectual Property Applications.** Within one month of receipt or filing, each Party shall provide the other Party with copies of the applications and all documents received from or filed with the relevant patent or other IP office in connection with the prosecution of such applications. Each Party shall also provide the other Party with the power to inspect and make copies of all documents retained in the patent or other IP application files by the applicable patent or other IP office. Where licensing is contemplated by Collaborator, the Parties agree to consult with each other with respect to the prosecution of applications for PHS Subject Inventions and joint Subject Inventions. If the Parties agree that Collaborator shall file and prosecute IP applications on joint Subject Inventions, then Collaborator agrees to grant PHS an associate power of attorney (or its equivalent) on such IP applications.

## Article 7. Licensing

- 7.1 **Option for Commercialization License.** With respect to Government IP rights to any Subject Invention not made solely by the Collaborator's employees for which a patent or other IP application is filed, PHS hereby grants to the Collaborator an exclusive option to elect an exclusive or nonexclusive commercialization license, which is substantially in the form of the appropriate model PHS license agreement. This option does not apply to Subject Inventions [\*] that are [\*], if [\*], PHS has [\*]

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[\*] and has [\*] or [\*]. The terms of the license will fairly reflect the nature of the invention, the relative contributions of the Parties to the invention and the CRADA, the risks incurred by the Collaborator and the costs of subsequent research and development needed to bring the invention to the marketplace. The field of use of the license will be [\*].

- 7.2 **Exercise of License Option.** The option of Article 7.1 must be exercised by written notice mailed within [\*] after either (i) Collaborator receives written notice from PHS that the patent or other IP application has been filed; or (ii) the date Collaborator files such IP application. Exercise of this option by the Collaborator initiates a negotiation period that expires [\*] after the exercise of the option. If the last proposal by the Collaborator has not been responded to in writing by PHS within this [\*] period, the negotiation period shall be extended to expire [\*] after PHS so responds, during which [\*] the Collaborator may accept in writing the final license proposal of PHS. In the absence of such acceptance, or an extension of the time limits by PHS, PHS will be free to license such IP rights to others. In the event that the Collaborator elects the option for an exclusive license, but no such license is executed during the negotiation period, PHS agrees not to make an offer for an exclusive license on more favorable terms to a third party for a period of [\*] without first offering Collaborator those more favorable terms. These times may be extended at the sole discretion of PHS upon good cause shown in writing by the Collaborator.
- 7.3 **License for [\*] Inventions.** Pursuant to 15 U.S.C. § 3710a(b)(1)(A), for Subject Inventions made under this CRADA [\*] and licensed pursuant to the option of Article 7.1, the Collaborator grants to the Government a nonexclusive, nontransferable, irrevocable, paid-up license to practice the invention or have the invention practiced throughout the world by or on behalf of the Government. In the exercise of such license, the Government shall not publicly disclose trade secrets or commercial or financial information that is privileged or confidential within the meaning of 5 U.S.C. 552(b)(4) or which would be considered as such if it had been obtained from a non-Federal party.
- 7.4 **License in [\*] Inventions.** Pursuant to 15 U.S.C. § 3710a(b)(2), for Subject Inventions made [\*] under this CRADA, the Collaborator grants to the Government a nonexclusive, nontransferable, irrevocable, paid-up license to practice the invention or have the invention practiced throughout the world by or on behalf of the Government for research or other Government purposes.
- 7.5 **Third Party License.** Pursuant to 15 U.S.C. § 3710a(b)(1)(B), if PHS grants an exclusive license to a Subject Invention made [\*] under this CRADA, the Government shall retain the right to require the Collaborator to grant to a responsible applicant a nonexclusive, partially exclusive, or exclusive sublicense to use the invention in Collaborator's licensed field of use on terms that are reasonable under the circumstances; or if the Collaborator fails to grant such a license, to grant the license itself. The exercise of such rights by the Government shall only be in exceptional circumstances and only if the Government determines (1) the action is necessary to meet health or safety needs that are not reasonably satisfied by Collaborator, (ii) the action is necessary to meet requirements for public use specified by Federal regulations, and such requirements are not reasonably satisfied by the Collaborator; or (iii) the Collaborator has failed to comply with an agreement containing provisions described in 15 U.S.C. 3710a(c)(4)(B). The determination made by the Government under this Article is subject to administrative appeal and judicial review under 35 U.S.C. 203(2).
- 7.6 **Joint Inventions Not Exclusively Licensed.** In the event that the Collaborator does not acquire an exclusive commercialization license to IP rights in all fields in joint Subject Inventions then each Party

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shall have the right to use the joint Subject Invention and to license its use to others in all fields not exclusively licensed to Collaborator. The Parties may agree to a joint licensing approach for such IP rights.

## Article 8. Proprietary Rights and Publication

- 8.1 **Right of Access.** PHS and the Collaborator agree to exchange all Subject Data produced in the course of research under this CRADA. Research Materials will be shared equally by the Parties to the CRADA unless other disposition is agreed to by the Parties. All Parties to this CRADA will be free to utilize Subject Data and Research Materials for their own purposes, consistent with their obligations under this CRADA.

- 8.2 **Ownership of Subject Data and Research Materials.** Subject to the sharing requirements of Paragraph 8.1 and the regulatory filing requirements of Paragraph 8.3, [\*] will [\*] ownership of and title to all Subject Inventions, all Subject Data and all Research Materials [\*\*]. [\*] Subject Inventions, Subject Data and Research Materials will be [\*\*].
- 8.3 **Dissemination of Subject Data and Research Materials.** To the extent permitted by law, the Collaborator and PHS agree to use reasonable efforts to keep Subject Data and Research Materials confidential until published or until corresponding patent applications are filed. Any information that would identify human subjects of research or patients will always be maintained confidentially. To the extent permitted by law, the Collaborator shall have the exclusive right to use any and all CRADA Subject Data in and for any regulatory filing by or on behalf of Collaborator, except that PHS shall have the exclusive right to use Subject Data for that purpose, and authorize others to do so, if the CRADA is terminated or if Collaborator abandons its commercialization efforts. Collaborator acknowledges the basic research mission of the PHS, and agrees that after publication, PHS may make unpatented research materials arising out of this CRADA available to third parties for further research.
- 8.4 **Proprietary/Confidential Information.** Each Party agrees to limit its disclosure of Proprietary/Confidential Information to the amount necessary to carry out the Research Plan of this CRADA, and shall place a confidentiality notice on all such information. Confidential oral communications shall be reduced to writing within 30 days by the disclosing Party. Each Party receiving Proprietary/Confidential Information agrees that any information so designated shall be used by it only for the purposes described in the attached Research Plan. Any Party may object to the designation of information as Proprietary/Confidential Information by another Party. Subject Data and Research Materials developed [\*\*] may be designated as Proprietary/Confidential Information when they are [\*\*], and [\*\*]. The exchange of other confidential information, e.g., patient-identifying data, should be similarly limited and treated. [\*\*] Subject Data and Research Material derived from the Research Plan may be disclosed by Collaborator to a third party under a confidentiality agreement for the purpose of possible sublicensing pursuant to the Licensing Agreement and subject to Article 8.7.
- 8.5 **Protection of Proprietary/Confidential Information.** Proprietary/Confidential Information shall not be disclosed, copied, reproduced or otherwise made available to any other person or entity without the consent of the owning Party except as required under court order or the Freedom of Information Act (5 U.S.C. 552). Each Party agrees to use its best efforts to maintain the confidentiality of Proprietary/Confidential Information. Each Party agrees that the other Party is not liable for the disclosure of Proprietary/Confidential Information which, after notice to and consultation with the concerned Party, the

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other Party in possession of the Proprietary/Confidential Information determines may not be lawfully withheld, provided the concerned Party has been given an opportunity to seek a court order to enjoin disclosure.

- 8.6 **Duration of Confidentiality Obligation.** The obligation to maintain the confidentiality of Proprietary/Confidential Information shall expire at the earlier of the date when the information is no longer Proprietary Information as defined in Article 2.7 or three (3) years after the expiration or termination date of this CRADA. The Collaborator may request an extension to this term when necessary to protect Proprietary/Confidential Information relating to products not yet commercialized.
- 8.7 **Publication.** The Parties are encouraged to make publicly available the results of their research. Before either Party submits a paper or abstract for publication or otherwise intends to publicly disclose information about a Subject Invention, Subject Data or Research Materials, the other Party shall be provided thirty (30) days to review the proposed publication or disclosure to assure that Proprietary/Confidential Information is protected. The publication or other disclosure shall be delayed for up to thirty (30) additional days upon written request by any Party as necessary to preserve U.S. or foreign patent or other IP rights.

## Article 9. Representations and Warranties

- 9.1 **Representations and Warranties of PHS.** PHS hereby represents and warrants to the Collaborator that the official signing this CRADA has authority to do so.

9.2 **Representations and Warranties of the Collaborator.**

(a) The Collaborator hereby represents and warrants to PHS that the Collaborator has the requisite power and authority to enter into this CRADA and to perform according to its terms, and that the Collaborator's official signing this CRADA has authority to do so. The Collaborator further represents that it is financially able to satisfy any funding commitments made in Appendix B.

(b) The Collaborator certifies that the statements herein are true, complete, and accurate to the best of its knowledge. The Collaborator is aware that any false, fictitious, or fraudulent statements or claims may subject it to criminal, civil, or administrative penalties.

## Article 10. Termination

- 10.1 **Termination By Mutual Consent.** PHS and the Collaborator may terminate this CRADA, or portions thereof, at any time by mutual written consent. In such event the Parties shall specify the disposition of all property, inventions, patent or other IP applications and other results of work accomplished or in progress, arising from or performed under this CRADA, all in accordance with the rights granted to the Parties under the terms of this Agreement.
- 10.2 **Unilateral Termination.** Either PHS or the Collaborator may unilaterally terminate this entire CRADA at any time by giving written notice at least thirty (30) days prior to the desired termination date, and any rights accrued in property, patents or other IP rights shall be disposed of as provided in paragraph 10.1, except that PHS may, at its option, retain funds transferred to PHS prior to unilateral termination by Collaborator for use in completing the Research Plan solely or with another partner.
- 10.3 **Staffing.** If this CRADA is mutually or unilaterally terminated prior to its expiration, funds will

nevertheless remain available to PHS for continuing any staffing commitment made by the Collaborator pursuant to Article 5.1 above and Appendix B, if applicable, for a period of six (6) months after such termination. If there are insufficient funds to cover this expense, the Collaborator agrees to pay the difference.

10.4 **New Commitments.** No Party shall make new commitments related to this CRADA after a mutual termination or notice of a unilateral termination and shall, to the extent feasible, cancel all outstanding commitments and contracts by the termination date.

10.5 **Termination Costs.** Concurrently with the exchange of final reports pursuant to Articles 4.2 and 52, PHS shall submit to the Collaborator for payment a statement of all costs incurred prior to the date of termination and for all reasonable termination costs including the cost of returning Collaborator property or removal of abandoned property, for which Collaborator shall be responsible.

#### Article 11. Disputes

11.1 **Settlement.** Any dispute arising under this CRADA which is not disposed of by agreement of the Principal Investigators shall be submitted jointly to the signatories of this CRADA. If the signatories are unable to jointly resolve the dispute within thirty (30) days after notification thereof, the Assistant Secretary for Health (or his/her designee or successor) shall propose a resolution. Nothing in this Article shall prevent any Party from pursuing any additional administrative remedies that may be available and, after exhaustion of such administrative remedies, pursuing all available judicial remedies.

11.2 **Continuation of Work.** Pending the resolution of any dispute or claim pursuant to this Article, the Parties agree that performance of all obligations shall be pursued diligently in accordance with the direction of the PHS signatory.

#### Article 12. Liability

12.1 **Property.** The U.S. Government shall not be responsible for damages to any Collaborator property provided to PHS, where Collaborator retains title to the property, or any property acquired by Collaborator for its own use pursuant to this CRADA.

12.2 **NO WARRANTIES.** EXCEPT AS SPECIFICALLY STATED IN ARTICLE 9, THE PARTIES MAKE NO EXPRESS OR IMPLIED WARRANTY AS TO ANY MATTER WHATSOEVER, INCLUDING THE CONDITIONS OF THE RESEARCH OR ANY INVENTION OR PRODUCT, WHETHER TANGIBLE OR INTANGIBLE, MADE, OR DEVELOPED UNDER THIS CRADA, OR THE OWNERSHIP, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE RESEARCH OR ANY INVENTION OR PRODUCT.

12.3 **Indemnification.** The Collaborator agrees to hold the U.S. Government harmless and to indemnify the Government for all liabilities, demands, damages, expenses and losses arising out of the use by the Collaborator for any purpose of the Subject Data, Research Materials and/or Subject Inventions produced in whole or part by PHS employees under this CRADA, unless due to the negligence or willful misconduct of PHS, its employees, or agents. The Collaborator shall be liable for any claims or damages it incurs in connection with this CRADA. PHS has no authority to indemnify the Collaborator.

12.4 **Force Majeure.** Neither Party shall be liable for any unforeseeable event beyond its reasonable control not caused by the fault or negligence of such Party, which causes such Party to be unable to perform its

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obligations under this CRADA, and which it has been unable to overcome by the exercise of due diligence. In the event of the occurrence of such a *force majeure* event, the Party unable to perform shall promptly notify the other Party. It shall further use its best efforts to resume performance as quickly as possible and shall suspend performance only for such period of time as is necessary as a result of the *force majeure* event.

#### Article 13. Miscellaneous

13.1 **Governing Law.** The construction, validity, performance and effect of this CRADA shall be governed by Federal law, as applied by the Federal Courts in the District of Columbia. Federal law and regulations will preempt any conflicting or inconsistent provisions in this CRADA.

13.2 **Entire Agreement.** This CRADA constitutes the entire agreement between the Parties concerning the subject matter of this CRADA and supersedes any prior understanding or written or oral agreement.

13.3 **Headings.** Titles and headings of the articles and subarticles of this CRADA are for convenient reference only, do not form a part of this CRADA, and shall in no way affect its interpretation. The PHS component that is the Party for all purposes of this CRADA is the Bureau(s), Institute(s), Center(s) or Division(s) listed on the Cover Page herein.

13.4 **Waivers.** None of the provisions of this CRADA shall be considered waived by any Party unless such waiver is given in writing to the other Party. The failure of a Party to insist upon strict performance of any of the terms and conditions hereof, or failure or delay to exercise any rights provided herein or by law, shall not be deemed a waiver of any rights of any Party.

13.5 **Severability.** The illegality or invalidity of any provisions of this CRADA shall not impair, affect, or invalidate the other provisions of this CRADA.

13.6 **Amendments.** If either Party desires a modification to this CRADA, the Parties shall, upon reasonable notice of the proposed modification or extension by the Party desiring the change, confer in good faith to determine the desirability of such modification or extension. Such modification shall not be effective until a written amendment is signed by the signatories to this CRADA or by their representatives duly authorized to execute such amendment.

13.7 **Assignment.** Neither this CRADA nor any rights or obligations of any Party hereunder shall be assigned or otherwise transferred by either Party without the prior written consent of the other Party.

- 13.8 **Notices.** All notices pertaining to or required by this CRADA shall be in writing and shall be signed by an authorized representative and shall be delivered by hand or sent by certified mail, return receipt requested, with postage prepaid, to the addresses indicated on the signature page for each Party. Notices regarding the exercise of license options shall be made pursuant to Article 7.2. Any Party may change such address by notice given to the other Party in the manner set forth above.
- 13.9 **Independent Contractors.** The relationship of the Parties to this CRADA is that of independent contractors and not agents of each other or joint venturers or partners. Each Party shall maintain sole and exclusive control over its personnel and operations. Collaborator employees who will be working at PHS facilities may be asked to sign a Guest Researcher or Special Volunteer Agreement appropriately modified in view of the terms of this CRADA.
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- 13.10 **Use of Name or Endorsements.** By entering into this CRADA, PHS does not directly or indirectly endorse any product or service provided, or to be provided, whether directly or indirectly related to either this CRADA or to any patent or other IP license or agreement which implements this CRADA by its successors, assignees, or licensees. The Collaborator shall not in any way state or imply that this CRADA is an endorsement of any such product or service by the U.S. Government or any of its organizational units or employees. Collaborator issued press releases that reference or rely upon the work of PHS under this CRADA shall be made available to PHS at least 7 days prior to publication for review and comment.
- 13.11 **Exceptions to this CRADA.** Any exceptions or modifications to this CRADA that are agreed to by the Parties prior to their execution of this CRADA are set forth in Appendix C.
- 13.12 **Reasonable Consent.** Whenever a Party's consent or permission is required under this CRADA, such consent or permission shall not be unreasonably withheld.

**Article 14. Duration of Agreement**

- 14.1 **Duration.** It is mutually recognized that the duration of this project cannot be rigidly defined in advance, and that the contemplated time periods for various phases of the RP are only good faith guidelines subject to adjustment by mutual agreement to fit circumstances as the RP proceeds. In no case will the term of this CRADA extend beyond the term indicated in the RP unless it is revised in accordance with Article 13.6.
- 14.2 **Survivability.** The provisions of Articles 4.2, 5-8, 10.3-10.5, 11.1, 12.2-12.4, 13.1, 13.10 and 14.2 shall survive the termination of this CRADA.

**SIGNATURES BEGIN ON THE NEXT PAGE**

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FOR PHS:

<u>/s/ Alan S. Rabson</u>	<u>12/22/07</u>
Alan S. Rabson	Date
Deputy Director, National Cancer Institute	

Mailing Address for Notices:

Technology Transfer Branch  
6120 Executive Blvd  
Suite 450  
Rockville, MD 20852-7181

FORTH COLLABORATOR:

<u>/s/ Nicholas N. Vahanian</u>	<u>1/5/04</u>
	Date
<u>Chief Medical and Operations Officer</u>	
Title	

Mailing Address for Notices:

NewLink Genetics  
2901 South Loop Dr.  
Suite 3900  
Ames, IA 50010

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## APPENDIX B

## FINANCIAL AND STAFFING CONTRIBUTIONS OF THE PARTIES

NCI CRADA # 1901

Confidential

## INTRAMURAL CLINICAL TRIAL APPENDIX C

## EXCEPTIONS OR MODIFICATIONS TO THIS CRADA

This Appendix C contains standard modifications made to all NCI Intramural Clinical CRADAs as well as certain modification made at the request of the Collaborator:

**Amend Article 2.11** to read as follows:

- 2.11 “**Subject Data**” means all recorded information first produced in the performance of this CRADA by the Parties. “**Subject Data**” shall specifically exclude “Identifiable Private Information.”

**Add** the following new sections to the **Article 2. Definitions**:

- 2.12 “**Adverse Drug Experience**” means an adverse clinical experience as defined under 21 C.F.R. § 310.305 or § 312.32 as applicable.
- 2.13 “**Annual Report**” means the brief report of the progress of an IND associated investigation which the IND sponsor is required to submit to the FDA within 60 days of the anniversary date that the IND went into effect (pursuant to 21 C.F.R. § 312.33).
- 2.14 “**FDA**” means the U.S. Food and Drug Administration.
- 2.15 “**Identifiable Private Information**” means patient-identifying data from medical records or attached to patient specimens, to be obtained prospectively or from stored medical records or specimens, that can be linked to individual human subjects, either directly or indirectly through codes.
- 2.16 “**IND**” means an Investigational New Drug Application submitted to the FDA to receive approval to conduct experimental clinical trials.
- 2.17 “**Protocol**” means the Protocol, including the Standard Operating Procedure (SOP) numbered [\*]
- 2.18 “**Steering Committee**”: A CRADA Steering Committee will be established with equal participation by PHS and the Collaborator. The Steering Committee shall be composed of at least the Principal Investigators on the CRADA, from both PHS and the Collaborator. Additional PHS participants shall be chosen from the National Cancer Institute. The Steering Committee may be augmented with staff from NCI and from the Collaborator as necessary with expertise in such areas as toxicology, pharmacology, pharmaceutical development, and biological testing areas. The Steering Committee will discuss and resolve issues related to: compound supply, compounds quality and grade, and additional studies to develop the most advantageous route and schedule for completing the Protocol.

The decisions made by the Steering Committee will be mutual decisions, meaning both parties to the CRADA must agree, and will include good discussion by all parties in presenting and evaluating the data. The ultimate goal in all the decisions is to ensure that the full potential of the compound is realized with the least cost in terms of resources.

- 2.19 “**Study**” means the work performed by the Principal Investigators in connection with the Protocol.

- 2.20 “**Study Drug**” means [\*].

**Add** a new **Article 3.3** as follows:

3.3 **Protocol Modification.** The Study shall be conducted in strict accordance with the Protocol and no changes in the finalized Protocol will be made unless mutually agreed upon in writing by both Parties. In the event that the appropriate Institutional Review Board (IRB) requires changes in the Protocol or the Informed Consent Form, both Parties agree to modify the Protocol and/or Informed Consent Form as appropriate.

Add a new **Article 3.4** as follows:

3.4 **Investigational New Drug Application.** The Collaborator will submit an IND. The Collaborator's employees will be reasonably available to respond to inquiries from the FDA regarding information or data contained in the Collaborator's IND, Drug Master File, New Drug Application, or other information and data provided to PHS by the Collaborator pursuant to this Article 3.3. Nothing herein shall require the Collaborator to undertake additional studies of any kind or to prepare and submit any additional data to the FDA which are not already included in the Collaborator's IND, Drug Master File, or New Drug Applications.

The Collaborator may sponsor its own clinical trials and hold its own IND for studies performed outside the scope of this CRADA from which all data is proprietary to the Collaborator for purposes of this CRADA.

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Add a new **Article 3.5** as follows:

3.5 **Drug Information and Supply.** Collaborator agrees to provide PHS [\*] clinical-grade Study Drug in sufficient quantity to complete the preclinical studies and clinical trial Protocol(s) sponsored by PHS. Furthermore, Collaborator agrees to provide [\*] Study Drug, placebo or unformulated analytical grade Study Drug, if available, to PHS for the development of mutually agreed upon analytical assays or ancillary correlative studies conducted in conjunction with the Research Plan and Protocol. Collaborator will provide Certificates of Analysis to PHS for each lot of finished product provided. For inquiries related to Study Drug; the contact person for PHS will be Dr. John C. Morris, Co-Director, Clinical Trials, NCI Metabolism Branch (Telephone Number 301-432-2912) and the Collaborator contact will be Nicholas Vahanian, M.D., Chief Medical Officer (Telephone Number (515) 296-5555).

Add a new **Article 3.6** as follows:

3.6 **Drug Delivery and Usage.** Collaborator shall ship Study Drug to PHS in appropriately marked containers in accordance with 21 C.F.R. § 312.6. The Pls shall take reasonable steps to ensure appropriate record keeping and appropriate usage of Study Drug is maintained in accordance with the Protocol and any applicable laws and regulations relating thereto. Any unused quantity of Study Drug shall be returned to Collaborator by PHS at the conclusion of the Study, or earlier termination subject to Article 10.6 of this Appendix C

Add a new **Article 3.7** as follows:

3.7 **Protection of Human Subjects and Appropriate Care of Laboratory Animals.** All human clinical trials performed under this CRADA shall conform to the appropriate federal laws, including, but not limited to all applicable FDA regulations and DHHS regulations relating to the protection of human subjects (see 45 C.F.R. Part 46). PHS will be responsible for obtaining a properly executed written informed consent form from each patient prior to participation in the Study. PHS and Collaborator also agree to comply with all applicable federal statutes and Public Health Service policies relating to the use and care of laboratory animals (see 7 U.S.C. 2131 et. seq.) Additional information is available from the NIH Office for Human Research Protection (OHRP), Telephone: 301-496-7163.

Add a new **Article 3.8** as follows:

3.8 **Monitoring.** New Link Genetics Corporation shall be responsible for clinical site monitoring and the quality assurance of all data. Monitoring shall be done in compliance with FDA Good Clinical Practices Guidelines.

Add the following to the end of **Article 4.1 Interim Reports** as follows:

Steering Committee reports or copies of Annual Reports updating the progress of the CRADA research shall satisfy the reporting requirements under this Article

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4.1. In addition, copies of the Annual Reports and other pertinent IND data (including, but not limited to, clinical brochure data, and formulation and preclinical data, including toxicology findings) shall be exchanged by the Parties as they become available.

Add a new **Article 4.3** as follows:

4.3 **Adverse Drug Experience Reporting.** In accordance with FDA requirements, the Party which holds the IND shall establish and maintain records and make reports to the FDA as required by 21 C.F.R. 310.305 and 21 C.F.R. 312.32 as applicable. In the conduct of research under this CRADA, the Parties also agree to adhere to specific NIH and NCI guidelines and policies for reporting Adverse Drug Reporting, as specified in Protocol [\*]. The Party which holds the IND agrees to provide the other Party copies of all Adverse Drug Experience reports concurrently with their submission to the FDA, including copies of any warning letters or other information affecting the safety and/or well-being of human subjects in research conducted under this CRADA.

Add a new **Article 4.4** as follows:

4.4 **Annual Reports.** The IND holder shall provide the other Party a copy of the Annual Report thirty (30) days prior to submission of the Annual Report to the FDA: The reviewing Party will then have fourteen (14) days to review the Annual Report and to provide comments to the IND holder.

Amend **Article 6.1** to read as follows:

6.1 **Reporting.** The Parties shall promptly report to each other in writing each Subject Invention and any patent applications filed thereon resulting from the research conducted under this CRADA that is reported to them by their respective employees. Each Party shall report all Subject Inventions to the other Party in sufficient detail to determine inventorship. Such reports shall be treated as Proprietary/Confidential Information in accordance with Article 8.4. Inventorship shall be determined in accordance with the rules of inventorship under United States patent laws.

**Amend Article 6.2** to read as follows:

6.2 **Filing of Patent Applications.** [\*] shall be responsible for filing patent or other IP applications for [\*] Subject Inventions in a timely manner and [\*] and after consultation in good faith with [\*]. With respect to [\*], the invention shall be [[\*]. [\*] may, [\*], file patent or other IP applications [\*] for

[\*] Subject Inventions; provided that [\*] shall have the right to provide comments thereon and [\*] shall consider any such comments in good faith. If [\*] elects not to file patent or other IP applications for [\*] Subject Inventions, [\*] may do so [\*]. If [\*] decides not to [\*] Subject Invention, it shall [\*]. If [\*,][\*] may [\*] as it may determine.

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**Add** the following sentence to the end of **Article 7.4 License in Collaborator Inventions.**

In the exercise of such license, the Government shall not publicly disclose trade secrets or commercial or financial information that is privileged or confidential within the meaning of 5 U.S.C. 552(b)(4) or which would be considered as such if it had been obtained from a non-Federal party.

**Amend Article 8.3** to read as follows:

8.3 **Dissemination of Subject Data and Research Materials.** To the extent, permitted by law, the Collaborator and PHS agree to use reasonable efforts to keep Subject Data and Research Materials confidential until published (subject to the terms of Article 8.7) or until corresponding patent applications are filed. Any information that would identify human subjects of research or patients will always be maintained confidentially. To the extent permitted by law, the Collaborator shall have the exclusive right to use any and all CRADA Subject Data in and for any regulatory filing by or on behalf of Collaborator; except that PHS shall have the exclusive right to use Subject Data for that purpose, and authorize others to do so, if the CRADA is terminated or if Collaborator abandons its commercialization efforts related to the Study Drug. Collaborator acknowledges the basic research mission of the PHS, and agrees that after publication, PHS may make unpatented Research Materials arising out of this CRADA available to third parties for further research.

**Amend Article 8.4** to read as follows:

8.4 **Proprietary/Confidential Information.** Each Party agrees to limit its disclosure of Proprietary/Confidential Information to the amount necessary to carry out the Research Plan of this CRADA, and shall place a confidentiality notice on all such information. Confidential oral communications shall be reduced to writing within 30 days by the disclosing Party. Each Party receiving Proprietary/Confidential Information agrees that any information so designated shall be used by it only for the purposes described in the attached Research Plan. Any Party may object to the designation of information as Proprietary/Confidential Information by another Party. Subject Data and Research Materials developed [\*] may be designated as Proprietary/Confidential Information when [\*,] and [\*. The exchange of other confidential information, e.g., Identifiable Private Information, shall be subject to the terms of Article 8.8. [\*] Subject Data and Research Material derived from the Research Plan may be disclosed by Collaborator to a third party under a confidentiality agreement for the purpose of possible sublicensing pursuant to the Licensing Agreement and subject to Article 8.7.

**Amend Article 8.6** as follows:

8.6 **Duration of Confidentiality Obligation.** The obligation to maintain the confidentiality of Proprietary/Confidential Information shall expire at the earlier of the date when the information is no longer Proprietary Information as defined in Article 2.7 or five (5) years after the expiration or termination date of this CRADA. The Collaborator may request and the PHS shall grant an extension to this term

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when necessary to protect Proprietary/Confidential Information relating to products not yet commercialized.

**Add a new Article 8.8** as follows:

8.8 **Access, Review and Receipt of Identifiable Private Information.** Collaborator access to and review of Identifiable Private Information shall be only for on-site quality auditing. Collaborator will receive Identifiable Private Information only if necessary for purposes of satisfying FDA or other health authorities' reporting requirements, and for internal research purposes directly related to obtaining regulatory approval of the Study Drug. Collaborator is prohibited from access, review, receipt, or use of such information for other purposes. All IRB approved protocols and informed consent documents related to this research project will clearly describe this practice. If the Collaborator will have access to Identifiable Private Information, the Protocol and the informed consent must clearly state (i) the existence of the Collaborator; (ii) the Collaborator's access to Identifiable Private Information, if any; and (iii) the extent to which confidentiality will be maintained. For clinical protocol(s) involving a third party, the other party's access, review, receipt, or use of Identifiable Private Information shall be subject to the same limitations as described in this Article 8.8.

**Add a new Article 10.6** as follows:

10.6 **Research License and Alternative Sources of Supply In the Event Collaborator Terminates Development of Study Drug**

a. In the event Collaborator elects to terminate its development of Study Drug during the term of this CRADA without the transfer of its

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development efforts and obligations under this agreement to another party within ninety (90) days of discontinuation, and PHS wants to continue its development of Study Drug, then Collaborator will, upon written notice from PHS:

- (i) provide PHS with Study Drug and/or matching placebo from Collaborator inventory sufficient to complete the Study in the manner described in the Protocol. Or,
  - (ii) arrange, at Collaborator's expense, for an independent contractor to manufacture and provide PHS Study Drug and/or matching placebo sufficient to complete the Study in the manner described in the Protocol,
- b. In the event that Collaborator is unable to meet the obligations imposed by (i) or (ii) above, at the discretion of PHS, Collaborator shall provide PHS all information necessary to allow PHS to contract and manufacture said Study Drug and/ or matching placebo independent of Collaborator for use in preclinical studies and clinical trials. Such obligation shall last until either a date on which an alternate source of equivalent materials, acceptable to PHS, can be obtained by PHS, or one year after the date of notification by Collaborator to PHS that Collaborator elects to terminate its development of Study Drug, whichever comes first.
- c. Collaborator hereby grants to PHS a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any invention which Collaborator may have or obtain on Study Drug, its manufacture, or on the process for use of Study Drug, throughout the world; solely for medical research purposes and not for commercialization, but this license shall become effective only if and when Collaborator terminates its development of Study Drug during the term of this CRADA without the transfer of its development efforts to another party within ninety (90) days of termination, and PHS elects to continue the development of Study Drug.

**Amend Article 13.1** to read as follows:

- 13.1 **Governing Law.** The construction, validity, performance and effect of this CRADA shall be governed by Federal law, as applied by the Federal Courts in the District of Columbia. Federal law and regulations will preempt any conflicting or inconsistent provisions in this CRADA. NCI and Collaborator, if Collaborator is sponsoring trials at the NIH under this CRADA, shall comply with all Department of Health and Human Services regulations relating to Human Subject use, and all Public Health Service policies relating to the use and care of laboratory animals.

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**Amend Article 13.2** as follows:

- 13.2 **Entire Agreement.** This CRADA (including the Appendices attached hereto) constitute the entire agreement between the Parties concerning the subject matter of this CRADA and supersedes any prior understanding or written or oral agreement. In particular, the Confidential Disclosure Agreement (CDA) ~~[[\*]~~ between NCI and Collaborator, executed on ~~[[\*]]~~, will be superseded by this CRADA.

**Add a new Article 13.13** as follows:

- 13.13 **FDA Meetings.** All meetings with FDA concerning clinical studies for the development of Agent within the scope of the CRADA Research Plan will be discussed by Collaborator and NIH in advance and will be held on mutually agreed upon dates. Collaborator reserves the right to set jointly with NIH the agenda for any such meeting.

**Add a new Article 13.14** as follows:

- 13.14 **Conflicts.** In the event of a conflict between Protocol ~~[[\*]]~~ and the Model CRADA as modified by this Appendix C, the terms of the Model CRADA and this Appendix C shall prevail.

**Add a new Article 13.15** as follows:

- 13.15 **Statutory Compliance.** PHS and Collaborator agree to conduct the Study in accordance with the applicable portions of the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. § 301 et. seq., and its implementing regulations and other applicable federal regulations.

**Amend Article 14.2** as follows:

- 14.2 **Survivability.** The provisions of Articles 3.5, 4.2, 4.3, 5-8, 8.8, 10.2, ~~10.3-10.5~~, 10.4, 10.6, 11.1, 12.2-12.4, 13.1, 13.10 and 14.2 shall survive the termination of this CRADA

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**Reviewer's Copy**

**INTRAMURAL CLINICAL TRIAL APPENDIX C**

**EXCEPTIONS OR MODIFICATIONS TO THIS CRADA**

This Appendix C contains standard modifications made to all NCI Intramural Clinical CRADAs as well as certain modification made at the request of the Collaborator:

Where NCI standard modifications for Clinical CRADAs are contemplated within the text of a CRADA boilerplate Article, additions are shown by underline while deletions are shown by ~~strike through~~. Other standard additions are shown following the phrase "Add....."

Where the Collaborator has requested modifications within the text of a CRADA boilerplate Article or within the text of a newly added Article, additions are shown by highlighted underline while deletions are shown by ~~highlighted strikethrough~~.

Amend Article 2.11 to read as follows:

2.11 “Subject Data” means all recorded information first produced in the performance of this CRADA by the Parties. “Subject Data” shall specifically exclude “Identifiable Private Information.”

Add the following new sections to the Article 2. Definitions:

2.12 “Adverse Drug Experience” means an adverse clinical experience as defined under 21 C.F.R. § 310.305 or § 312.32 as applicable.

2.13 “Annual Report” means the brief report of the progress of an IND associated investigation which the IND sponsor is required to submit to the FDA within 60 days of the anniversary date that the IND went into effect (pursuant to 21 C.F.R. § 312.33).

2.14 “FDA” means the U.S. Food and Drug Administration.

2.15 “Identifiable Private Information” means patient-identifying data from medical records or attached to patient specimens, to be obtained prospectively or from stored medical records or specimens, that can be linked to individual human subjects, either directly or indirectly through codes.

2.16 “IND” means an Investigational New Drug Application submitted to the FDA to receive approval to conduct experimental clinical trials.

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2.17 “Protocol” means the Protocol, including [\*] \_\_\_\_\_, which is attached hereto as Appendix D and is made a part of this Agreement.

2.18. ~~“Steering Committee” means the joint PHS/Collaborator research and \_\_\_\_\_ development team whose composition and responsibilities with regard to the clinical experiments performed under this CRADA are detailed in the Protocol attached hereto as Appendix D.~~

2.18 “Steering Committee”: A CRADA Steering Committee will be established with equal participation by PHS and the Collaborator. The Steering Committee shall be composed of at least the Principal Investigators on the CRADA, from both PHS and the Collaborator. Additional PHS participants shall be chosen from the National Cancer Institute. The Steering Committee may be augmented with staff from NCI and from the Collaborator as necessary with expertise in such areas as toxicology, pharmacology, pharmaceutical development, and biological testing areas. The Steering Committee will discuss and resolve issues related to: compound supply, compounds quality and grade, and additional studies to develop the most advantageous route and schedule for completing the Protocol. The decisions made by the Steering Committee will be mutual decisions, meaning both parties to the CRADA must agree, and will include good discussion by all parties in presenting and evaluating the data. The ultimate goal in all the decisions is to ensure that the full potential of the compound is realized with the least cost in terms of resources.

2.19 “Study” means the work performed by the Principal Investigators in connection with the Protocol.

2.20 “Study Drug” means [\*]

Add a new Article 3.3 as follows:

3.3 Protocol Modification. The Study shall be ~~done conducted~~ in strict accordance with the Protocol and no changes in the finalized Protocol will be made unless mutually agreed upon in writing by both Parties. In the event that the appropriate Institutional Review Board (IRB) requires changes in the Protocol or the Informed Consent Form, both Parties agree to modify the Protocol and/or Informed Consent Form as appropriate.

Add a new Article 3.4 as follows:

3.4 Investigational New Drug Application. ~~The Parties expect that either PHS or Collaborator will submit an IND which may cross reference an IND, Drug Master File, or New Drug Application held by the PHS either. In the event PHS elects to file its own IND, the Collaborator agrees to provide PHS background data and information and agrees to execute such documents as may be reasonably required to effect such cross reference.~~ The Collaborator’s employees will be reasonably available to respond to inquiries from the FDA regarding information or data contained in the Collaborator’s IND, Drug Master File, New Drug Application, or other information and data provided to PHS by the Collaborator pursuant to this Article 3.3. Nothing herein shall require the Collaborator to undertake additional studies of any kind or to prepare and submit any additional data to the FDA which are not already included in the Collaborator’s IND, Drug Master File, or New Drug

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Applications. ~~In the event the Collaborator supplies Proprietary/Confidential Information~~ CONFIDENTIAL information directly to PHS in support of a PHS IND, such information will be protected in accordance with the corresponding Confidentiality provisions of Article 8 of this CRADA Agreement.

The Collaborator may sponsor its own clinical trials and hold its own IND for studies performed outside the scope of this CRADA from which all data is proprietary to the Collaborator for purposes of this CRADA.

Add a new Article 3.5 as follows:

3.5 Drug Information and Supply. Collaborator agrees to provide PHS [\*] clinical-grade Study Drug in sufficient quantity to complete the preclinical studies and clinical trial Protocol(s) sponsored by PHS. Furthermore, Collaborator agrees to provide [\*] Study Drug, placebo or unformulated analytical grade Study Drug or metabolites, if available, to PHS for the development of mutually agreed upon analytical assays or ancillary correlative studies conducted in conjunction with the Research Plan and Protocol ~~PHS sponsored protocols~~. Collaborator will provide Certificates of Analysis to PHS for each lot of finished product provided. For inquiries related to Study Drug, the contact person for PHS will be Dr. John C. Morris, Co-Director, Clinical Trials, NCI Metabolism Branch (Telephone Number 301-432-2912) and the Collaborator contact will be Nicholas Vahanian, M.D., Chief Medical Officer (Telephone Number (515) 296-5555).

Add a new Article 3.6 as follows:

3.6 Drug Delivery and Usage. Collaborator shall ship Study Drug to PHS in appropriately marked containers in accordance with 21 C.F.R. § 312.6. The Pls shall take reasonable steps to ensure appropriate record keeping and appropriate usage of Study Drug is maintained in accordance with the Protocol and any applicable laws and regulations relating thereto. Any unused quantity of Study Drug shall be returned to Collaborator by PHS at the conclusion of the Study, or earlier termination subject to Article 10.6 of this Appendix C.

Add a new Article 3.7 as follows:

3.7 Protection of Human Subjects and Appropriate Care of Laboratory Animals. All human clinical trials performed under this CRADA shall conform to the appropriate federal laws, including, but not limited to all applicable FDA regulations and DHHS regulations relating to the protection of human subjects (see 45 C.F.R. Part 46). PHS will be responsible for obtaining a properly executed written informed consent form from each patient prior to participation in the Study. PHS and Collaborator also agree to comply with all applicable federal statutes and Public Health Service policies relating to the use and care of laboratory animals (see 7 U.S.C. 2131 et, seq.) Additional information is available from the NIH Office for Human Research Protection (OHRP), Telephone: 301-496-7163.

Add a new Article 3.8 as follows:

3.8 Monitoring. New Link Genetics Corporation shall be responsible for clinical site monitoring and the quality assurance of all data. Monitoring shall be done in compliance with FDA Good Clinical Practices Guidelines.

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Add the following to the end of Article 4.1 Interim Reports as follows:

Steering Committee reports or copies of Annual Reports updating the progress of the CRADA research shall satisfy the reporting requirements under this Article 4.1. In addition, copies of the Annual Reports and other pertinent IND data (including, but not limited to, clinical brochure data, and formulation and preclinical data, including toxicology findings) shall be exchanged by the Parties as they become available.

Add a new Article 4.3 as follows:

4.3 Adverse Drug Experience Reporting. In accordance with FDA requirements, the Party which holds the IND shall establish and maintain records and make reports to the FDA as required by 21 C.F.R. 310.305 and 21 C.F.R. 312.32 as applicable. In the conduct of research under this CRADA, the Parties also agree to adhere to specific NIH and NCI guidelines and policies for reporting Adverse Drug Reporting, as specified in Protocol [\*]. The Party which holds the IND agrees to provide the other Party copies of all Adverse Drug Experience reports concurrently with their submission to the FDA, including copies of any warning letters or other information affecting the safety and/or well-being of human subjects in research conducted under this CRADA.

Add a new Article 4.4 as follows:

4.4 Annual Reports. The IND holder shall provide the other Party a copy of the Annual Report thirty (30) days prior to submission of the Annual Report to the FDA. The reviewing Party will then have fourteen (14) days to review the Annual Report and to provide comments to the IND holder.

Amend Article 6.1 to read as follows:

6.1 Reporting. The Parties shall promptly report to each other in writing each Subject Invention and any patent applications filed thereon resulting from the research conducted under this CRADA that is reported to them by their respective employees. Each Party shall report all Subject Inventions to the other Party in sufficient detail to determine inventorship. Such reports shall be treated as Proprietary/Confidential Information in accordance with Article 8.4. Inventorship shall be determined in accordance with the rules of inventorship under United States patent laws.

Amend Article 6.2 to read as follows:

6.2 Filing of Patent Applications. [\*] shall be responsible for filing patent or other IP applications for its own solely Invented Subject Inventions in a timely manner and [\*] and after consultation in good faith with [\*]. ~~The parties will consult and mutually determine a filing strategy for [\*] subject inventions. With respect to [\*], the invention shall be [\*],[\*] may, [\*], file patent or other IP applications [\*] for such [\*]; provided that PHS shall have the right to provide comments thereon and Collaborator shall consider any such comments in good faith. If Collaborator elects not to file patent or other IP applications for such [\*], PHS may do so at its~~

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own expense in the name of both Parties. If either Party decides [\*], it shall offer to [\*] to [\*]. If the other Party [\*], the offering Party may [\*] as it may determine.

Add the following sentence to the end of Article 7.4 License in Collaborator Inventions.

In the exercise of such license, the Government shall not publicly disclose trade secrets or commercial or financial information that is privileged or confidential within the meaning of 5 U.S.C. 552(b)(4) or which would be considered as such if it had been obtained from a non-Federal party.

Amend Article 8.3 to read as follows:

8.3 Dissemination of Subject Data and Research Materials. To the extent permitted by law, the Collaborator and PHS agree to use reasonable efforts to keep Subject Data and Research Materials confidential until published (subject to the terms of Article 8.7) or until corresponding patent applications are filed. Any information that would identify human subjects of research or patients will always be maintained confidentially. To the extent permitted by law, the Collaborator shall have the exclusive right to use any and all CRADA Subject Data in and for any regulatory filing by or on behalf of Collaborator, except that PHS shall have the exclusive right to use Subject Data for that purpose, and authorize others to do so, if the CRADA is terminated or if Collaborator abandons its commercialization efforts related to the Study Drug. Collaborator acknowledges the basic research mission of the PHS, and agrees that after publication, PHS may make unpatented Research Materials arising out of this CRADA available to third parties for further research.

Amend Article 8.4 to read as follows:

8.4 Proprietary/Confidential Information. Each Party agrees to limit its disclosure of Proprietary/Confidential Information to the amount necessary to carry out the Research Plan of this CRADA, and shall place a confidentiality notice on all such information. Confidential oral communications shall be reduced to writing within 30 days by the disclosing Party. Each Party receiving Proprietary/Confidential Information agrees that any information so designated shall be used by it only for the purposes described in the attached Research Plan. Any Party may object to the designation of information as Proprietary/Confidential Information by another Party. Subject Data and Research Materials developed [\*] may be designated as Proprietary/Confidential Information when they are [\*], and [\*]. The exchange of other confidential information, e.g., ~~patient identifying data~~ Identifiable Private Information, ~~should be similarly limited and treated~~ shall be subject to the terms of Article 8.9B. [\*] Subject Data and Research Material derived from the Research Plan may be disclosed by Collaborator to a third party under a confidentiality agreement for the purpose of possible sublicensing pursuant to the Licensing Agreement and subject to Article 8.7.

Amend Article 8.6 as follows:

8.6 Duration of Confidentiality Obligation. The obligation to maintain the confidentiality of Proprietary/Confidential Information shall expire at the earlier of the date when the information is no longer Proprietary Information as defined in Article 2.7 or five

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~~(5) three (3)~~ years after the expiration or termination date of this CRADA. The Collaborator may request and the PHS shall grant an extension to this term when necessary to protect. Proprietary/Confidential Information relating to products not yet commercialized.

Add a new Article 8.8 as follows:

~~8.8 Multi-Party Data and Intellectual Property Rights. For clinical protocol(s) where Agent is used in combination with another compound(s), which is (are) proprietary to an entity(ies) not a Party to this CRADA [hereinafter referred to as Second Party], the access and use of data derived from such combination studies, [hereinafter referred to as Multi-Party Data], by the Collaborator and Second Party shall be co-exclusive as follows:~~

- ~~a. In situations where Agent is to be used in combination with another proprietary compound, PHS will provide all Parties with notice regarding the existence and nature of any agreements governing their use of Agent including, the design of the proposed combination protocol(s) and the existence of any obligations that might restrict PHS's participation in the proposed combination protocols.~~
- ~~b. Collaborator agrees to permit use of the Multi-Party Data from these trials by the Second Party to the extent necessary to allow said Second Party to develop, obtain regulatory approval or commercialize its own proprietary compound. However, this provision will not apply unless said Second Party also agrees to Collaborator's reciprocal use of Multi-Party Data.~~
- ~~c. Collaborator and Second Party must agree in writing prior to the commencement of the combination trials that each will use the Multi-Party Data solely for development, regulatory approval, and commercialization of its own proprietary compound(s).~~

8.8. Access, Review and Receipt of Identifiable Private Information. Collaborator access to and review of Identifiable Private Information shall be only for on-site quality auditing. Collaborator will receive Identifiable Private Information only if necessary for purposes of satisfying FDA or other health authorities' reporting requirements, and for internal research purposes directly related to obtaining regulatory approval of the Agent Study Drug. Collaborator is prohibited from access, review, receipt, or use of such information for other purposes. All IRB approved protocols and informed consent documents related to this research project will clearly describe this practice. If the Collaborator will have access to Identifiable Private Information, the ~~protocol~~ Protocol and the informed consent must clearly state (i) the existence of the Collaborator; (ii) the Collaborator's access to Identifiable Private Information, if any; and (iii) the extent to which confidentiality will be maintained. For clinical protocol(s) involving a third party, the other party's access, review, receipt, or use of Identifiable Private Information shall be subject to the same limitations as described in this Article 8.8.

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Add the following sentence to the end of Article 10.2 Unilateral Termination:

~~Any Research Materials within Collaborator's possession which are a product of the Study must be transferred immediately to PHS before the desired termination date of the CRADA.~~

Add a new Article 10.6 as follows:

- 10.6 Research License and Alternative Sources of Supply In the Event Collaborator Terminates Development of Study Drug~~Agent~~
- a. In the event Collaborator elects to terminate its development of Study Drug during the term of this CRADA without the transfer of its development efforts and obligations under this agreement to another party within ninety (90) days of discontinuation, and PHS wants to continue its development of Study Drug, then Collaborator will, upon written notice from PHS:
- (i) provide PHS with Study Drug and/or matching placebo from Collaborator inventory sufficient to complete the Study in the manner described in the Protocol. Or,
- (ii) arrange, at Collaborator's expense, for an independent contractor to manufacture and provide PHS Study Drug and/or matching placebo sufficient to complete the Study in the manner described in the Protocol
- b. In the event that Collaborator is unable to meet the obligations imposed by (i) or (ii) above, at the discretion of PHS, Collaborator shall provide PHS all information necessary to allow PHS to contract and manufacture said Study Drug and/ or matching placebo independent of Collaborator for use in preclinical studies and clinical trials. Such obligation shall last until either a date on which an alternate source of equivalent materials, acceptable to PHS, can be obtained by PHS, or ~~two~~ one year after the date of notification by Collaborator to PHS that Collaborator elects to terminate its development of Study Drug, whichever comes first.
- c. Collaborator hereby grants to PHS a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any invention which Collaborator may have or obtain on Study Drug, its manufacture, or on the process for use of Study Drug, throughout the world, solely for medical research purposes and not for commercialization, but this license shall become effective only if and when Collaborator terminates its development of Study Drug during the term of this CRADA without the transfer of its development efforts to another party

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within ninety (90) days of termination, and PHS elects to continue the development of Study Drug.

Amend Article 13.1 to read as follows:

- 13.1 Governing Law. The construction, validity, performance and effect of this CRADA shall be governed by Federal law, as applied by the Federal Courts in the District of Columbia. Federal law and regulations will preempt any conflicting or inconsistent provisions in this CRADA. NCI and Collaborator, if Collaborator is sponsoring trials at the NIH under this CRADA, shall comply with all Department of Health and Human Services regulations relating to Human Subject use, and all Public Health Service policies relating to the use and care of laboratory animals.

Amend Article 13.2 as follows:

- 13.2 Entire Agreement. This CRADA (including the Appendices attached hereto) constitute the entire agreement between the Parties concerning the subject matter of this CRADA and supersedes any prior understanding or written or oral agreement. In particular, the Confidential Disclosure Agreement (CDA) [\*] between NCI and Collaborator executed on [\*] will be superseded by this CRADA.

Add a new Article 13.13 as follows:

- 13.13 FDA Meetings. All meetings with FDA concerning clinical studies for the development of Agent within the scope of the CRADA Research Plan will be discussed by Collaborator and NIH in advance and will be held on mutually agreed upon dates. Collaborator reserves the right to set jointly with NIH the agenda for any such meeting.

Add a new Article 13.14 as follows:

- 13.14 Conflicts. In the event of a conflict between ~~the Protocol [\*] as attached as Appendix D~~ and the Model CRADA as modified by this Appendix C, the terms of the Model CRADA and this Appendix C shall prevail.

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Add a new Article 13.15 as follows:

- 13.15 Statutory Compliance. PHS and Collaborator agree to conduct the Study in accordance with the applicable portions of the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. § 301 et. seq., and its implementing regulations and other applicable federal regulations.

Amend Article 14.2 as follows:

- 14.2 Survivability. The provisions of Articles 3.5, 4.2, 4.3, 5-8, 8.8, 10.2, ~~10.3-10.5~~, 10.4, 10.6, 11.1, 12.2-12.4, 13.1, 13.10 and 14.2 shall survive the termination of this CRADA.

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AMENDMENT #2

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT # 1901

[\*]

The purpose of this amendment is to change certain terms of the above-referenced Cooperative Research and Development Agreement (CRADA). These changes are reflected below and except for these changes all other provisions of the original CRADA and as amended on October 25, 2004 remain in full force and effect. Two originals of this amendment are provided for execution; one is to remain with the National. Cancer Institute and the other copy is to remain with the Collaborator.

1. The term of the CRADA is hereby extended for twenty-four (24) months, such that the CRADA will expire on January 1, 2010. This Amendment is retroactively effective to January 1, 2008.
2. The NCI Staffing commitment section of Appendix B is changed to read as follows, where underline shows additions and ~~strike through~~ shows deletions:

For NCI:

Staffing

Personnel paid with CRADA funds will dedicate the majority of their time to work under the Research Plan. NCI shall, in addition to its Principal Investigators, provide sufficient staffing to execute and fulfill the obligations of the CRADA. The NCI estimates that its Principal Investigator shall contribute up to 25% of his time to the this collaboration. The NCI estimates that, in total, it will commit the efforts of up to ~~4-25~~ 1.0 full-time equivalent staff per year, including the contribution of its Principal Investigator. The level of commitment to the various phases of the CO )A Research Plan will be established and agreed to by NewLink Genetics Corporation and NCI.

NCI will provide no funding to NewLink Genetics Corporation for collaborative research and development pursuant to this CRADA, inasmuch as financial contributions by the U.S. Government to non-Federal parties under CRADA is prohibited under the Federal Technology Transfer Act of 1986 [(15 U.S.C.

3710a(d)(1)].

3. The funding commitment of the Collaborator is changed to read as follows, where underline shows additions and ~~strike through~~ shows deletions:

Funding

Within thirty (30) days of the execution date of this CRADA, NewLink Genetics Corporation will make an initial payment of [\*] to NCI with a thirty (30) day grace period for payment. These CRADA funds shall be used for protocol development and for patient recruitment and treatment during the initial six months of the CRADA project. Within thirty (30) days of the six month anniversary of the execution date of this CRADA, NewLink Genetics Corporation will pay NCI [\*].

On the one year anniversary of the CRADA NewLink Genetics Corporation shall pay [\*] to NCI and will thereafter pay [\*] every six months [\*] ~~for the remainder of the CRADA~~ through and including the payment due six months after the third anniversary of the CRADA. NewLink Genetics Corporation will thereafter make payments to the NCI on the following dates in the amounts indicated:

<u>Date</u>	<u>Payment</u>
<u>Within 30 days of July 1, 2008</u>	[*]
<u>Within 30 days of November 1, 2008</u>	[*]
<u>Within 30 days of July 1, 2009</u>	[*]
<u>Within 30 days of November 1, 2009</u>	[*]

Financial contribution may be renegotiated depending upon patient load and work scope. NewLink Genetics Corporation and the NCI must mutually agree to the use of funds to pay for activities that are appropriate under this Agreement. Personnel paid with CRADA funds will dedicate the majority of their time to work under the Research Plan; however, both parties acknowledge that personnel paid with CRADA funds are free to participate in other projects and interactions typically found within the laboratory. No funds provided under this CRADA by NewLink Genetics Corporation will be used by NCI to pay the salary of full-time tenured Federal employees.

Travel costs are limited by the Federal travel rules and regulations for all Government staff whether paid for by Government funds or private Collaborators. Collaborator may provide direct support under the 348 travel mechanism for travel and lodging costs for attendance of NCI staff at selected scientific or developmental meetings. Both Collaborator and NCI must agree that the activities would be appropriate under this Agreement, and acceptance of Collaborator support of NCI’s participation in the activities will be contingent upon appropriate NCI approval. Travel costs for such travel are also limited by the Federal Travel Rules and Regulations for all Government staff whether paid for by Government funds or private Collaborators.”

4. Appendix C “Exceptions or Modifications to this CA” is amended to reflect a modification of the noted CRADA Articles as follows (additions shown by underlining; deletions shown with ~~strike through~~):

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PHS that the patent or other IP application has been filed; or (ii) the date Collaborator files such IP application. The written notice exercising this option will include a completed “Application for License to Public Health Service Inventions” and will initiate a negotiation period that expires nine (9) months after the exercise of the option. ~~Exercise of this option by the Collaborator initiates a negotiation period that expires nine (9) months after the exercise of the options.~~ If the last proposal by the Collaborator has not been responded to in writing by PHS within this nine (9) month period, the negotiation period shall be extended to expire one (1) month after PHS so responds, during which month the Collaborator may accept in writing the final license proposal of PHS. In the absence of Collaborator’s exercise of the option such acceptance, or upon election of a nonexclusive license, ~~an extension of the time limits by PHS,~~ PHS will be free to license the CRADA Subject Invention ~~such IP~~ rights to others. These time periods may be extended at the sole discretion of PHS upon good cause shown in writing by Collaborator. ~~In the event that the Collaborator elects the option for an exclusive license, but no such license is executed during the negotiation period, PHS agrees not to make an offer for an exclusive license on more favorable terms to a third party for a period of six (6) months without first offering Collaborator those more favorable terms. These times may be extended at the sole discretion of PHS upon good cause shown in writing by the Collaborator.~~

**ACCEPTED AND AGREED TO:**

**For the National Cancer Institute:**

\_\_\_\_\_  
/s/ Anna Barker  
Anna Barker, Ph.D.  
Deputy Director for Advanced Technologies  
And Strategic Partnerships

\_\_\_\_\_  
Date 05/28/08

**For NewLink Genetics Corporation:**

\_\_\_\_\_  
/s/ Nicholas Vahanian  
Nicholas Vahanian, M.D.  
Chief Medical Officer

\_\_\_\_\_  
Date 8/5/08



## DEPARTMENT OF HEALTH AND HUMAN SERVICES

Public Health Service

National Institutes of Health  
 National Cancer Institute  
 Technology Transfer Center  
 Executive Plaza South, Room 450  
 6120 Executive Blvd, MSC 7182  
 Bethesda MD 20892-7182  
 (301) 496-0477  
 (301) 402-2117 Fax

May 7, 2007

Dr. Charles Link  
 NewLink Genetics Corporation  
 Suite 3900  
 2901 South Loop Drive  
 Ames, IA 50010 USA

Re: Letter of Intent for a Cooperative Research and Development Agreement #02166  
 NCI Principal Investigators: Drs. Sherry S. Ansher, Lee Jia and Howard Streicher Collaborator Investigators: Drs. Charles Link and Nicholas Vahanian  
 Title: Preclinical and Clinical Development of [\*]

Dear Dr. Link:

It is my understanding that a cooperative research and development project between the parties referenced below is being considered. Accordingly, until the formal Cooperative Research and Development Agreement (CRADA) is reviewed by the CRADA Subcommittee and approved by the Director, National Cancer Institute (NCI), this Letter is offered to permit the joint research to commence. However, in the case of human clinical trials which are a part of the subject CRADA, the parties agree that all such trials which may begin prior to the execution of the formal CRADA shall be preceded by the appropriate regulatory approvals (U.S. Food and Drug Administration IND approval or international equivalents thereof).

It is acknowledged by the parties below that cooperative research pursuant to the Research Plan, attached as Appendix A, will be conducted informally by the NCI Principal Investigators and Collaborator pending formal approval of the CRADA. It is further acknowledged that patentable inventions may be made by NCI employees and employees of the Collaborator. Pursuant to its authority under the Federal Technology Transfer Act of 1986, as amended, NCI agrees that should this CRADA be approved, it will have retroactive effect to the date that the last party has executed this Letter for any inventions that may be made under this Research Plan. NCI further agrees that should this CRADA be approved it will have retroactive effect to the date that the last party has executed this Letter for confidentiality obligations specified in the NIH Model CRADA. The Model CRADA for Extramural-PHS Clinical Research (2005) provisions for the protection of proprietary information are incorporated in this Letter by reference and are considered controlling during the period of informal joint research. These provisions include, but are not limited to Articles 2.0 and 8. The Model CRADA for Extramural-PHS Clinical Research

(2005) is attached as Appendix B and the CTEP Exceptions or Modifications to this CRADA (6/27/06) is attached as Appendix C.

You understand, however, that this Letter is not a commitment on the part of either party to enter into a CRADA. Further, this Letter is effective for a term not to exceed six (6) months. The six month term may be extended, provided the CRADA is under active negotiation and the collaborative research is continuing. Assuming that the necessary approvals are forthcoming, we look forward to a successful collaboration.

Sincerely,

/s/ Kathleen Carroll for

\_\_\_\_\_  
 Karen Maurey, M.S.  
 Chief, Technology Transfer Center, NCI

**AGREED AND ACCEPTED:****National Cancer Institute**

/s/Anna D. Barker  
 \_\_\_\_\_  
 Anna D. Barker, Ph.D.  
 Deputy Director

05/14/07

Date

**NewLink Genetics Corporation**

/s/

05/23/07

Date

**Appendix A**

**Letter of Intent Research Plan**

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**APPENDIX A: LETTER OF INTENT RESEARCH PLAN**

**Pre-Clinical and Clinical Development of [\*]**

**National Cancer Institute (NCI) Investigators:**

Dr. Sherry Ansher  
Dr. Lee Jia  
Dr. Howard Streicher

**NewLink Genetics Corporation Investigators:**

Dr. Charles Link  
Dr. Nicholas Vahanian

**Term of Proposed CRADA:**

Four (4) years from the date of CRADA execution

**1. RESEARCH GOALS OF PROPOSED CRADA**

The overall goal of this proposed CRADA is to collaborate with NewLink Genetics Corporation (hereafter NewLink) on the pre-clinical and clinical development of [\*] (also known as [\*], or Investigational Agent) for the treatment of [\*] and other [\*].

The Division of Cancer Treatment and Diagnosis (DCTD), NCI and NewLink will both provide resources and expertise for the pre-clinical development of [\*] and will work together towards the successful clinical development of [\*] as a safe and effective novel pharmaceutical compound. The DCTD will provide expertise in designing, implementing and monitoring [\*] clinical trials through its intramural and extramural clinical trials network. Additionally, the DCTD will work jointly with NewLink to obtain all the necessary regulatory approval by the U.S. Food and Drug Administration (FDA) for [\*] as [\*]. NewLink will provide expertise in the development, formulation and production of [\*]. The Parties will work together in the design, implementation and monitoring of the clinical trials planned under this CRADA as well as all regulatory aspects and New Drug Application (NDA) filings as necessary for marketing approval for [\*] as [\*].

**2. SCIENTIFIC BACKGROUND**

[\*]

[\*]

[\*]

**3. PRE-CLINICAL DEVELOPMENT OF [\*]**

[\*]

The following sections summarize the pre-clinical studies conducted by the NCI prior to this CRADA Letter of Intent.

[\*]

[\*]

[\*]

[\*]

[\*]

[\*]

[\*]

[\*]

#### 4. BACKGROUND OF THE COLLABORATOR

NewLink is a biopharmaceutical company applying innovative techniques in cancer biology to produce new diagnostic and therapeutic agents for cancer patients. NewLink is privately held and was incorporated in June 1999. The core of NewLink is a Cancer Vaccine Development Division that exists to accelerate the deployment of oncology pharmaceuticals, including HyperAcute™ Vaccines, into clinical testing and commercialization. NewLink has recently acquired a worldwide, exclusive license to patents covering therapeutic uses of [\*] as [\*] for [\*], and [\*] undertakes the development [\*].[\*] is envisioned as [\*] and as [\*] for use in [\*] for the purpose of [\*] of the [\*]. NewLink expects to start [\*] clinical trials in [\*] ([\*]), subject to the filing of one or more NewLink-sponsored INDs to support such studies.

#### 5. DETAILED DESCRIPTION OF THE RESEARCH PLAN

The Division of Cancer Treatment and Diagnosis (DCTD), NCI and NewLink are interested in the evaluation of [\*] in a pre-clinical and clinical development program that includes [\*] and other [\*]. The pre-clinical work will include IND-directed toxicology studies and formulation studies. In addition, [\*] may conduct pre-clinical research aimed at enhancing the understanding of the mechanism of action of [\*] and its targets and optimizing its clinical development program. NCI's work may also include such activities as the development of assays to detect target modulation, biomarker studies, and pharmacodynamic analyses performed in conjunction with the DCTD-sponsored clinical studies. DCTD will sponsor [\*] clinical trials that will help determine the [\*] of [\*]. DCTD and NewLink are also interested in evaluating [\*] in [\*] or [\*] such as [\*] in clinical trials.

#### 6. RESPECTIVE CONTRIBUTIONS OF THE PARTIES

##### A. Joint Responsibilities

##### 1. Steering Committee and Communication Plan

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A Steering Committee will be employed by the Parties to exchange information and data and to discuss and to plan the proposed and ongoing clinical research. The Steering Committee shall be composed of the CRADA Principal Investigators from NCI and NewLink. In addition, other NCI and NewLink staff with expertise in toxicology, pharmacology, pharmaceutical development, project management and other disciplines as pertinent to the current development stage of the Investigational Agent at the time of a meeting may participate in the meetings of the Steering Committee. Both Parties shall report regularly to the Steering Committee on the progress of the clinical research and development efforts covered by this CRADA, will review the current progress, and will make any required decisions. The routes of communication, format of written minutes, etc. will be determined at the Steering Committee meetings and will be driven by the needs of the project. The Parties have been meeting regularly prior to the execution of this CRADA Letter of Intent, and will continue to do so.

The Steering Committee will function under the oversight of Co-Chairs, one from NCI and one from the Collaborator. NCI's Steering Committee Co-Chair will be appointed by the DCTD Division Director and report to the DCTD Division Director or his or her designee. Steering Committee meeting minutes summarizing all key decisions and issues under discussion will be provided to all the Steering Committee members and to the DCTD Division Director within [\*] of each meeting. Steering Committee decisions will be made [\*].

2. DCTD's preclinical and ancillary studies shall be conducted [\*], as per [\*].
3. The DCTD and NewLink will explore the clinical utility of [\*] for [\*]. As [\*] are identified, it will be important to develop [\*] and [\*] and to [\*] and [\*] with [\*] for these [\*].[\*] studies may be important in diseases where [\*] and where there is a [\*] following [\*].
4. Both Parties shall collaborate in the collection and analysis of data generated under the Research Plan.
5. Both Parties will work closely together to ensure that the pre-clinical and clinical studies move forward expeditiously.
6. Subject to the obligations of the Parties to maintain the data under this CRADA as confidential and proprietary, the Parties may publicly disclose the results of their research under the circumstances set forth in the model CRADA.
7. When pre-clinical studies and/or a CRADA clinical protocol involves either [\*] or involves [\*], the NCI, NewLink [\*] will jointly determine a reasonable and appropriate mechanism for intellectual property and data access and sharing prior to initiation of the pre-clinical studies and/or the clinical trial.
8. For activities conducted pursuant to this CRADA in the United States of America, both Parties agree to comply with all appropriate DHHS regulations relating to Human Subjects Use, all U.S. Department of Agriculture regulations, and all Public Health Service policies relating to the use and care of laboratory animals. For

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activities conducted pursuant to this CRADA outside of the United States of America, both Parties shall conduct such in accordance with GLPs and all applicable rules, regulations and statutes, both local and national, governing such activity in that country.

9. The Parties acknowledge that [\*] means any [\*] that is either readily usable as a [\*] or is [\*] that will be useful to [\*] in developing [\*] (rather than useful [\*] or [\*]). A [\*] may simultaneously be a [\*] and be the essence of a [\*], or [\*] (or an integral component of such [\*]). For the purposes of this CRADA, [\*] shall include, but not be limited to, a [\*]. If NewLink elects to request [\*] that is a [\*], such [\*] will ensure, as

appropriate for the circumstances, that (a) the [\*] will undertake to make the [\*] on a [\*] to [\*] for [\*] under [\*], such [\*], or (b) [\*] the right to make the [\*] on a [\*] to [\*] for [\*] purposes under [\*].

## **B. NewLink Responsibilities**

1. Following execution of the CRADA, [\*] will provide [\*] funding for pre-clinical studies including the IND-directed toxicity studies and formulation studies which will be conducted by [\*]. The exact amount of funding and the payment schedule will be agreed upon and addressed in an Appendix B to the executed CRADA.
2. Following CRADA execution, [\*] will be responsible for the [\*] cost of GMP-grade [\*] in current [\*] inventories manufactured to support pre-clinical studies, NCI-sponsored [\*] clinical trials, and NewLink-sponsored [\*] clinical trials. The exact amount of funding and the payment schedule will be agreed upon and addressed in an Appendix B to the executed CRADA.

If additional formulated [\*] is required for clinical studies under this CRADA Research Plan, [\*] will be responsible for the provision and costs of such extra supply of formulated and acceptably labeled [\*].[\*] may elect to produce bulk [\*] and formulated [\*] through contractors other than established [\*] contractors in order to obtain the most competitive pricing. [\*] will then be responsible for subsequent payment of such contractors, and [\*] will have no obligations with respect to such contractors. If [\*] elects to perform any portion of this CRADA Research Plan through a contractor or consultant, [\*] shall incorporate into such contracts all provisions necessary to ensure that the work of the contractor or consultant is governed by the terms of the CRADA, including, but not limited to, a provision for the assignment of inventions of the contractor or consultant to [\*]; such inventions shall be deemed [\*] of [\*]. In addition, [\*] will ensure that any contractor or consultant is obligated to maintain [\*] Confidential Information regarding [\*] manufacturing and formulation in confidence at least to the extent provided for by the terms of the CRADA.

Following the use of [\*] supplies of [\*],[\*] will provide [\*] to [\*] for use by [\*] in [\*] studies, studies designed to [\*], and other studies relevant to the development of [\*] as provided in the Research Plan.

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3. NewLink will prepare and submit to the FDA an Investigational New Drug Application (IND) for NewLink sponsored clinical studies of [\*], which will cross-reference the DCTD IND.
  4. NewLink agrees to permit DCTD to supply formulated [\*] for all clinical trials set forth in this CRADA. This includes:
    - Provision of appropriately packaged and labeled [\*] for all NCI-sponsored clinical studies;
    - Supply of [\*] for compassionate use, as described in the NCI Investigator Handbook; and
    - Supply of [\*] for, and any resources necessary for the management of, Group C distribution, as described in the NCI Investigator Handbook. Group C distribution shall be initiated if such action is justified by clinical results and is feasible based on adequate [\*] supply, such that NewLink's NDA efforts are not negatively impacted.

NewLink agrees to supply [\*], or to provide unformulated analytical grade [\*] or metabolites, if available, to DCTD for DCTD to provide to DCTD intramural and extramural investigators for the development of analytical assays or ancillary correlative studies conducted in conjunction with DCTD-approved protocols. NewLink also agrees to provide [\*] for distribution for pre-clinical studies designed to [\*]. These will include pre-clinical studies designed to support clinical trials in [\*]; pre-clinical [\*] studies to provide data in support of a clinical trial; and other pertinent requests.

5. Upon CRADA execution, NewLink will provide resources for data collection and management, beyond that normally carried out by the DCTD as set forth in the CRADA for CTEP-sponsored studies, if NewLink desires such data collection and management. This would include the collection of the data required to submit an NDA to the FDA.
6. Upon CRADA execution, NewLink may provide funds for partial support of the DCTD-sponsored clinical trials and IND.
7. Upon CRADA execution, NewLink will provide funds for travel by DCTD staff to attend meetings sponsored by NewLink concerning [\*] clinical trials, such funds not to exceed [\*] per year of the term of the CRADA.
8. NewLink intends and will use reasonable efforts to prepare and submit an NDA to the FDA expeditiously when justified by clinical studies, with the object of obtaining pharmaceutical regulatory approval for the commercial marketing of [\*].
9. NewLink may sponsor its own clinical trials using [\*]. Such Collaborator-sponsored trials are outside the scope of this CRADA. For these clinical trials, NewLink will maintain possession and control of the clinical trial results. NewLink will permit

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DCTD to review and use the results for DCTD-sponsored clinical trials which are under the CRADA.

10. NewLink will update DCTD on the progress of its preclinical studies of [\*] to help ensure optimal experimental designs and avoid duplication.

## **C. NCI Responsibilities**

### **I. Division of Cancer Treatment and Diagnosis, NCI**

1. DCTD will develop and implement its preclinical/pharmacodynamic program for [\*]. DCTD also may conduct [\*] studies to [\*]. DCTD will update Collaborator regarding progress and findings to help ensure optimal experimental designs and avoid duplication.
2. DCTD will conduct [\*] studies in [\*], and [\*] studies using existing supplies of [1MT]. As stated in B(1) above, upon execution of the CRADA, NewLink will be responsible for partial costs associated with such studies.
3. DCTD will provide GMP-grade [\*] for [\*] clinical studies, initial [\*] clinical studies, and [\*] clinical trials. As stated in [\*], upon execution of the CRADA, [\*] will be responsible for the costs associated with the drug production for such clinical studies.
4. The DCTD, as sponsor, will prepare and submit to the FDA an IND for [\*] for NCI-sponsored clinical studies. DCTD will permit NewLink to participate in DCTD's IND preparation process.
5. The DCTD will collaborate solely with NewLink for [\*] development, and will assist NewLink in all aspects of the regulatory approval process, so long as NewLink is pursuing clinical development of [\*].
6. To the extent permitted by law, the DCTD will maintain the DCTD-sponsored IND, including protocols and other supporting information relative to [\*] as [\*] in DCTD's possession and control, as proprietary and confidential, and make it available exclusively to NewLink. The DCTD will permit NewLink to review, cross-reference and use the IND in conducting clinical trials and in fulfilling all of the requirements necessary for obtaining FDA approval to market [\*] as [\*].
7. To the extent permitted by law, the DCTD will maintain the clinical data, results and raw data from all new studies developed under this proposed CRADA in its possession and control, as proprietary and confidential, and make them available exclusively to NewLink for use in obtaining approval for the commercial marketing of [\*] as [\*], so long as NewLink is pursuing commercial development for [\*].
8. The DCTD will solicit protocol Letters of Intent (LOI) from the investigators in the DCTD's clinical trials network as appropriate.

The Protocol Review Committee (PRC), of the DCTD, will:

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- Evaluate the rationale of each LOI received at the DCTD;
- Review the LOIs for study design, including dose, schedule and comparison groups, if relevant, in order to address any pertinent scientific questions;
- Examine the characteristics of the patient population to be studied;
- Assess the feasibility of the projected accrual, including the ability of each investigator to accrue the appropriate patient population in a timely manner;
- Review competing studies of the investigator in the specified disease(s);
- Provide investigator(s) with consensus review(s) of the PRC's evaluation to be used to revise the protocol;
- Provide a copy of the consensus review to NewLink. All CTEP approved clinical LOIs will be sent by NCI to NewLink. NewLink will provide NCI with its approval or disapproval within [\*] of receiving the CTEP approved clinical LOIs. Only LOIs that have been approved by both the PRC and NewLink will lead to the submission of full study protocols.

The protocols received from investigators in response to the fully approved LOIs will be reviewed and evaluated by the PRC and by NewLink. The PRC will:

- Evaluate each protocol from agent, disease, statistical and regulatory perspectives in order to ensure that the study design that was approved by the PRC at the LOI stage is carried out.
  - Provide each clinical research protocol received by DCTD to NewLink for review and comment approximately [\*] before it is reviewed by the PRC of CTEP. Comments from NewLink received by CTEP before the PRC meeting will be discussed by the PRC, will be given due consideration, and will be incorporated into the protocol, absent good cause. Comments from either NewLink or the CTEP staff that are agreed upon in the PRC meeting will be formatted as a consensus review, which is returned to the investigator for necessary and/or suggested changes before the protocol can be given final approval and submitted to the FDA. In addition, the PRC will review any correlative laboratory studies, solicited from investigators, to address cellular pharmacological and/or pharmacokinetics questions as necessary.
9. The DCTD will evaluate each of the active studies as they progress to ensure that the appropriate questions are being addressed and to ensure that the studies are modified as required based on the developing data. The DCTD will utilize its existing procedures and mechanisms to follow the clinical studies to ensure that all studies meet the pertinent FDA regulations.

## II. Experimental Immunology Branch, Center for Cancer Research, NCI

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[\*] studies such as [\*] in [\*] will be conducted in the Experimental Immunology Branch under the direction of [\*].

## 7. Intellectual Property of the Parties:

NewLink has obtained a worldwide, exclusive license to the following patents covering [\*] for [\*] from the University of Georgia.

[\*]

[\*]

[\*]

[\*]

[\*]

[\*]

[\*]

[\*]

[\*]

[\*]

In addition, a number of patent applications corresponding to the above patent applications and patents have been filed in countries other than the U.S.

**Appendix B**

**NIH Model CRADA for Extramural-PHS Clinical Research (version 2005)**

PUBLIC HEALTH SERVICE

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT  
FOR EXTRAMURAL-PHS CLINICAL RESEARCH

This Agreement is based on the model Cooperative Research and Development Agreement (“CRADA”) adopted by the U.S. Public Health Service (“PHS”) Technology Transfer Policy Board for use by components of the National Institutes of Health (“NIH”), the Centers for Disease Control and Prevention (“CDC”), and the Food and Drug Administration (“FDA”), which are agencies of the PHS within the Department of Health and Human Services (“HHS”).

This Cover Page identifies the Parties to this CRADA:

The U.S. Department of Health and Human Services, as represented by  
**[Insert the full name of the ICD]**  
an Institute, Center, or Division (hereinafter referred to as the “ICD”) of the  
**[INSERT as appropriate: NIH, CDC, or FDA]**

and

**[Insert Collaborator’s official name],**  
hereinafter referred to as the “Collaborator”,  
having offices at **[Insert Collaborator’s address],**  
created and operating under the laws of **[Insert State of Incorporation].**

**Article 1. Introduction**

This CRADA between ICD and Collaborator will be effective when signed by the Parties, which are identified on both the Cover Page and the Signature Page (page 22). The official contacts for the Parties are identified on the Contacts Information Page (page 23). Publicly available information regarding this CRADA appears on the Summary Page (page 24). The research and development activities that will be undertaken by ICD, ICD’s contractors or grantees, and Collaborator in the course of this CRADA are detailed in the Research Plan, attached as Appendix A. The staffing, funding, and materials contributions of the Parties are set forth in Appendix B. Any changes to the model CRADA are set forth in Appendix C.

## Article 2. Definitions

The terms listed in this Article will carry the meanings indicated throughout the CRADA. To the extent a definition of a term as provided in this Article is inconsistent with a corresponding definition in the applicable sections of either the United States Code (U.S.C.) or the Code of Federal Regulations (C.F.R.), the definition in the U.S.C. or C.F.R. will control.

“**Adverse Drug Experience**” or “**ADE**” means an Adverse Event associated with the use of the Test Article, that is, an event where there is a reasonable possibility that the Test Article may have caused the event (a relationship between the Test Article and the event cannot be ruled out), in accordance with the definitions of 21 C.F.R. Part 310, 305, or 312, or other applicable regulations.

“**Adverse Event**” or “**AE**” means any untoward medical occurrence in a Human Subject administered Test Article. An AE does not necessarily have a causal relationship with the Test Article, that is, it can be any unfavorable and unintended sign (including an abnormal laboratory finding), symptom, or disease temporally associated with the use of the Test Article, whether or not it is related to it. See FDA Good Clinical Practice Guideline (International Conference on Harmonisation (ICH) E6: “Good Clinical Practice: Consolidated Guidance, 62 Federal Register 25, 691 (1997)).

“**Affiliate**” means any corporation or other business entity controlled by, controlling, or under common control with Collaborator at any time during the term of the CRADA. For this purpose, “control” means direct or indirect beneficial ownership of at least fifty percent (50%) of the voting stock or at least fifty percent (50%) interest in the income of the corporation or other business entity.

“**Annual Report**” means the report of progress of an IND-associated investigation that the Sponsor must submit to the FDA within sixty (60) days of the anniversary of the effective date of the IND (pursuant to 21 C.F.R. § 312.33).

“**Background Invention**” means an Invention conceived and first actually reduced to practice before the Effective Date.

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“**Clinical Data in ICD’s Possession and Control**” means all Raw Data that ICD employees create directly; and all copies of Raw Data and Summary Data that ICD obtains from Clinical Investigators or contractors performing CRADA activities.

“**Clinical Investigator**” means, in accordance with 21 C.F.R. § 312.3, an individual who actually conducts a clinical investigation, that is, who directs the administration or dispensation of Test Article to a subject, and who assumes responsibility for studying Human Subjects, for recording and ensuring the integrity of research data, and for protecting the welfare and safety of Human Subjects.

“**Clinical Research Site(s)**” means the site(s) at which the Protocol(s) described in the Research Plan will be performed.

“**Collaborator Materials**” means all tangible materials not first produced in the performance of this CRADA that are owned or controlled by Collaborator and used in the performance of the Research Plan. The term “Collaborator Materials” does not include “Test Article” (defined below).

“**Confidential Information**” means confidential scientific, business, financial information, or Identifiable Private Information provided that Confidential Information does not include:

- (a) information that is publicly known or that is available from public sources;
- (b) information that has been made available by its owner to others without a confidentiality obligation;
- (c) information that is already known by the receiving Party, or information that is independently created or compiled by the receiving Party without reference to or use of the provided information; or
- (d) information that relates to potential hazards or cautionary warnings associated with the production, handling, or use of the subject matter of the Research Plan.

“**Cooperative Research and Development Agreement**” or “**CRADA**” means this Agreement, entered into pursuant to the Federal Technology Transfer Act of 1986, as amended (15 U.S.C. §§ 3710a et seq.), and Executive Order 12591 of April 10, 1987.

“**CRADA Data**” means information developed by or on behalf of the Parties in the performance of the Research Plan, excluding Raw Data.

“**CRADA Materials**” means all tangible materials first produced in the performance of the Research Plan other than CRADA Data.

“**CRADA Principal Investigator(s)**” or “**CRADA PI(s)**” means the person(s) designated by the Parties who will be responsible for the scientific and technical conduct of the Research Plan.

“**CRADA Subject Invention**” means any Invention of either or both Parties, conceived or first actually reduced to practice in the performance of the Research Plan.

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“**Drug Master File**” or “**DMF**” is described in 21 C.F.R. Part 314.420. A DMF is a submission to the FDA that may be used to provide confidential detailed information about facilities, processes, or articles used in the manufacturing, processing, packaging, and storing of one or more human drugs.

“**Effective Date**” means the date of the last signature of the Parties executing this Agreement.

“**Government**” means the Government of the United States of America.

“**Human Subject**” means, in accordance with the definition in 45 C.F.R. § 46.102(f), a living individual about whom an investigator conducting research obtains:

- (a) data through intervention or interaction with the individual; or
- (b) Identifiable Private Information.

“**ICD Materials**” means all tangible materials not first produced in the performance of this CRADA that are owned or controlled by ICD and used in the performance of the Research Plan.

“**IND**” means an “Investigational New Drug Application,” filed in accordance with 21 C.F.R. Part 312 under which clinical investigation of an experimental drug or biologic (Test Article) is performed in Human Subjects in the United States or intended to support a United States licensing action.

“**Identifiable Private Information**” or “**IPI**” about a Human Subject means private information from which the identity of the subject is or may readily be ascertained. Regulations defining and governing this information include 45 C.F.R. Part 46 and 21 C.F.R. Part 50.

“**Institutional Review Board**” or “**IRB**” means, in accordance with 45 C.F.R. Part 46, 21 C.F.R. part 56, and other applicable regulations, an independent body comprising medical, scientific, and nonscientific members, whose responsibility is to ensure the protection of the rights, safety, and well-being of the Human Subjects involved in a study.

“**Invention**” means any invention or discovery that is or may be patentable or otherwise protected under Title 35 of the United States Code, or any novel variety of plant which is or may be protectable under the Plant Variety Protection Act, 7 U.S.C. §§ 2321 et seq.

“**Investigator’s Brochure**” means, in accordance with the definition in 21 C.F.R. § 312.23(a)(5), a document containing information about the Test Article, including animal screening, preclinical toxicology, and detailed pharmaceutical data, including a description of possible risks and side effects to be anticipated on the basis of prior experience with the drug or related drugs, and precautions, such as additional monitoring, to be taken as part of the investigational use of the drug.

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“**Patent Application**” means an application for patent protection for a CRADA Subject Invention with the United States Patent and Trademark Office (“U.S.P.T.O.”) or the corresponding patent-issuing authority of another nation.

“**Patent**” means any issued United States patent, any international counterpart(s), and any corresponding grant(s) by a non-U.S. government in place of a patent.

“**Placebo**” means an inactive substance identical in appearance to the material being tested that is used to distinguish between drug action and suggestive effect of the material under study.

“**Protocol**” means the formal, detailed description of a study to be performed as provided for in the Research Plan. It describes the objective(s), design, methodology, statistical considerations, and organization of a trial. For the purposes of this CRADA, the term, Protocol, for clinical research involving Human Subjects, includes any and all associated documents, including informed consent forms, to be provided to Human Subjects and potential participants in the study.

“**Raw Data**” means the primary quantitative and empirical data first collected from experiments and clinical trials conducted within the scope of this CRADA.

“**Research Plan**” means the statement in Appendix A of the respective research and development commitments of the Parties. The Research Plan should describe the provisions for sponsoring the IND, clinical and safety monitoring, and data management.

“**Sponsor**” means, in accordance with the definition in 21 C.F.R. § 312.3, an organization or individual who assumes legal responsibility for supervising or overseeing clinical trials with Test Articles, and is sometimes referred to as the IND holder.

“**Steering Committee**” means the research and development team whose composition and responsibilities with regard to the research performed under this CRADA are described in Appendix A.

“**Summary Data**” means any extract or summary of the Raw Data, generated either by or, on behalf of, ICD or by, or on behalf of, Collaborator. Summary Data may include extracts or summaries that incorporate IPI.

“**Test Article**” means, in accordance with 21 C.F.R. § 50.3(j), any drug (including a biological product), medical device, food additive, color additive, electronic product, or any other article subject to regulation under the Federal Food, Drug, and Cosmetic Act that is intended for administration to humans or animals, including a drug or biologic as identified in the Research Plan and Appendix B, that is used within the scope of the Research Plan. The Test Article may also be referred to as Investigational Agent, Study Material, or Study Product.

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### Article 3. Cooperative Research and Development

3.1 **Performance of Research and Development.** The research and development activities to be carried out under this CRADA will be performed by the Parties identified on the Cover Page, as well as ICD’s contractors or grantees as described in the Research Plan. However, ICD’s contractors or grantees are not Parties to the CRADA, and this CRADA does not grant to Collaborator any rights to Inventions made by ICD’s contractors or grantees. The CRADA

PIs will be responsible for coordinating the scientific and technical conduct of this project on behalf of their employers. Any Collaborator employees who will work at ICD facilities will be required to sign a Guest Researcher or Special Volunteer Agreement appropriately modified in view of the terms of this CRADA.

3.2 **Research Plan.** The Parties recognize that the Research Plan describes the collaborative research and development activities they will undertake and that interim research goals set forth in the Research Plan are good faith guidelines. Should events occur that require modification of these goals, then by mutual agreement the Parties can modify them through an amendment, according to Paragraph 13.6.

3.3 **Use and Disposition of Collaborator Materials and ICD Materials.** The Parties agree to use Collaborator Materials and ICD Materials only in accordance with the Research Plan and Protocol(s), not to transfer these materials to third parties except in accordance with the Research Plan and Protocol(s) or as approved by the owning or providing Party, and, upon expiration or termination of the CRADA, to dispose of these materials as directed by the owning or providing Party.

3.4 **Third-Party Rights in Collaborator's CRADA Subject Inventions.** If Collaborator has received (or will receive) support of any kind from a third party in exchange for rights in any of Collaborator's CRADA Subject Inventions, Collaborator agrees to ensure that its obligations to the third party are both consistent with Articles 6 through 8 and subordinate to Article 7 of this CRADA.

3.5 **Disclosures to ICD.** Prior to execution of this CRADA, Collaborator agrees to disclose to ICD all instances in which outstanding royalties are due under a PHS license agreement and in which Collaborator had a PHS license terminated in accordance with 37 C.F.R. § 404.10. These disclosures will be treated as Confidential Information upon request by Collaborator in accordance with Paragraphs 2.4, 8.3, and 8.4.

3.6 **Clinical Investigator Responsibilities.** The Clinical Investigator will be required to submit, or to arrange for submission of, each Protocol associated with this CRADA to all appropriate IRBs, and for ensuring that the IRBs are notified of the role of Collaborator in the research. In addition to the Protocol all associated documents, including informational documents and advertisements, must be reviewed and approved by the appropriate IRB(s) before starting the research at each Clinical Research Site. The research will be done in strict accordance with the Protocol(s) and no substantive changes in a finalized Protocol will be made unless mutually agreed upon, in writing, by the Parties. Research will not commence (or will continue unchanged, if already in progress) until each substantive change to a Protocol, including

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those required by either the FDA or the IRB, has been integrated in a way acceptable to the Parties, submitted to the FDA (if applicable) and approved by the appropriate IRBs.

3.7 **Investigational Applications.**

- 3.7.1 If an IND is required either ICD or Collaborator, as indicated in the Research Plan, will submit an IND and all Clinical Investigators must have completed registration documents on file (1572 forms).
- 3.7.2 If ICD elects to file its own IND, Collaborator agrees to provide ICD background data and information necessary to support the IND. Collaborator further agrees to provide a letter of cross-reference to all pertinent regulatory filings sponsored by Collaborator. Collaborator's employees will be reasonably available to respond to inquiries from the FDA regarding information and data contained in the Collaborator's IND, DMF, other filings, or other information and data provided to ICD by the Collaborator pursuant to this Article 3. If ICD has provided information or data to assist Collaborator in its IND filing, ICD will provide a letter of cross reference to its IND and respond to inquiries related to information provided by ICD, as applicable.
- 3.7.3 If Collaborator supplies Confidential Information to ICD in support of an IND filed by ICD, this information will be protected in accordance with the corresponding confidentiality provisions of Article 8.
- 3.7.4 Collaborator may sponsor its own clinical trials and hold its own IND for studies performed outside the scope of this CRADA. These studies, however, should not adversely affect the ability to accomplish the goal of the Research Plan, for example, by competing for the same study population. All data from those clinical trials are proprietary to Collaborator for purposes of this CRADA.

3.8 **Test Article Information and Supply.** Collaborator agrees to provide ICD without charge and on a schedule that will ensure adequate and timely performance of the research, a sufficient quantity of formulated and acceptably labeled, clinical-grade Test Article (and, as required by the Protocol(s), Placebo) to complete the clinical trial(s) agreed to and approved under this CRADA. Collaborator will provide a Certificate of Analysis to ICD for each lot of the Test Article provided.

3.9 **Test Article Delivery and Usage.** Collaborator will ship the Test Article and, if required, Placebo to ICD or its designee in containers marked in accordance with 21 C.F.R. § 312.6. ICD agrees that the Clinical Investigators will keep appropriate records and take reasonable steps to ensure that the Test Article is used in accordance with the Protocol(s) and applicable FDA regulations. In addition, ICD agrees that the Test Article (and all Confidential Information supplied by Collaborator relating to the Test Article) will be used solely for the conduct of the CRADA research and development activities. Furthermore, ICD agrees that no analysis or modification of the Test Article will be performed without Collaborator's prior written consent. At the completion of the Research Plan, any unused quantity of Test Article will be returned to Collaborator or disposed as directed by Collaborator. Pharmacy contacts at ICD or its designee will be determined by ICD and communicated to Collaborator.

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3.10 **Monitoring.**

- 3.10.1 The Sponsor or its designee will be primarily responsible for monitoring clinical sites and for assuring the quality of all clinical data, unless otherwise stated in the Research Plan. Monitoring will comply with FDA Good Clinical Practice (International Conference on Harmonisation (ICH) E6: "Good Clinical Practice: Consolidated Guidance; 62 Federal Register 25, 691 (1997)). The other Party may also

perform quality assurance oversight. The monitor will communicate significant Protocol violations and submit documentation of monitoring outcomes on Protocol insufficiencies to the other Party in a timely manner.

- 3.10.2 Subject to the restrictions in Article 8 concerning IPI, and with reasonable advance notice and at reasonable times, ICD will permit Collaborator or its designee(s) access to clinical site(s) to monitor the conduct of the research, as well as to audit source documents containing Raw Data, to the extent necessary to verify compliance with FDA Good Clinical Practice and the Protocol(s).

3.11 **FDA Meetings/Communications.** All meetings with the FDA concerning any clinical trial within the scope of the Research Plan will be discussed by Collaborator and ICD in advance. Each Party reserves the right to take part in setting the agenda for, to attend, and to participate in these meetings. The Sponsor will provide the other Party with copies of FDA meeting minutes, all transmittal letters for IND submissions, IND safety reports, formal questions and responses that have been submitted to the FDA, Annual Reports, and official FDA correspondence, pertaining either to the INDs under this CRADA or to the Clinical Investigators on Protocols performed in accordance with the Research Plan, except to the extent that those documents contain the proprietary information of a third party or dissemination is prohibited by law.

#### **Article 4. Reports**

4.1 **Interim Research and Development Reports.** The CRADA PIs should exchange information regularly, in writing. This exchange may be accomplished through meeting minutes, detailed correspondence, circulation of draft manuscripts, Steering Committee reports, copies of Annual Reports and any other reports updating the progress of the CRADA research. However, the Parties must exchange updated Investigator's Brochure, formulation and preclinical data, and toxicology findings, as they become available.

4.2 **Final Research and Development Reports.** The Parties will exchange final reports of their results within six (6) months after the expiration or termination of this CRADA. These reports will set forth the technical progress made; any publications arising from the research; and the existence of invention disclosures of potential CRADA Subject Inventions and/or any corresponding Patent Applications.

4.3 **Fiscal Reports.** If Collaborator has agreed to provide funding to ICD under this CRADA and upon the request of Collaborator, then concurrent with the exchange of final research and development reports according to Paragraph 4.2, ICD will submit to Collaborator a statement of all costs incurred by ICD for the CRADA. If the CRADA has been terminated, ICD will specify any costs incurred before the date of termination for which ICD has not received funds from

Collaborator, as well as for all reasonable termination costs including the cost of returning Collaborator property or removal of abandoned Collaborator property, for which Collaborator will be responsible.

4.4 **Safety Reports.** In accordance with FDA requirements, the Sponsor will establish and maintain records and submit safety reports to the FDA, as required by 21 C.F.R. § 312.32 and 21 C.F.R. 812.150(b)(1), or other applicable regulations. In the conduct of research under this CRADA, the Parties will comply with specific ICD guidelines and policies for reporting ADEs and AEs, as well as procedures specified in the Protocol(s). The Sponsor must provide the other Party with copies of all Safety Reports concurrently with their submission to the FDA, and with any other information affecting the safety of Human Subjects in research conducted under this CRADA.

4.5 **Annual Reports.** The Sponsor will provide the other Party a copy of the Annual Report concurrently with the submission of the Annual Report to the FDA. Annual Reports will be kept confidential in accordance with Article 8,

#### **Article 5. Staffing, Financial, and Materials Obligations**

5.1 **ICD and Collaborator Contributions.** The contributions of any staff, funds, materials, and equipment by the Parties are set forth in Appendix B. The Federal Technology Transfer Act of 1986, 15 U.S.C. § 3710a(d)(1) prohibits ICD from providing funds to Collaborator for any research and development activities under this CRADA.

5.2 **ICD Staffing.** No ICD employees will devote 100% of their effort or time to the research and development activities under this CRADA. ICD will not use funds provided by Collaborator under this CRADA for ICD personnel to pay the salary of any permanent ICD employee. Although personnel hired by ICD using CRADA funds will focus principally on CRADA research and development activities, Collaborator acknowledges that these personnel may nonetheless make contributions to other research and development activities, and the activities will be outside the scope of this CRADA.

5.3 **Collaborator Funding.** Collaborator acknowledges that Government funds received by Collaborator from an agency of the Department of Health and Human Services may not be used to fund ICD under this CRADA. If Collaborator has agreed to provide funds to ICD then the payment schedule appears in Appendix B and Collaborator will make payments according to that schedule. If Collaborator fails to make any scheduled payment, ICD will not be obligated to perform any of the research and development activities specified herein or to take any other action required by this CRADA until the funds are received. ICD will use these funds exclusively for the purposes of this CRADA. Each Party will maintain separate and distinct current accounts, records, and other evidence supporting its financial obligations under this CRADA and, upon written request, will provide the other Party a Fiscal Report according to Paragraph 4.3, which delineates all payments made and all obligated expenses, along with the Final Research Report described in Paragraph 4.2.

5.4 **Capital Equipment.** Collaborator's commitment, if any, to provide ICD with capital equipment to enable the research and development activities under the Research Plan appears in

Appendix B. If Collaborator transfers to ICD the capital equipment or provides funds for ICD to purchase it, then ICD will own the equipment. If Collaborator loans capital equipment to ICD for use during the CRADA, Collaborator will be responsible for paying all costs and fees associated with the transport, installation, maintenance, repair, removal, or disposal of the equipment, and ICD will not be liable for any damage to the equipment.

#### **Article 6. Intellectual Property**

6.1 **Ownership of CRADA Subject Inventions, CRADA Data, and CRADA Materials.** Subject to the Government license described in Paragraph 7.5, the sharing requirements of Paragraph 8.1 and the regulatory filing requirements of Paragraph 8.2, the producing Party will retain sole ownership of and title to all CRADA Subject Inventions, all copies of CRADA Data, and all CRADA Materials produced solely by its employee(s). The Parties will own jointly all CRADA Subject Inventions invented jointly and all CRADA Materials developed jointly. A PHS contractor's or grantee's rights in data it generates will not be affected by this CRADA.

6.2 **Reporting.** The Parties will promptly report to each other in writing each CRADA Subject Invention reported by their respective personnel, and any Patent Applications filed thereon, resulting from the research and development activities conducted under this CRADA. Each Party will report all CRADA Subject Inventions to the other Party in sufficient detail to determine inventorship, which will be determined in accordance with U.S. patent law. These reports will be treated as Confidential Information in accordance with Article 8. Formal reports will be made by and to the Patenting and Licensing Offices identified on the Contacts Information Page herein.

6.3 **Filing of Patent Applications.** Each Party will make timely decisions regarding the filing of Patent Applications on the CRADA Subject Inventions made solely by its employee(s), and will notify the other Party in advance of filing. Collaborator will have the first opportunity to file a Patent Application on joint CRADA Subject Inventions and will notify PHS of its decision within sixty (60) days of an Invention being reported or at least thirty (30) days before any patent filing deadline, whichever occurs sooner. If Collaborator fails to notify PHS of its decision within that time period or notifies PHS of its decision not to file a Patent Application, then PHS has the right to file a Patent Application on the joint CRADA Subject Invention. Neither Party will be obligated to file a Patent Application. Collaborator will place the following statement in any Patent Application it files on a CRADA Subject Invention: "This invention was created in the performance of a Cooperative Research and Development Agreement with the [INSERT into Agency's model as appropriate: National Institutes of Health, Food and Drug Administration, Centers for Disease Control and Prevention], an Agency of the Department of Health and Human Services. The Government of the United States has certain rights in this invention." If either Party files a Patent Application on a joint CRADA Subject Invention, then the filing Party will include a statement within the Patent Application that clearly identifies the Parties and states that the joint CRADA Subject Invention was made under this CRADA.

6.4 **Patent Expenses.** Unless agreed otherwise, the Party filing a Patent Application will pay all preparation and filing expenses, prosecution fees, issuance fees, post issuance fees, patent maintenance fees, annuities, interference expenses, and attorneys' fees for that Patent Application and any resulting Patent(s). If a license to any CRADA Subject Invention is granted

to Collaborator, then Collaborator will be responsible for all expenses and fees, past and future, in connection with the preparation, filing, prosecution, and maintenance of any Patent Applications and Patents claiming exclusively licensed CRADA Subject Inventions and will be responsible for a pro-rated share, divided equally among all licensees, of those expenses and fees for non-exclusively licensed CRADA Subject Inventions. Collaborator may waive its exclusive option rights at any time, and incur no subsequent financial obligation for those Patent Application(s) or Patent(s).

6.5 **Prosecution of Patent Applications.** The Party filing a Patent Application will provide the non-filing Party with a copy of any official communication relating to prosecution of the Patent Application within thirty (30) days of transmission of the communication. Each Party will also provide the other Party with the power to inspect and make copies of all documents retained in the applicable Patent Application or Patent file. The Parties agree to consult with each other regarding the prosecution of Patent Applications directed to joint CRADA Subject Inventions. If Collaborator elects to file and prosecute Patent Applications on joint CRADA Subject Inventions, then Collaborator agrees to use the U.S.P.T.O. Customer Number Practice and/or grant PHS a power(s) of attorney (or equivalent) necessary to assure PHS access to its intellectual property rights in these Patent Applications. PHS and Collaborator will cooperate with each other to obtain necessary signatures on Patent Applications, assignments, or other documents.

## Article 7. Licensing

7.1 **Background Inventions.** Other than as specifically stated in this Article 7, nothing in this CRADA will be construed to grant any rights in one Party's Background Invention(s) to the other Party, except to the extent necessary for the Parties to conduct the research and development activities described in the Research Plan.

7.2 **Collaborator's License Option to CRADA Subject Inventions.** With respect to Government rights to any CRADA Subject Invention made solely by an ICD employee(s) or made jointly by an ICD employee(s) and a Collaborator employee(s) for which a Patent Application was filed, PHS hereby grants to Collaborator an exclusive option to elect an exclusive or nonexclusive commercialization license. The license will be substantially in the form of the appropriate model PHS license agreement and will fairly reflect the nature of the CRADA Subject Invention, the relative contributions of the Parties to the CRADA Subject Invention and the CRADA, a plan for the development and marketing of the CRADA Subject Invention, the risks incurred by Collaborator, and the costs of subsequent research and development needed to bring the CRADA Subject Invention to the marketplace. The field of use of the license will not exceed the scope of the Research Plan.

7.3 **Exercise of Collaborator's License Option.** To exercise the option of Paragraph 7.2 Collaborator must submit a written notice to the PHS Patenting and Licensing Contact identified on the Contacts Information Page (and provide a copy to the ICD Contact for CRADA Notices) within three (3) months after either (i) Collaborator receives written notice from PHS that the Patent Application has been filed or (ii) the date on which Collaborator files the Patent Application. The written notice exercising this option will include a completed "Application for License to Public Health Service Inventions" and will initiate a negotiation period that expires

nine (9) months after the exercise of the option. If PHS has not responded in writing to the last proposal by Collaborator within this nine (9) month period, the negotiation period will be extended to expire one (1) month after PHS so responds, during which month Collaborator may accept in writing the final license proposal of PHS. In the absence of Collaborator's exercise of the option, or upon election of a nonexclusive license, PHS will be free to license the CRADA Subject Invention to others. These time periods may be extended at the sole discretion of PHS upon good cause shown in writing by Collaborator.

7.4 **Government License in ICD Sole CRADA Subject Inventions and Joint CRADA Subject Inventions.** Pursuant to 15 U.S.C. § 3710a(b)(1)(A), for CRADA Subject Inventions owned solely by ICD or jointly by ICD and Collaborator, and licensed pursuant to the option of Paragraph 7.2, Collaborator grants to the Government a nonexclusive, nontransferable, irrevocable, paid-up license to practice the CRADA Subject Invention or have the CRADA Subject Invention practiced throughout the world by or on behalf of the Government. In the exercise of this license, the Government will not publicly disclose trade secrets or commercial or financial information that is privileged or confidential within the meaning of 5 U.S.C. § 552(b)(4) or which would be considered privileged or confidential if it had been obtained from a non-federal party.

7.5 **Government License in Collaborator Sole CRADA Subject Inventions.** Pursuant to 15 U.S.C. § 3710a(b)(2), for CRADA Subject Inventions made solely by an employee of Collaborator, Collaborator grants to the Government a nonexclusive, nontransferable, irrevocable, paid-up license to practice the CRADA Subject Invention or have the CRADA Subject Invention practiced throughout the world by or on behalf of the Government for research or other Government purposes.

7.6 **Third Party License.** Pursuant to 15 U.S.C. § 3710a(b)(1)(B), if PHS grants Collaborator an exclusive license to a CRADA Subject Invention made solely by an ICD employee or jointly with a Collaborator employee, the Government will retain the right to require Collaborator to grant to a responsible applicant a nonexclusive, partially exclusive, or exclusive sublicense to use the CRADA Subject Invention in Collaborator's licensed field of use on terms that are reasonable under the circumstances; or, if Collaborator fails to grant a license, to grant a license itself. The exercise of these rights by the Government will only be in exceptional circumstances and only if the Government determines (i) the action is necessary to meet health or safety needs that are not reasonably satisfied by Collaborator, (ii) the action is necessary to meet requirements for public use specified by federal regulations, and such requirements are not reasonably satisfied by Collaborator; or (iii) Collaborator has failed to comply with an agreement containing provisions described in 15 U.S.C. § 3710a(c)(4)(B). The determination made by the Government under this Paragraph is subject to administrative appeal and judicial review under 35 U.S.C. § 203(2).

7.7 **Third-Party Rights In ICD Sole CRADA Subject Inventions.** For a CRADA Subject Invention conceived prior to the Effective Date solely by an ICD employee that is first actually reduced to practice after the Effective Date in the performance of the Research Plan, the option offered to Collaborator in Paragraph 7.2 may be restricted if, prior to the Effective Date, PHS had filed a Patent Application and has either offered or granted a license in the CRADA Subject Invention to a third party. Collaborator nonetheless retains the right to apply for a license to any

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such CRADA Subject Invention in accordance with the terms and procedures of 35 U.S.C. § 209 and 37 C.F.R. Part 404.

7.8 **Joint CRADA Subject Inventions Not Exclusively Licensed by Collaborator.** If Collaborator does not acquire an exclusive commercialization license in a joint CRADA Subject Invention in all fields of use then, for those fields of use not exclusively licensed to Collaborator, each Party will have the right to use the joint CRADA Subject Invention and to license its use to others, and each Party will cooperate with the other, as necessary, to fulfill international licensing requirements. The Parties may agree to a joint licensing approach for any remaining fields of use.

## **Article 8. Rights of Access and Publication**

8.1 **Right of Access to CRADA Data and CRADA Materials.** ICD and Collaborator agree to exchange all CRADA Data and to share all CRADA Materials. If the CRADA is terminated, both Parties agree to provide CRADA Materials in quantities needed to complete the Research Plan. Such provision will occur before the termination date of the CRADA or sooner, if required by the Research Plan. If Collaborator possesses any human biological specimens from clinical trials under the CRADA, the specimens must be handled as described in the Protocol or as otherwise directed by ICD before the termination date of the CRADA.

8.2 **Use of CRADA Data and CRADA Materials.** The Parties will be free to utilize CRADA Data and CRADA Materials internally for their own purposes, consistent with their obligations under this CRADA. ICD may share CRADA Data or CRADA Materials with any contractors, grantees, or agents it has engaged to conduct the CRADA research and development activities, provided the obligations of this Article 8.2 are simultaneously conveyed. Collaborator may share CRADA Data or CRADA Materials with any contractors, Affiliates, or agents it has engaged to conduct the CRADA research and development activities, provided the obligations of this Article 8.2 are simultaneously conveyed.

### **8.2.1 CRADA Data.**

Collaborator and ICD will use reasonable efforts to keep CRADA Data confidential until published or until corresponding Patent Applications are filed. To the extent permitted by law, each Party will have the right to use any and all CRADA Data in and for any regulatory filing by or on behalf of the Party.

### **8.2.2 CRADA Materials.**

Collaborator and ICD will use reasonable efforts to keep descriptions of CRADA Materials confidential until published or until corresponding Patent Applications are filed. Collaborator acknowledges that the basic research mission of PHS includes sharing with third parties for further research those research resources made in whole or in part with NIH funding. Consistent with this mission and the tenets articulated in "Sharing of Biomedical Research Resources: Principles and Guidelines for Recipients of NIH Research Grants and Contracts," December 1999, available at [http://ott.od.nih.gov/NewPages/RTguide\\_final.html](http://ott.od.nih.gov/NewPages/RTguide_final.html), following publication either Party may make available to third parties for further research those CRADA Materials made jointly by both PHS and Collaborator.

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Notwithstanding the above, if those joint CRADA Materials are the subject of a pending Patent Application or a Patent, or were created using a patent-pending or patented material or technology, the Parties may agree to restrict distribution or freely distribute them. Either Party may distribute those CRADA Materials made solely by the other Party only upon written consent from that other Party or that other Party's designee.

8.3 **Confidential Information.** Each Party agrees to limit its disclosure of Confidential Information to the amount necessary to carry out the Research Plan, and will place a confidentiality notice on all this information. A Party orally disclosing Confidential Information to the other Party will summarize the disclosure in writing and provide it to the other Party within fifteen (15) days of the disclosure. Each Party receiving Confidential Information agrees to use it only for the purposes described in the Research Plan. Either Party may object to the designation of information as Confidential Information by the other Party.

8.4 **Protection of Confidential Information.** Confidential Information will not be disclosed, copied, reproduced or otherwise made available to any other person or entity without the consent of the owning or providing Party except as required by a court or administrative body of competent jurisdiction, or federal law or regulation. Each Party agrees to use reasonable efforts to maintain the confidentiality of Confidential Information, which will in no instance be less effort than the Party uses to protect its own Confidential Information. Each Party agrees that a Party receiving Confidential Information will not be liable for the disclosure of that portion of the Confidential Information which, after notice to and consultation with the disclosing Party, the receiving Party determines may not be lawfully withheld, provided the disclosing Party has been given a reasonable opportunity to seek a court order to enjoin disclosure.

8.5 **Human Subject Protection.** The research to be conducted under this CRADA involves Human Subjects or human tissues within the meaning of 45 C.F.R. Part 46, and all research to be performed under this CRADA will conform to applicable federal laws and regulations. Additional information is available from the HHS Office for Human Research Protections (<http://www.hhs.gov/ohrp/>).

8.6 **Duration of Confidentiality Obligation.** The obligation to maintain the confidentiality of Confidential Information will expire at the earlier of the date when the information is no longer Confidential Information as defined in Paragraph 2.4 or three (3) years after the expiration or termination date of this CRADA, except for IPI, for which the obligation to maintain confidentiality will extend indefinitely. Collaborator may request an extension to this term when necessary to protect Confidential Information relating to products not yet commercialized.

8.7 **Publication.** The Parties are encouraged to make publicly available the results of their research and development activities. Before either Party submits a paper or abstract for publication or otherwise intends to publicly disclose information about a CRADA Subject Invention, CRADA Data, or CRADA Materials, the other Party will have thirty (30) days to review proposed manuscripts and three (3) days to review proposed abstracts to assure that Confidential Information is protected. Either Party may request in writing that the proposed publication or other disclosure be delayed for up to thirty (30) additional days as necessary to file a Patent Application.

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8.8 **Clinical Investigators' Research and Development Activities.** Although this CRADA does not grant to Collaborator any rights to Inventions made or Raw Data generated by ICD's contractors or grantees, as they are not parties to this CRADA, ICD agrees that:

8.8.1 Subject to the other provisions of Article 8 of this CRADA, ICD will maintain, to the extent permitted by law, all Clinical Data in ICD's Possession and Control as Confidential Information, and make them available to Collaborator for its own use and for exclusive use in obtaining regulatory approval for the commercial marketing of Test Article and related CRADA Subject Inventions.

8.8.2 With regard to Collaborator's Confidential Information, ICD will require the Clinical Investigators to agree to confidentiality provisions at least as restrictive as those provided in this CRADA and to Collaborator's use of data in accordance with Paragraph 8.8.1 for obtaining regulatory approval for marketing Test Article.

8.8.3 If Collaborator wants access to Raw Data or any other data in the possession of the Clinical Investigators working with Test Article, Collaborator must first contact the CRADA PI. Collaborator will bear any costs associated with Raw Data provided in formats customized for Collaborator.

8.8.4 Collaborator's right to access Clinical Data in ICD's Possession and Control under Paragraph 8.8 is dependent upon Collaborator's continued development and commercialization of Investigational Agent. If Collaborator fails to continue development or commercialization of Investigational Agent without the transfer of its development efforts to another party within ninety (90) days of discontinuation, ICD has the right to make Clinical Data in ICD's Possession and Control available to a third party.

## Article 9. Representations and Warranties

9.1 **Representations of ICD.** ICD hereby represents to Collaborator that:

9.1.1 ICD has the requisite power and authority to enter into this CRADA and to perform according to its terms, and that ICD's official signing this CRADA has authority to do so.

9.1.2 To the best of its knowledge and belief, neither ICD nor any of its personnel involved in this CRADA is presently subject to debarment or suspension by any agency of the Government which would directly affect its performance of the CRADA. Should ICD or any of its personnel involved in this CRADA be debarred or suspended during the term of this CRADA, ICD will notify Collaborator within thirty (30) days of receipt of final notice.

9.2 **Representations and Warranties of Collaborator.** Collaborator hereby represents and warrants to ICD that:

9.2.1 Collaborator has the requisite power and authority to enter into this CRADA and to perform according to its terms, and that Collaborator's official signing this CRADA has authority to do so.

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9.2.2 Neither Collaborator nor any of its personnel involved in this CRADA, including Affiliates, agents, and contractors are presently subject to debarment or suspension by any agency of the Government. Should Collaborator or any of its personnel involved in this CRADA be debarred or suspended during the term of this CRADA, Collaborator will notify ICD within thirty (30) days of receipt of final notice.

9.2.3 Subject to Paragraph 12.3, and if and to the extent Collaborator has agreed to provide funding under Appendix B, Collaborator is financially able to satisfy these obligations in a timely manner.

9.2.4 The Test Article provided has been produced in accordance with the FDA's current Good Manufacturing Practice set out in 21 C.F.R. §§ 210-211, and ICH QA7, and meets the specifications cited in the Certificate of Analysis and Investigator's Brochure provided.

## **Article 10. Expiration and Termination**

10.1 **Expiration.** This CRADA will expire on the last date of the term set forth on the Summary Page. In no case will the term of this CRADA extend beyond the term indicated on the Summary Page unless it is extended in writing in accordance with Paragraph 13.6.

10.2 **Termination by Mutual Consent.** ICD and Collaborator may terminate this CRADA at any time by mutual written consent.

10.3 **Unilateral Termination.** Either ICD or Collaborator may unilaterally terminate this CRADA at any time by providing written notice at least sixty (60) days before the desired termination date. ICD may, at its option, retain funds transferred to ICD before unilateral termination by Collaborator for use in completing the Research Plan. If Collaborator terminates this Agreement before the completion of all approved or active Protocol(s), then Collaborator will supply enough Test Article (and Placebo, if applicable) to complete these Protocol(s) unless termination is for safety concerns.

10.4 **Funding for ICD Personnel.** If Collaborator has agreed to provide funding for ICD personnel and this CRADA is mutually or unilaterally terminated by Collaborator before its expiration, then Collaborator agrees that funds for that purpose will be available to ICD for a period of six (6) months after the termination date or until the expiration date of the CRADA, whichever occurs sooner. If there are insufficient funds to cover this expense, Collaborator agrees to pay the difference.

10.5 **New Commitments.** Neither Party will incur new expenses related to this CRADA after expiration, mutual termination, or a notice of a unilateral termination and will, to the extent feasible, cancel all outstanding commitments and contracts by the termination date. Collaborator acknowledges that ICD will have the authority to retain and expend any funds for up to one (1) year subsequent to the expiration or termination date to cover any unpaid costs obligated during the term of the CRADA in undertaking the research and development activities set forth in the Research Plan.

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10.6 **Collaborator Failure to Continue Development.** If Collaborator suspends development of the Test Article without the transfer of its active development efforts, assets, and obligations to a third party within ninety (90) days of discontinuation, Collaborator agrees that ICD may continue developing the Test Article. In that event, the following will apply:

10.6.1 Collaborator agrees to transfer to ICD all information necessary to enable ICD to contract for the manufacture of the Test Article and, unless abandoned for reasons relating to safety as determined by the data safety monitoring board, to provide the Test Article (and Placebo, if any) in Collaborator's inventory to ICD.

10.6.2 Further, Collaborator hereby grants to ICD a nonexclusive, irrevocable, world-wide, paid-up license to practice, or have practiced for or on behalf of the Government, any Background Invention that Collaborator may currently have or will obtain on the Test Article, its manufacture, or on any method of using the Test Article for the indication(s) described in the Research Plan, including the right to sublicense to third parties.

## **Article 11. Disputes**

11.1 **Settlement.** Any dispute arising under this CRADA which is not disposed of by agreement of the CRADA Principal Investigators will be submitted jointly to the signatories of this CRADA. If the signatories, or their designees, are unable to jointly resolve the dispute within thirty (30) days after notification thereof, the Assistant Secretary for Health (or his/her designee or successor) will propose a resolution. Nothing in this Paragraph will prevent any Party from pursuing any additional administrative remedies that may be available and, after exhaustion of such administrative remedies, pursuing all available judicial remedies.

11.2 **Continuation of Work.** Pending the resolution of any dispute or claim pursuant to this Article 11, the Parties agree that performance of all obligations will be pursued diligently.

## **Article 12. Liability**

12.1 **NO WARRANTIES.** EXCEPT AS SPECIFICALLY STATED IN ARTICLE 9, THE PARTIES MAKE NO EXPRESS OR IMPLIED WARRANTY AS TO ANY MATTER WHATSOEVER, INCLUDING THE CONDITIONS OF THE RESEARCH OR ANY INVENTION OR MATERIAL, WHETHER TANGIBLE OR INTANGIBLE, MADE OR DEVELOPED UNDER OR OUTSIDE THE SCOPE OF THIS CRADA, OR THE OWNERSHIP, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE RESEARCH OR ANY INVENTION OR MATERIAL, OR THAT A TECHNOLOGY UTILIZED BY A PARTY IN THE PERFORMANCE OF THE RESEARCH PLAN DOES NOT INFRINGE ANY THIRD-PARTY PATENT RIGHTS.

12.2 **Indemnification and Liability.** Collaborator agrees to hold the Government harmless and to indemnify the Government for all liabilities, demands, damages, expenses and losses arising out of the use by Collaborator for any purpose of the CRADA Data, CRADA Materials or CRADA Subject Inventions produced in whole or part by ICD employees under this CRADA, unless due to the negligence or willful misconduct of ICD, its employees, or agents. The Government has no statutory authority to indemnify Collaborator. Each Party otherwise will be

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liable for any claims or damages it incurs in connection with this CRADA, except that ICD, as an agency of the Government, assumes liability only to the extent provided under the Federal Tort Claims Act, 28 U.S.C. Chapter 171.

12.3 **Force Majeure.** Neither Party will be liable for any unforeseeable event beyond its reasonable control and not caused by its own fault or negligence, which causes the Party to be unable to perform its obligations under this CRADA, and which it has been unable to overcome by the exercise of due diligence. If a *force majeure* event occurs, the Party unable to perform will promptly notify the other Party. It will use its best efforts to resume performance as quickly as possible and will suspend performance only for such period of time as is necessary as a result of the *force majeure* event.

### Article 13. Miscellaneous

13.1 **Governing Law.** The construction, validity, performance and effect of this CRADA will be governed by U.S. federal law, as applied by the federal courts in the District of Columbia. If any provision in this CRADA conflicts with or is inconsistent with any U.S. federal law or regulation, then the U.S. federal law or regulation will preempt that provision.

13.2 **Compliance with Law.** ICD and Collaborator agree that they will comply with, and advise any contractors, grantees, or agents they have engaged to conduct the CRADA research and development activities to comply with, all applicable Executive Orders, statutes, and HHS regulations relating to research on human subjects (45 C.F.R. Part 46, 21 C.F.R. Parts 50 and 56) and relating to the appropriate care and use of laboratory animals (7 U.S.C. §§ 2131 et seq.; 9 C.F.R. Part 1, Subchapter A). ICD and Collaborator will advise any contractors, grantees, or agents they have engaged to conduct clinical trials for this CRADA that they must comply with all applicable federal regulations for the protection of Human Subjects, which may include the Standards for Privacy of Individually Identifiable Health Information set forth in 45 C.F.R. Part 164. Collaborator agrees to ensure that its employees, contractors, and agents who might have access to a “select agent or toxin” (as that term is defined in 42 C.F.R. §§ 73.4-73.5) transferred from ICD is properly licensed to receive the “select agent or toxin.”

13.3 **Waivers.** None of the provisions of this CRADA will be considered waived by any Party unless a waiver is given in writing to the other Party. The failure of a Party to insist upon strict performance of any of the terms and conditions hereof, or failure or delay to exercise any rights provided herein or by law, will not be deemed a waiver of any rights of any Party.

13.4 **Headings.** Titles and headings of the articles and paragraphs of this CRADA are for convenient reference only, do not form a part of this CRADA, and will in no way affect its interpretation.

13.5 **Severability.** The illegality or invalidity of any provisions of this CRADA will not impair, affect, or invalidate the other provisions of this CRADA.

13.6 **Amendments.** Minor modifications to the Research Plan may be made by the mutual written consent of the CRADA Principal Investigators. Substantial changes to the CRADA, extensions of the term, or any changes to Appendix C will become effective only upon a written amendment signed by the signatories to this CRADA or by their representatives duly authorized

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to execute an amendment. A change will be considered substantial if it directly expands the range of the potential CRADA Subject Inventions, alters the scope or field of any license option governed by Article 7, or requires a significant increase in the contribution of resources by either Party.

13.7 **Assignment.** Neither this CRADA nor any rights or obligations of any Party hereunder will be assigned or otherwise transferred by either Party without the prior written consent of the other Party. This CRADA will be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

13.8 **Notices.** All notices pertaining to or required by this CRADA will be in writing, signed by an authorized representative of the notifying Party, and delivered by first class, registered, or certified mail, or by an express/overnight commercial delivery service, prepaid and properly addressed to the other Party at the address designated on the Contacts Information Page, or to any other address designated in writing by the other Party. Notices will be considered timely if received on or before the established deadline date or sent on or before the deadline date as verifiable by U.S. Postal Service postmark or dated receipt from a commercial carrier. Notices regarding the exercise of license options will be made pursuant to Paragraph 7.3. Either Party may change its address by notice given to the other Party in the manner set forth above.

13.9 **Independent Contractors.** The relationship of the Parties to this CRADA is that of independent contractors and not agents of each other or joint venturers or partners. Each Party will maintain sole and exclusive control over its personnel and operations.

13.10 **Use of Name; Press Releases.** By entering into this CRADA, the Government does not directly or indirectly endorse any product or service that is or will be provided, whether directly or indirectly related to either this CRADA or to any patent or other intellectual-property license or agreement that implements this CRADA by Collaborator, its successors, assignees, or licensees. Collaborator will not in any way state or imply that the Government or any of its organizational units or employees endorses any product or services. Each Party agrees to provide proposed press releases that reference or rely upon the work under this CRADA to the other Party for review and comment at least five (5) business days before publication. Either Party may disclose the Title and Abstract of the CRADA to the public without the approval of the other Party.

13.11 **Reasonable Consent.** Whenever a Party’s consent or permission is required under this CRADA, its consent or permission will not be unreasonably withheld.

13.12 **Export Controls.** Collaborator agrees to comply with U.S. export law and regulations. If Collaborator has a need to transfer any CRADA Materials made in whole or in part by ICD, or ICD Materials, or ICD’s Confidential Information to a person located in a country other than the United States, to an Affiliate organized under the laws of a country other than the United States, or to an employee of Collaborator in the United States who is not a citizen or permanent resident of the United States, Collaborator will acquire any and all necessary export licenses and other appropriate authorizations.

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13.13 **Entire Agreement.** This CRADA constitutes the entire agreement between the Parties concerning the subject matter of this CRADA and supersedes any prior understanding or written or oral agreement.

13.14 **Survivability.** The provisions of Paragraphs 3.3, 3.4, 3.8, 4.2, 4.3, 5.3, 5.4, 6.1-9.2, 10.3-10.6, 11.1, 11.2, 12.1-12.3, 13.1-13.3, 13.7, 13.10 and 13.14 will survive the expiration or early termination of this CRADA.

SIGNATURES BEGIN ON THE NEXT PAGE

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SIGNATURE PAGE

ACCEPTED AND AGREED

BY EXECUTING THIS AGREEMENT, EACH PARTY REPRESENTS THAT ALL STATEMENTS MADE HEREIN ARE TRUE, COMPLETE, AND ACCURATE TO THE BEST OF ITS KNOWLEDGE. COLLABORATOR ACKNOWLEDGES THAT IT MAY BE SUBJECT TO CRIMINAL, CIVIL, OR ADMINISTRATIVE PENALTIES FOR KNOWINGLY MAKING A FALSE, FICTITIOUS, OR FRAUDULENT STATEMENT OR CLAIM.

FOR ICD:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Typed Name:  
Title:

FOR COLLABORATOR:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Typed Name:  
Title:

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CONTACTS INFORMATION PAGE

CRADA Notices

For ICD:

For Collaborator:

Patenting and Licensing

For ICD:

For Collaborator (if separate from above):

Division Director, Division of Technology  
Development and Transfer  
NIH Office of Technology Transfer  
6011 Executive Boulevard, Suite 325  
Rockville, Maryland 20852-3804  
Tel: 301-496-7057  
Fax: 301-402-0220

Delivery of Materials Identified In Appendix B (if any)

For ICD:

For Collaborator:

Name:  
Branch:  
Address:  
Telephone:

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SUMMARY PAGE

*EITHER PARTY MAY, WITHOUT FURTHER CONSULTATION OR PERMISSION,  
RELEASE THIS SUMMARY PAGE TO THE PUBLIC.*

TITLE OF CRADA:

PHS [ICD] Component:  
ICD CRADA Principal Investigator:

Collaborator:  
Collaborator CRADA Principal Investigator:

Term of CRADA: ( ) years from the Effective Date

ABSTRACT OF THE RESEARCH PLAN:

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Appendix C

CTEP Exceptions or Modifications to this CRADA (6/26/06)

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Appendix C

Exceptions or Modifications to this CRADA

**Additions and deletions within Articles of the extramural clinical trial CRADA appear as underline and strikeout, respectively.**

“**Test Article**” means, in accordance with 21 C.F.R. § 50.3(j), any drug (including a biological product), medical device, food additive, color additive, electronic product, or any other article subject to regulation under the Federal Food, Drug, and Cosmetic Act that is intended for administration to humans or animals, including a drug or biologic as identified in the Research Plan and Appendix B, that is used within the scope of the Research Plan. The Test Article may also be referred to as Investigational Agent, Study Material, or Study Product. For this Agreement, Investigational Agent means xxxxxxxxxxxx.

Add the following new sections to the **Article 2. Definitions**:

“**Contract**” means a Funding Agreement that is a research and development mechanism that provides that the contractor perform for the benefit of the Government, with an expectation of completion of the stated research goals and the delivery of a report, data, materials or other product. Generally, Contracts are administered under the Federal Acquisition Regulations (FAR) codified at Title 48 C.F.R., Chapter 1 or the Health Services Acquisition Regulations (HSAR) codified at Title 48 C.F.R., Chapter 3.

“**Cooperative Agreement**” means a Funding Agreement that is a species of a Grant, whereby the funding Federal agency intends to be substantially involved in carrying out the research program.

“**CTA**” means Clinical Trial Agreement.

“**CTEP**” means the Cancer Therapy Evaluation Program, DCTD, NCI, a program within NCI which plans, assesses and coordinates all aspects of clinical trials including extramural clinical research programs, internal resources, treatment methods and effectiveness, and compilation and exchange of data.

“**DTP**” means Developmental Therapeutics Program, DCTD, NCI, the program within the NCI which coordinates preclinical development of agents to be evaluated in DCTD-sponsored clinical trials.

“**DCTD**” means Division of Cancer Treatment and Diagnosis, NCI.

“**FDA**” means U.S. Food and Drug Administration.

**“Funding Agreement”** means a Contract, Grant, or Cooperative Agreement entered into between a Federal agency and another party for the performance of experimental, developmental or research work funded in whole or in part by the Federal Government.

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**“Grant”** means a Funding Agreement that is an award of financial assistance which may be provided for support of basic research in a specific field of interest to the funding Federal agency.

**“Multi-Party Data”** means clinical data from clinical studies sponsored by NCI pursuant to CTAs or CRADAs, where such data are collected under protocols involving combinations of investigational agents from more than one CTA or CRADA collaborator.

**“Protocol Review Committee”** (or **“PRC”**) means the CTEP/DCTD committee that reviews and approves studies involving NCI investigational agents and/or activities supported by NCI.

### 3.7 **Investigational New Drug Applications.**

- 3.7.1 ~~If an IND is required either ICD or Collaborator, DCTD, NCI, as indicated in the Research Plan, will prepare and submit an IND and all Clinical Investigators participating in DCTD-sponsored clinical trials must have completed registration documents on file (1572 forms) with CTEP.~~
- 3.7.2 ~~If ICD elects to file its own IND, To support the DCTD IND, Collaborator agrees to provide ICD DCTD background data and information necessary to support the IND. Collaborator further agrees to provide a letter of cross-reference to all pertinent regulatory filings including an IND and/or DMF sponsored by Collaborator. Collaborator’s employees will be reasonably available to respond to inquiries from the FDA regarding information and data contained in the Collaborator’s IND, DMF, other filings, or other information and data provided to ICD DCTD by the Collaborator pursuant to this Article 3. If ICD DCTD has provided information or data to assist Collaborator in its IND filing, ICD DCTD will provide a letter of cross reference to its IND and respond to inquiries related to information provided by ICD DCTD, as applicable.~~
- 3.7.3 If Collaborator supplies Confidential Information to ~~ICD DCTD~~ in support of an IND filed by ~~ICD DCTD~~, this information will be protected in accordance with the corresponding confidentiality provisions of Article 8.
- 3.7.4 Collaborator may sponsor its own clinical trials and hold its own IND for studies performed outside the scope of this CRADA. These studies, however, should not adversely affect the ability to accomplish the goal of the Research Plan, for example, by competing for the same study population. All data from those clinical trials are proprietary to Collaborator for purposes of this CRADA.
- 3.7.5 In the event that Canadian institutions are participating on DCTD-sponsored clinical trials, Collaborator will need to assist in the submission of the regulatory documents to the Canadian Health Products and Food Branch to allow for such participation. This may include a letter of cross-reference to an existing Clinical Trials Application (CTA) or a DMF, including supporting documentation on the production of the Investigational Agent. The forms and procedures for preparing Canadian CTAs are available at [http://www.hc-sc.gc.ca/hpfb-dgpsa/index\\_e.html](http://www.hc-sc.gc.ca/hpfb-dgpsa/index_e.html).
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3.8 ~~**Test Article Investigational Agent Information and Supply.** Collaborator agrees to provide ICD DCTD without charge and on a schedule that will ensure adequate and timely performance of the research, a sufficient quantity of formulated and acceptably labeled, clinical-grade ~~Test Article Investigational Agent~~ (and, as required by the Protocol(s), Placebo) to complete the clinical trial(s) agreed to and approved under this CRADA. Collaborator will provide a Certificate of Analysis to ICD DCTD for each lot of the ~~Test Article Investigational Agent~~ provided. It is understood that DCTD shall take responsibility for and reasonable steps to maintain appropriate records and assure appropriate supply, handling storage, distribution and usage of these materials in accordance with the terms of this Agreement, the Protocol(s) and any applicable laws and regulations relating thereto.~~

Collaborator agrees to supply sufficient inventory to ensure adequate and timely supply of Investigational Agent for mutually agreed upon Protocol(s). DCTD will provide updated forecasts of amounts of Investigational Agent anticipated for ongoing and anticipated studies. Collaborator further agrees to provide draft Investigational Agent labels to the NCI Pharmaceutical Management Branch (PMB) for review and agrees to reasonable labeling revisions to comply with DCTD label guidelines. NCI NSC (National Service Center) numbers will be required to be on the label of Investigational Agent for all DCTD-sponsored clinical trials.

Furthermore, Collaborator agrees to provide without charge Investigational Agent or unformulated analytical grade Investigational Agent or metabolites, if available, to DCTD to supply to NCI investigators for the development of mutually agreed upon analytical assays, ancillary correlative studies and pre-clinical studies conducted in conjunction with DCTD-sponsored protocols.

Collaborator agrees to allow Investigational Agent to be distributed to NCI investigators for mutually agreeable preclinical studies designed to enhance the basic understanding and development of Investigational Agent. These will include preclinical studies designed to support clinical trials in pediatric patients; preclinical combination studies to provide data in support of a clinical trial and other pertinent requests. All NCI investigators will sign Material Transfer Agreements (MTAs) that acknowledge the proprietary nature of the Investigational Agent to Collaborator and include intellectual property and publication provisions consistent with those in this Agreement and for clinical trials.

For many investigational agents for which NCI collaborates in development, NCI will undertake non-clinical studies to enhance the understanding of the mechanism of action of the investigational agent and its targets such as, but not limited to, the development of assays to detect target modulation, biomarker studies, and pharmacodynamics in conjunction with the conduct of clinical studies sponsored by DCTD. Collaborator agrees to provide Investigational Agent to DCTD for these non-clinical studies. A general plan for the non-clinical studies of the Investigational Agent will be established by the Steering Committee. Manuscripts and presentations related to non-clinical studies will be handled in accordance with Article 8.7 of this CRADA.

Collaborator agrees to provide to the PMB the Investigator's Brochure (IB) for Investigational Agent and all subsequent revisions/editions. In addition to being filed to the CTEP IND, the IB

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will be on file in the PMB and will be distributed to all investigators participating on a clinical trial using the Investigational Agent. Distribution will be accompanied by a statement about the confidentiality of the document and it is anticipated that distribution will be electronic. All electronic distribution will be done using Adobe Acrobat PDF. Any IB received by the PMB that is not in this format will be converted before distribution. Hard copy IBs should be sent to IB Coordinator, Pharmaceutical Management Branch, CTEP, DCTD, NCI, 6130 Executive Blvd, Room 7149, Rockville, MD 20852. Electronic versions should be emailed to the IB Coordinator at IBCoordinator@mail.nih.gov.

3.9 ~~Test Article Investigational Agent~~ **Delivery and Usage.** Collaborator will ship the ~~Test Article Investigational Agent~~ and, if required, Placebo to ~~ICD NCI~~ or its designee in containers marked in accordance with 21 C.F.R. § 312.6. ~~ICD NCI~~ agrees that the Clinical Investigators will keep appropriate records and take reasonable steps to ensure that the ~~Test Article Investigational Agent~~ is used in accordance with the Protocol(s) and applicable FDA regulations. In addition, ~~ICD NCI~~ agrees that the ~~Test Article Investigational Agent~~ (and all Confidential Information supplied by Collaborator relating to the ~~Test Article Investigational Agent~~) will be used solely for the conduct of the CRADA research and development activities. Furthermore, ~~ICD NCI~~ agrees that no analysis or modification of the ~~Test Article Investigational Agent~~ will be performed without Collaborator's prior written consent. At the completion of the Research Plan, any unused quantity of ~~Test Article Investigational Agent~~ will be returned to Collaborator or disposed as directed by Collaborator. ~~Pharmacy contacts at ICD or its designee will be determined by ICD and communicated to Collaborator. The contact person for NCI will be Mr. Charles Hall, Chief, Pharmaceutical Management Branch (Telephone Number 301-496-5725) and the Collaborator contact will be XXXXXX (Telephone Number XXXXX).~~

### 3.10 **Monitoring.**

3.10.1 ~~The Sponsor or its designee DCTD, NCI~~ will be primarily responsible for monitoring clinical sites and for assuring the quality of all clinical data, unless otherwise stated in the Research Plan. Monitoring will comply with FDA Good Clinical Practice (International Conference on Harmonisation (ICH) E6: "Good Clinical Practice: Consolidated Guidance; 62 Federal Register 25, 691 (1997)). ~~The other Party may also perform quality assurance oversight. The monitor will communicate significant Protocol violations and submit documentation of monitoring outcomes on Protocol insufficiencies to the other Party in a timely manner.~~

3.10.2 Subject to the restrictions in Article 8 concerning IPI, and with reasonable advance notice and at reasonable times, ~~ICD DCTD~~ will permit Collaborator or its designee(s) access to clinical site(s) to monitor the conduct of the research, as well as to audit source documents containing Raw Data, to the extent necessary to verify compliance with FDA Good Clinical Practice and the Protocol(s).

3.11 **FDA Meetings/Communications.** All formal meetings with the FDA concerning any clinical trial within the scope of the Research Plan will be discussed by Collaborator and ICD in advance. Each Party reserves the right to take part in setting the agenda for, to attend, and to participate in these meetings. The Sponsor will provide the other Party with copies of FDA

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meeting minutes, all transmittal letters for IND submissions, IND safety reports, formal questions and responses that have been submitted to the FDA, Annual Reports, and official FDA correspondence, pertaining either to the INDs under this CRADA or to the Clinical Investigators on Protocols performed in accordance with the Research Plan, except to the extent that those documents contain the proprietary information of a third party or dissemination is prohibited by law.

Add a new **Article 3.12** as follows:

3.12 **Steering Committee and CRADA Research.** The Parties agree to establish a Steering Committee comprising at least the CRADA Principal Investigators to conduct and monitor the research of the Investigational Agent in accordance with the CRADA Research Plan. Members of the Steering Committee shall continue to remain employed by their respective employers under their respective terms of employment.

Investigational Agent's development under the CRADA Research Plan shall be a collaborative undertaking by Collaborator and NCI. Details of this development beyond those set forth in the CRADA Research Plan shall be formulated and/or discussed in Steering Committee meeting(s) before implementation of large-scale or resource intensive studies. The clinical development plans formulated by the Steering Committee shall be implemented either intramurally at the NCI or extramurally under NCI-sponsored Funding Agreements.

Additional CRADA information, including Steering Committee meeting reports, Protocol Review Committee records, clinical trial protocols, Institutional Review Board approval information, IND and general regulatory information, and preclinical and clinical data in NCI's possession and control shall remain on file with NCI.

Add a new **Article 3.13** as follows:

3.13 **Clinical Protocols.** Clinical protocol Letters of Intent (LOI) or concepts for each study within the scope of the CRADA Research Plan will be solicited by CTEP from selected intramural and extramural Clinical Investigators. Clinical protocols from each DCTD- and Collaborator-approved LOI or concept will describe in detail the research to be conducted at each center and must be submitted to the Protocol Review Committee (PRC) for review and approval prior to implementation. Each clinical protocol received by NCI will be forwarded electronically to Collaborator for review and comment approximately two weeks before it is reviewed by the PRC. Comments from Collaborator received by CTEP before the PRC meeting will be discussed by the PRC, will be given due consideration, and will be incorporated into the protocol, absent good cause. Comments from either Collaborator or the CTEP staff that are agreed upon in the PRC meeting will be formatted as a consensus review, which is returned to the Clinical Investigator for necessary and/or suggested changes before the protocol can be given final approval and submitted to the FDA. A copy of the final approved protocol will be forwarded to Collaborator within 24 to 48 hours of its submission to the FDA.

4.2 **Final Research and Development Reports.** The Parties will exchange final reports of their results within six (6) months after the expiration or termination of this CRADA. These reports will set forth the technical progress made; any publications arising from the research; and

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the existence of invention disclosures of potential CRADA Subject Inventions and/or any corresponding Patent Applications. Abstracts and publications provided to CTEP by investigators and further provided by CTEP to Collaborator will fulfill this final report obligation.

4.4 **Safety Reports.** In accordance with FDA requirements, the Sponsor will establish and maintain records and submit safety reports to the FDA, as required by 21 C.F.R. § 312.32 and 21 C.F.R. 812.150(b)(1), or other applicable regulations. In the conduct of research under this CRADA, the Parties will comply with specific ICD guidelines and policies for reporting ADEs and AEs, as well as procedures specified in the Protocol(s). The Sponsor must provide the other Party with copies of all Safety Reports concurrently with their submission to the FDA, and with any other information affecting the safety of Human Subjects in research conducted under this CRADA. DCTD shall report all serious and/or unexpected Adverse Events to FDA in accordance with the reporting obligations of 21 CFR 312.32 and will, within 24 to 48 hours of notification to FDA, forward all such reports to Collaborator. All other Adverse Event reports received by DCTD shall be reported to the FDA consistent with 21 CFR 312.32 and 312.33. In the event that Collaborator informs the FDA of any serious and/or unexpected Adverse Events, Collaborator must notify the NCI at the same time by sending the reports to CTEPSupportAE@tech-res.com. NCI will then notify the Clinical Investigator(s) conducting studies under DCTD-sponsored protocols, if appropriate.

4.5 **Annual Reports.** The Sponsor DCTD will provide the other Party Collaborator a copy of the Annual Report concurrently with the submission of the Annual Report to the FDA. Annual Reports will be kept confidential in accordance with Article 8. Collaborator will provide DCTD with a copy of its Annual Report to the FDA if Collaborator is sponsoring studies of Investigational Agent under its own IND.

7.2 **Collaborator's License Option to CRADA Subject Inventions.** With respect to Government rights to any CRADA Subject Invention made solely by an ICD employee(s) or made jointly by an ICD employee(s) and a Collaborator employee(s) for which a Patent Application was filed, PHS hereby grants to Collaborator an exclusive option to elect an exclusive, or co-exclusive, if applicable, or nonexclusive commercialization license. The option to elect a co-exclusive license shall apply when a CRADA Subject Invention is also a CRADA Subject Invention under another CRADA resulting from mutually agreed upon studies as described in Article 8.9 and the field of use of this co-exclusive license shall be to the use of the combination of the Investigational Agent with another agent(s) commensurate with the scope of the Research Plan. The license will be substantially in the form of the appropriate model PHS license agreement and will fairly reflect the nature of the CRADA Subject Invention, the relative contributions of the Parties to the CRADA Subject Invention and the CRADA, a plan for the development and marketing of the CRADA Subject Invention, the risks incurred by Collaborator, and the costs of subsequent research and development needed to bring the CRADA Subject Invention to the marketplace. The field of use of the license will not exceed the scope of the Research Plan.

7.6 **Third Party License.** Pursuant to 15 U.S.C. § 3710a(b)(1)(B), if PHS grants Collaborator an exclusive, or co-exclusive, license to a CRADA Subject Invention made solely by an ICD employee or jointly with a Collaborator employee, the Government will retain the

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right to require Collaborator to grant to a responsible applicant a nonexclusive, partially exclusive, or exclusive sublicense to use the CRADA Subject Invention in Collaborator's licensed field of use on terms that are reasonable under the circumstances; or, if Collaborator fails to grant a license, to grant a license itself. The exercise of these rights by the Government will only be in exceptional circumstances and only if the Government determines (i) the action is necessary to meet health or safety needs that are not reasonably satisfied by Collaborator, (ii) the action is necessary to meet requirements for public use specified by federal regulations, and such requirements are not reasonably satisfied by Collaborator; or (iii) Collaborator has failed to comply with an agreement containing provisions described in 15 U.S.C. § 3710a(c)(4)(B). The determination made by the Government under this Paragraph is subject to administrative appeal and judicial review under 35 U.S.C. § 203(2).

8.7 **Publication.** The Parties are encouraged to make publicly available the results of their research and development activities. Before either Party Collaborator or NCI submits a paper or abstract for publication or otherwise intends to publicly disclose information about a CRADA Subject Invention, CRADA Data, or CRADA Materials, the other Party will have thirty (30) days to review proposed manuscripts and three (3) days to review proposed abstracts to assure that Confidential Information is protected. Either Party may request in writing that the a proposed publication or other disclosure be delayed for up to thirty (30) additional days as necessary to file a Patent Application. Manuscripts to be submitted for publication by NCI investigators will be sent to NCI's Regulatory Affairs Branch [anshers@mail.nih.gov] for forwarding to Collaborator for review as soon as they are received and in compliance with the timelines outlined above. Abstracts to be presented by NCI investigators will be sent to NCI's Regulatory Affairs Branch [anshers@mail.nih.gov] for forwarding to Collaborator as soon as they are received, preferably no less than three days prior to submission, but prior to presentation or publication, to allow for preservation of U.S. or foreign patent rights.

8.8 **Clinical Investigators' Research and Development Activities.** In pursuing the development of Investigational Agent pursuant to this CRADA, NCI may utilize contractors and extramural investigators that are not NCI employees for part or all of the completion of this Research Plan, which may cover pre-clinical, non-clinical and clinical studies, through Funding Agreements. Participation in DCTD-sponsored clinical trials by these investigators shall be determined after competitive solicitation and review of Protocol Letters of Intent (LOIs) and study protocols by CTEP, NCI. All Funding Agreements for the conduct of extramural clinical trials will include the Intellectual Property Option to Collaborator Terms of Award Addition offering Collaborator first rights of negotiation to extramural inventions (web site: <http://ctep.cancer.gov/industry>). Although this CRADA does not grant to Collaborator any rights to Inventions made or Raw Data generated by ~~IGD's~~ NCI's contractors or grantees, as they are not parties to this CRADA, ~~IGD~~ NCI agrees that:

8.8.1 Subject to the other provisions of Article 8 of this CRADA, ~~IGD~~ NCI will maintain, to the extent permitted by law, all Clinical Data in ~~IGD's~~ NCI's Possession and Control as Confidential Information, and make them available to Collaborator for its own use and for exclusive use in obtaining regulatory approval for the commercial marketing of ~~Test Article~~ Investigational Agent and related CRADA Subject Inventions. Similarly, NCI will also maintain, to the extent permitted by law, all data generated in preclinical and non-clinical studies that are in NCI's possession and control as Confidential

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Information, and make them available to Collaborator for its own use and for exclusive use in obtaining regulatory approval for the commercial marketing of Investigational Agent and related CRADA Subject Inventions. Collaborator will not publish any such data provided under the CRADA without NCI's permission. Accordingly, said data shall not be transferable by Collaborator to any third party, except to Collaborator affiliates and

development partners, without the written permission of the NCI. Following NCI's permission, the third party shall enter into a Confidential Disclosure Agreement with the NCI and Collaborator, if requested by NCI, before any data can be transferred.

8.8.2 With regard to Collaborator's Confidential Information, ~~ICD~~ NCI will require the Clinical Investigators to agree to confidentiality provisions at least as restrictive as those provided in this CRADA and to Collaborator's use of data in accordance with Paragraph 8.8.1 for obtaining regulatory approval for marketing ~~Test Article Investigational Agent~~.

8.8.3 If Collaborator wants access to Raw Data or any other data in the possession of the Clinical Investigators working with ~~Test Article Investigational Agent~~ under a Funding Agreement or other agreements, Collaborator must first contact the CRADA PI Regulatory Affairs Branch (RAB), CTEP, NCI [Telephone 301-496-7912; anshers@mail.nih.gov]. Subsequent to authorization by RAB, Collaborator may directly contact the Clinical Investigators. Collaborator will bear any costs associated with Raw Data provided in formats customized for Collaborator, which costs will be paid by Collaborator directly to the Clinical Investigators.

8.8.4 Collaborator's right to access Clinical Data in ~~ICD's~~ NCI's Possession and Control under Paragraph 8.8 is dependent upon Collaborator's continued development and commercialization of Investigational Agent, If Collaborator fails to continue development or commercialization of Investigational Agent without the transfer of its development efforts to another party within ninety (90) days of discontinuation, ~~ICD~~ NCI has the right to make Clinical Data in ~~ICD's~~ NCI's Possession and Control available to a third party.

Add a new **Article 8.9** as follows:

8.9 **Multi-Party Data Rights.** For clinical protocol(s) where Investigational Agent is used in combination with another investigational agent supplied to NCI pursuant to a CTA or CRADA between NCI and an entity not a Party to this CRADA [hereinafter referred to as "Third Party"], the access and use of Multi-Party Data by the Collaborator and Third Party shall be co-exclusive as follows:

8.9.1 NCI will provide both Collaborator and Third Party with notice regarding the existence and nature of the agreements governing their collaborations with NIH, the design of the proposed combination protocol(s), and the existence of any obligations that might restrict NCI's participation in the proposed Combination protocols.

8.9.2 Collaborator shall agree to permit use of the Multi-Party Data from these trials by Third Party to the extent necessary to allow Third Party to develop, obtain regulatory approval for, or commercialize its own investigational agent(s). However, this provision

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will not apply unless Third Party also agrees to Collaborator's reciprocal use of Multi-Party Data.

8.9.3 Collaborator and Third Party must agree in writing prior to the commencement of the combination trial(s) that each will use the Multi-Party Data solely for the development, regulatory approval, and commercialization of its own investigational agent(s).

Add a new **Article 8.10** as follows:

8.10 **Access, review and receipt of Identifiable Private Information.** Collaborator access to and review of Identifiable Private Information shall be only for on-site quality auditing. Collaborator will receive Identifiable Private Information only if necessary for purposes of satisfying FDA or other health authorities' reporting requirements, and for internal research purposes, directly related to obtaining regulatory approval of Investigational Agent. Collaborator is prohibited from access, review, receipt, or use of such information for other purposes. All IRB approved protocols and informed consent documents related to this research project will clearly describe this practice. If the Collaborator will have access to Identifiable Private Information, the protocol and the informed consent must clearly state (i) the existence of the Collaborator; (ii) the Collaborator's access to Identifiable Private Information, if any; and (iii) the extent to which confidentiality will be maintained. For clinical protocol(s) involving a third party, the other party's access, review, receipt, or use of Identifiable Private Information shall be subject to the same limitations as described in this Article 8.10.

10.6 **Collaborator Failure to Continue Development.** If Collaborator suspends development of the ~~Test Article Investigational Agent~~ without the transfer of its active development efforts, assets, and obligations to a third party within ninety (90) days of discontinuation, Collaborator agrees that ICD may continue developing the ~~Test Article Investigational Agent~~. In that event, the following will apply:

10.6.1 Collaborator agrees to transfer to ICD all information necessary to enable ICD to contract for the manufacture of the ~~Test Article Investigational Agent~~ and, unless abandoned for reasons relating to safety as determined by the data safety monitoring board, to provide the ~~Test Article Investigational Agent~~ (and Placebo, if any) in Collaborator's inventory to ICD or arrange for an independent contractor to manufacture and provide Investigational Agent to NCI for two years or until the completion of ongoing mutually agreed to studies.

10.6.2 Further, Collaborator hereby grants to ICD a nonexclusive, irrevocable, world-wide, paid-up license to practice, or have practiced for or on behalf of the Government, any Background Invention that Collaborator may currently have or will obtain on the ~~Test Article Investigational Agent~~, its manufacture, or on any method of using the ~~Test Article Investigational Agent~~ for the indication(s) described in the Research Plan, including the right to sublicense to third parties.

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13.9 **Independent Contractors.** The relationship of the Parties to this CRADA is that of independent contractors and not agents of each other or joint venturers or partners. Each Party will maintain sole and exclusive control over its personnel and operations. If Collaborator elects to perform any portion of the Research Plan through a contractor or consultant, Collaborator agrees to incorporate into such contract all provisions necessary to ensure that the work of such contractor or consultants is governed by the terms of the CRADA, including, but not limited to a provision for the assignment of inventions of the contractor or consultant to the Collaborator.

13.12 **Export Controls.** Collaborator agrees to comply with U.S. export law and regulations, including 21 U.S.C. 382 and 21 CFR Part 312.110. If Collaborator has a need to transfer any CRADA Materials made in whole or in part by ICD, or ICD Materials, or ICD's Confidential Information to a person

located in a country other than the United States, to an Affiliate organized under the laws of a country other than the United States, or to an employee of Collaborator in the United States who is not a citizen or permanent resident of the United States, Collaborator will acquire any and all necessary export licenses and other appropriate authorizations.

13.14 **Survivability.** The provisions of Paragraphs [3.3, 3.4, 3.8, 4.2, 4.3, 4.4, 5.3, 5.4, 6.1-9.2, 10.3-10.6, 11.1, 11.2, 12.1-12.3, 13.1-13.3, 13.7, 13.10 and 13.14] will survive the expiration or early termination of this CRADA.

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## AMENDMENT #1

## To Letter of Intent for Proposed CRADA #2166

## “Pre-Clinical and Clinical Development of [\*]”

The purpose of this amendment is to change certain terms of the Letter of Intent (LOI) for the proposed Cooperative Research and Development Agreement (CRADA) entitled “Pre-Clinical and Clinical Development of [\*].” These changes are reflected below, and except for these changes, all other provisions of the original CRADA LOI remain in full force and effect. Two originals of this amendment are provided for execution; one is to remain with the National Cancer Institute (NCI) and the other copy is to remain with the Collaborator.

1. Upon final signature, the term of this CRADA Letter of Intent is extended for six months from November 23, 2007 to May 23, 2008.
2. Dr. Lee Jia is removed as an NCI Principal Investigator. The NCI Principal Investigators are Dr. Sherry Ansher and Dr. Howard Streicher.

**ACCEPTED AND AGREED TO:****For the National Cancer Institute:**/s/Anna D. BarkerAnna D. Barker, Ph.D.  
Deputy Director, NCI01/08/08

Date

**For NewLink Genetics Corporation:**/s/Charles Link1/17/08

Date

## AMENDMENT #2

## To Letter of Intent for Proposed CRADA #2166

## “Pre-Clinical and Clinical Development of [\*]”

The purpose of this amendment is to change certain terms of the Letter of Intent (LOI) for the proposed Cooperative Research and Development Agreement (CRADA) entitled “Pre-Clinical and Clinical Development of [\*].” These changes are reflected below, and except for these changes, all other provisions of the original CRADA LOI remain in full force and effect. Two originals of this amendment are provided for execution; one is to remain with the National Cancer Institute (NCI) and the other copy is to remain with the Collaborator.

1. Upon final signature, the term of this CRADA Letter of Intent is extended for six months from May 23, 2008 to November 23, 2008.
2. Drs. Jeffrey Abrams and James Zwiebel are added as NCI Principal Investigators. The NCI Principal Investigators are Dr. Jeffrey Abrams, Dr. Sherry Ansher, Dr. James Zwiebel and Dr. Howard Streicher.

**ACCEPTED AND AGREED TO:****For the National Cancer Institute:**/s/Anna D. BarkerAnna D. Barker, Ph.D.  
Deputy Director, NCI06/24/08

Date

**For NewLink Genetics Corporation:**/s/Nicholas Vahanian7/7/2008

Date

## AMENDMENT #3

## To Letter of Intent for Proposed CRADA #2166

## “Preclinical and Clinical Development of [\*]”

The purpose of this Amendment is to change certain terms of the Letter of Intent (LOI) for the proposed Cooperative Research and Development Agreement (CRADA) entitled “Preclinical and Clinical Development of [\*].” These changes are reflected below, and except for these changes, all other provisions of the original CRADA LOI remain in full force and effect. Two originals of this Amendment are provided for execution; one is to remain with the National Cancer Institute (NCI) and the other original is to remain with the Collaborator.

Upon final signature, the term of the CRADA Letter of Intent is extended for six months from November 23, 2008 to May 23, 2009.

**ACCEPTED AND AGREED TO:****For the National Cancer Institute:**

/s/Anna D. Barker

Anna D. Barker, Ph.D.  
Deputy Director, NCI

03/16/09

Date

**For NewLink Genetics Corporation:**

/s/Nicholas Vahanian

Name: Nicholas Vahanian  
Title: COO

03/24/09

Date

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## AMENDMENT #4

## To Letter of Intent for Proposed CRADA #2166

## “Preclinical and Clinical Development of [\*]”

The purpose of this Amendment is to change certain terms of the Letter of Intent (LOI) for the proposed Cooperative Research and Development Agreement (CRADA) entitled “Preclinical and Clinical Development of [\*].” These changes are reflected below, and except for these changes, all other provisions of the original CRADA LOI remain in full force and effect. Two originals of this Amendment are provided for execution; one is to remain with the National Cancer Institute (NCI) and the other original is to remain with the Collaborator.

Upon final signature, the term of the CRADA Letter of Intent is extended for six months from May 23, 2009 to November 23, 2009.

**ACCEPTED AND AGREED TO:****For the National Cancer Institute:**

/s/Anna D. Barker

Anna D. Barker, Ph.D.  
Deputy Director, NCI

10/16/09

Date

**For NewLink Genetics Corporation:**

/s/Nicholas Vahanian

Nicholas Vahanian  
Chief Operating Officer

10/28/09

Date

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AMENDMENT #5

To Letter of Intent for Proposed CRADA #2166

“Preclinical and Clinical Development of [\*]”

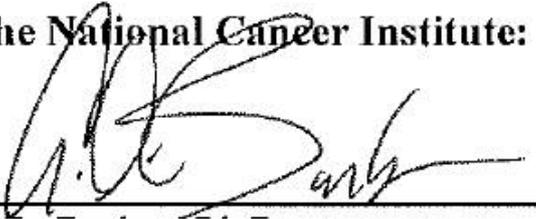
The purpose of this Amendment is to change certain terms of the Letter of Intent (LOI) for the proposed Cooperative Research and Development Agreement (CRADA) entitled “Preclinical and Clinical Development of [\*].” These changes are reflected below, and except for these changes, all other provisions of the original CRADA LOI remain in full force and effect. Two originals of this Amendment are provided for execution; one is to remain with the National Cancer Institute (NCI) and the other original is to remain with the Collaborator.

Upon final signature, the term of the CRADA Letter of Intent is extended for six months from November 23, 2009 to May 23, 2010.

ACCEPTED AND AGREED TO:

For the National Cancer Institute:

**the National Cancer Institute:**



Anna D. Barker, Ph.D.  
Deputy Director, NCI

11/04/09

Date

For NewLink Genetics Corporation:



Nicholas Vahanian, M.D.  
Chief Operating Officer

12/06/09

Date



AMENDMENT #6

To Letter of Intent for Proposed CRADA #2166

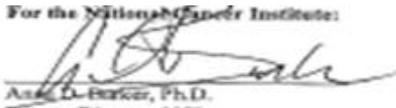
“Preclinical and Clinical Development of [\*]”

The purpose of this Amendment is to change certain terms of the Letter of Intent (LOI) for the proposed Cooperative Research and Development Agreement (CRADA) entitled “Preclinical and Clinical Development of [\*].” These changes are reflected below, and except for these changes, all other provisions of the original CRADA LOI remain in full force and effect. Two originals of this Amendment are provided for execution; one is to remain with the National Cancer Institute (NCI) and the other original is to remain with the Collaborator.

Upon final signature, the term of the CRADA Letter of Intent is extended for six months from May 23, 2010 to November 23, 2010.

ACCEPTED AND AGREED TO:

For the National Cancer Institute:

For the National Cancer Institute:  
  
Anna D. Barker, Ph.D.  
Deputy Director, NCI

06/24/10

Anna D. Barker, Ph.D.  
Deputy Director, NCI

Date

For NewLink Genetics Corporation:



6/29/10

Nicholas Vahanian, M.D.  
Chief Operating Officer

Date



THIS LICENSE AGREEMENT is made and entered into as of this 13 day of September, 2005, by and between the MEDICAL COLLEGE OF GEORGIA RESEARCH INSTITUTE, INC., a nonprofit Georgia corporation with offices located in the Medical College of Georgia, 1462 Laney Walker Blvd, Room CA-2125, Augusta, Georgia 30912-4810 (hereinafter referred to as "MCGRI") and NEWLINK GENETICS CORPORATION, a Delaware corporation with corporate headquarters located at 2901 South Loop Drive Suite 3900, Ames, Iowa 50010 (hereinafter referred to as "LICENSEE").

WITNESSETH

WHEREAS, the Medical College of Georgia Research Institute (MCGRI) is the assignee of all right, title, and interest in inventions developed by employees of The Medical College of Georgia (MCG) and is responsible for the protection and commercial development of such inventions; and

WHEREAS, David Munn, Andrew Mellor and Stephen Peiper, during the course of his/her/their employment by the Medical College of Georgia (MCG), developed certain inventions [\*] as more fully defined in Exhibit A; and

WHEREAS, MCGRI wants to have the inventions further developed and made available in commerce for use by the public; and

WHEREAS, LICENSEE represents that it has the necessary expertise and resources to fully develop and commercialize the inventions; and

WHEREAS, LICENSEE wishes to obtain certain rights to pursue the development and commercialization of the inventions; and

WHEREAS, MCGRI wishes to grant LICENSEE such rights in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and the premises herein contained, the parties, intending to be legally bound, hereby agree as follows.

ARTICLE 1. DEFINITIONS

The following terms as used herein shall have the following meaning:

1.1 "Affiliate" shall mean, with respect to Licensee, a person, corporation or other entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with Licensee. For the purposes of this definition, "control" means the direct or indirect ownership of at least twenty percent (20%) of the outstanding voting securities of the controlled entity.

1.2 "Agreement" or "License Agreement" shall mean this Agreement, including all Exhibits attached to this Agreement.

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1.3 "Field of Use" means any and all medical applications, including without limitation, prevention, diagnostics, and therapy, including action as an adjuvant.

1.4 "Improvement" shall mean any invention, that is conceived or reduced to practice in the laboratory of any Inventor (or of his/their collaborators), that relates to an invention claimed in or covered by the Licensed Patents or which is a modification of the inventions claimed in or covered by the Licensed Patents.

1.5 "Indemnitees" shall mean MCGRI, MCGRI's officers and directors, MCG, MCG's employees, and the Inventors, and their heirs, executors, administrators, and legal representatives.

1.6 "Inventors" shall mean David Munn, Andrew Mellor and/or Stephen Peiper, as applicable with respect to each Licensed Patent.

1.7 "License Agreement Year" shall mean the period from July 1 through June 30 of each year during the term of this Agreement.

1.8 "Licensed Patents" shall mean the patent applications and patents identified in EXHIBIT A hereof and any patent applications controlled by MCGRI that claim Improvements, together with all divisionals, continuations, continuations-in-part (to the extent directed to the subject matter specifically described in such patent applications and patents), reissues, and foreign counterparts of such applications or patents.

1.9 "Licensed Product(s)" shall mean any process, service, or product, the manufacture, use, or sale of which is covered by a Valid Claim or incorporates or uses any Licensed Technology.

1.10 "Licensed Technology" shall mean all information and materials proprietary to MCGRI, including designs, technical information, know how, knowledge, data, specifications, test results and other information relating to the Licensed Patents and disclosed by MCGRI to LICENSEE on the date of this Agreement or during the term hereof on an exclusive, confidential basis and which is not available from another source.

1.11 "Licensed Territory" means worldwide.

1.12 "Net Selling Price" of Licensed Products shall mean the gross revenues received by Licensee or its Affiliate from a purchaser of a Licensed Product that is not a Sublicensee of Licensee or its Affiliate (unless such Sublicensee is the end user of such Licensed Product, in which case the amount received therefore shall be deemed to be the amount that would be billed to a third party end user in an arm's-length transaction) including, if applicable, the value of all properties and services received in consideration of a Sale of Licensed Products, less the following items, as allocable to such Licensed Product (if not previously deducted from the amount invoiced): (i) trade discounts, credits or allowances; (ii) credits or allowances additionally granted upon returns, rejections or recalls; (iii) freight, shipping and insurance charges; (iv) taxes, duties or other governmental tariffs (other than income taxes); and (v) government mandated rebates. Where a Sale is deemed consummated by a gift, use, or other disposition

of Licensed Products for other than a selling price stated in cash, the term "Net Selling Price" shall mean the average gross selling price billed by LICENSEE in consideration of the Sale of comparable Licensed Products during the three (3) month period immediately preceding such Sale, without reduction of any kind; provided, however, that transfers and use of Licensed Products in clinical trials or for promotional or sampling purposes shall not be considered in determining Net Selling Price.

If the Licensed Products are Sold in combination with one or more other products or services which are not Licensed Products, Net Selling Price for such combination products will be calculated on a country-by-country basis by multiplying actual net selling price of such combination products by the fraction  $A/(A+B)$  where A is the average invoice price during the period of the Licensed Product when Sold separately, and B is the average invoice price of any other product(s) or services in the combination when Sold separately by Licensee. If the products or services in the combination that are not Licensed Products are not Sold separately by Licensee, Net Selling Price shall be calculated by multiplying actual net selling price of such combination products by the fraction  $A/C$  where A is the average invoice price of the Licensed Product when Sold separately and C is the average invoice price of the combination product. If neither the Licensed Product nor the combination product is Sold separately by Licensee, then Net Selling Price for royalty purposes hereunder for Sales of such combination product shall be determined by multiplying the Net Selling Price (calculated in the manner described above) of such combination product by a fraction, determined by mutual agreement of the parties, that reflects the relative contribution in value that the Licensed Product included in the combination product makes to the total value of such combination product.

1.13 "Sale" or "Sold" shall mean the sale, transfer, exchange, or other disposition of Licensed Products for value to a party other than LICENSEE or its Affiliate. Sales of Licensed Products shall be deemed consummated upon the first to occur of: (a) receipt of payment from the purchaser; or (b) if otherwise transferred, exchanged, or disposed of for consideration other than cash whether by gift or otherwise when such transfer, exchange, gift, or other disposition occurs.

1.14 "MCG" shall mean The Medical College of Georgia.

1.15 "Sublicensee" shall mean a third party to whom Licensee or its Affiliate has granted a sublicense under the Licensed patents to make, use, sell, offer to sell or import Licensed Products, beyond the mere right to purchase Licensed Product from Licensee or its Affiliate.

1.16 "Valid Claim" shall mean a claim included among the issued and unexpired Licensed Patents so long as such claim shall not have been irrevocably abandoned or held invalid in an unappealable decision of a court or other authority of competent jurisdiction.

## ARTICLE 2. GRANT OF LICENSE

2.1 License. MCGRI hereby grants LICENSEE and its Affiliates an exclusive right and license under the Licensed Patents and Licensed Technology to make, use, import, offer to sell and sell Licensed Products for the Field of Use in the Licensed Territory during the term of this Agreement.

2.2 Sublicensing. Licensee and its Affiliates may sublicense to one or more third parties the rights granted under this Agreement, subject to the prior approval of MCGRI, not to be unreasonably withheld or delayed. If this Agreement is terminated for any reason, any sublicenses granted shall remain in full force and effect and be directly enforceable by MCGRI.

2.3 Retained License. MCGRI retains on behalf of itself, MCG, the Inventors and any academic research collaborators, a royalty-free right and license to make and use Licensed Products and to practice Licensed Technology for research and educational purposes only.

2.4 No Implied License. The license and right granted in this Agreement shall not be construed to confer any rights upon LICENSEE by implication, estoppel, or otherwise as to any technology not specifically identified in this Agreement as Licensed Patents or Licensed Technology.

2.5 Government Rights. The Licensed Patents, Licensed Technology, or portions thereof may have been developed with financial or other assistance through grants or contracts funded by the United States government. LICENSEE acknowledges that in accordance with Public Law 96-517 and other statutes, regulations, and Executive Orders as now exist or may be amended or enacted, the United States government has certain rights in the Licensed Patents and Licensed Technology. LICENSEE shall take all action necessary to enable MCGRI to satisfy its obligations under any federal law relating to the Licensed Patents or Licensed Technology.

2.6 Publications. MCGRI shall have the right to publish any information included in the Licensed Patents subject to the provisions of this § 2.5 and Article 9. MCGRI shall provide to Licensee copies of any proposed presentation or publication or abstract disclosing information included in the Licensed Patents prior to the submission of such documents. Proposed publications and abstracts shall be supplied at least thirty (30) days in advance of submission to a journal, editor, or third party. Licensee may request reasonable changes and/or deletions be made in any proposed publication in order to protect the Licensed Patents and Licensee's confidential information. MCGRI (or any of its personnel) will consider such changes but retains the sole right to determine whether such changes or deletions will be made; but MCGRI agrees that it will honor (and will cause its personnel to honor) Licensee's reasonable requests to remove any confidential information of Licensee included in any such public disclosure. MCGRI agrees to delay such proposed public disclosure for up to ninety (90) days and to use commercially reasonable efforts to cooperate in the filing of a U.S. patent application as provided in Article 7 covering such subject matter prior to public disclosure.

## ARTICLE 3. DILIGENCE AND COMMERCIALIZATION

3.1 Licensee agrees to invest [\*] toward the further development of Licensed Products in the field of cancer therapy within eighteen (18) months after the execution date of the Agreement. If Licensee fails to make the required investment, and does not remedy that failure within sixty (60) days after written notice to Licensee, MCGRI, as its sole and exclusive remedy for such failure, may convert Licensee's right and license in the Field of Use for oncology to non-exclusive.

3.2 Licensee agrees to provide to MCGRI an annual report regarding Licensee's (or its Affiliates' or Sublicensees') progress in other areas of Licensed Product development (outside of cancer). MCGRI has the sole right to determine if non-cancer areas are receiving due diligence in product development in accordance with standards common to the industry, taking into account efficacy, the competitiveness of alternative products in the marketplace, the patent and other proprietary position of the Licensed Products, the likelihood of regulatory approval given the regulatory structure involved, the profitability of the Licensed Product and alternative products and all other relevant factors. If Licensee has not met basic product development milestones, and does not remedy that failure within sixty (60) days after written notice from MCGRI, Licensee's right and license in that area of the Field of Use (specifically, infectious disease or diagnostics) will revert from exclusive to non-exclusive for that specific application.

#### ARTICLE 4. CONSIDERATION FOR LICENSE

4.1 License Fee. As partial consideration for the license granted to LICENSEE under this Agreement, LICENSEE shall pay MCGRI a license fee of [\*]. The license fee shall be paid in two equal installments of [\*]. The first such installment shall be due within sixty (60) days of signing this Agreement, and the second installment shall be due no later than six (6) months after the first payment. Licensee will issue to MCGRI [\*] shares of Licensee's common stock (such number of shares to be adjusted for any stock dividends, combinations, splits, recapitalizations, and the like occurring after the effective date of the Agreement), subject to execution and delivery by MCGRI of a stock subscription agreement in the form of Exhibit B hereto. In regard to Improvement technologies created after the signing of this Agreement, if LICENSEE elects to include such technologies under this Agreement, there shall be a one-time License Fee of [\*] per technology, upon payment of which the new technology is considered part of this Agreement.

4.2 Sublicensing Fee. Licensee shall pay MCGRI [\*] of any fees or payments or remuneration paid to LICENSEE by a Sublicensee in relation to this License and for rights to all or part of the Licensed Patents (other than research funding, equity, loans or patent costs or fee

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reimbursements). Such percentage shall decrease [\*] for each year of the term of this Agreement in which Licensee expends at least [\*] towards the development of Licensed Products, but not to go below a floor of [\*].

4.3 Royalties. As partial consideration for the license granted to LICENSEE under this Agreement, LICENSEE shall pay MCGRI the following royalties based on the Net Selling Price of the applicable Licensed Products Sold by LICENSEE:

[\*]

Notwithstanding the foregoing, if Licensee is required to pay a royalty under a patent license from any third party in order to sell a Licensed Product, then Licensee may reduce the royalty otherwise payable to MCGRI on the Net Selling Price of such Licensed Product by [\*] of the royalty amounts paid to such third party; provided, however, that in no event will the royalty payable to MCGRI hereunder with respect to such Licensed Product [\*]. Royalties shall be payable on a Licensed Product-by-Licensed Product and country-by-country basis from first commercial sale of a Licensed Product in a country until the expiration of the last to expire valid claim of the Licensed Patents claiming the manufacture, use or sale of such Licensed Product in such country.

4.4 Minimum Royalties. Prior to the first commercial sale of a Licensed Product, Licensee shall pay to MCGRI an annual license fee equal to [\*] per License Agreement Year, within sixty (60) days following the end of each License Agreement Year. Following the first commercial sale of a Licensed Product, within sixty (60) days after the end of each License Agreement Year during the term of this Agreement thereafter, if earned royalties for such License Agreement Year are less than [\*], Licensee will pay to MCGRI a minimum annual royalty equal to the difference (if any) between [\*] and earned royalties for such year. For any partial year for which a minimum annual royalty is due hereunder, the amount of such minimum annual royalty shall be pro-rated based on a 365-day year.

4.5 Reimbursement for Patent Expenses. LICENSEE shall reimburse MCGRI for all reasonable, documented out-of-pocket fees, costs, and expenses hereafter during the term of this Agreement paid or incurred by MCGRI in filing, prosecuting, and maintaining the Licensed Patents in the Licensed Territory. LICENSEE shall provide such reimbursement for patent expenses within 30 days of receipt of the itemized invoice.

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#### 4.6 Milestone Payments to MCGRI.

4.6.1 Within sixty (60) days of the first achievement by any Licensed Product of the following milestone events, Licensee shall pay (or issue) to MCGRI the indicated consideration:

[\*]

4.6.1.1 Initiation of [\*] [\*]

4.6.1.2 Completion of [\*] [\*]

For clarity, each milestone payment above shall be due only once for a particular [\*] regardless of the number of molecules directed towards such [\*] pursued in a particular disease category.

4.6.1.3 Within sixty (60) days of the achievement by each Licensed Product of the following milestone events, Licensee shall pay to MCGRI the indicated amount:

4.6.1.4 [\*] [\*]

4.6.1.5 [\*] [\*]

For clarity, each milestone payment indicated above shall be due each time the milestone event is achieved by one or more Licensed Products.

#### ARTICLE 5. REPORTS AND PAYMENTS

5.1 Within sixty (60) days of September 30, December 31, March 31, and June 30 of each year during the term of this Agreement, up to and including September 30, December 31, March 31 and June 30 following the termination or expiration of this Agreement, LICENSEE shall render a written report to MCGRI setting forth for the preceding calendar quarter, the following as may be applicable under the royalty provisions hereof:

- (a) the Net Selling Price of all Licensed Products Sold by LICENSEE, and its Affiliates and Sublicensees under this Agreement; and
- (b) the amount of royalty payable; and
- (c) any other information reasonably necessary to show the basis on which such royalty has been computed; and
- (d) the title of the Licensed Patent(s), the Inventor(s), and the five digit MCG code(s) for the Licensed Patent(s); and
- (e) in case no payment is due for any calendar quarter hereunder, LICENSEE shall so report.

5.2 Each royalty report shall be accompanied by the payment of all royalties due for the quarter calendar year in question. Any minimum royalty payment due under Article 4 shall accompany the report for the quarter ending on June 30 of the applicable License Agreement Year.

5.3 All royalties shall be paid in United States funds collectible at one hundred percent (100%) of face value in New York, New York, U.S.A. For purposes of computing the royalty payment on

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Sales outside the United States, the royalty payment hereunder shall first be determined in the foreign currency of the country in which Licensed Products are Sold and then converted to United States dollars at the spot rate published by the Wall Street Journal (U.S. edition) on the last day of the quarter for which payment is due.

5.4 In high inflation countries where LICENSEE uses accounting treatment under Statement of Financial Accounting Standards No. 52, Paragraph 11, or the successor equivalent Standard, LICENSEE may for each such country at the end of each quarter convert each month's Sales in that quarter to United States dollars by assuming all Sales in that month occurred on the last day of the month, computing the collection date for that month's Sales to United States dollars at the forecasted exchange rate for that computed collection date; differences between the forecasted exchange rate and the actual exchange rate are to be corrected in the first quarter in which known.

5.5 If Licensed Products are Sold in a country in which conditions or legal restrictions exist which prohibit remittance of United States dollars, LICENSEE shall have the right and option to make the royalty payment for such country by depositing the amount thereof in the currency of the country of Sale at LICENSEE's election, to MCGRI's account in a bank designated by MCGRI in such country.

5.6 Interest. Payments required under this Agreement shall, if overdue, bear interest until payment at a per annum rate **[\*]**, on the due date. The payment of such interest shall not foreclose MCGRI from exercising any other rights it may have because any payment is late.

5.7 All payments and reports due under this Agreement shall be made in person or via the United States mail or private carrier to the following address:

Office of Technology Transfer and Economic Development  
Medical College of Georgia  
Attn: Associate Vice President of Technology Transfer & Economic Development  
CA-2125  
Medical College of Georgia  
Augusta, Georgia 30912-9824  
Facsimile: (706) 721-2917

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5.8 All payments should be made payable to: **The Medical College of Georgia Research Institute.**

#### ARTICLE 6. RECORDS

6.1 Records of Sales. During the term of this Agreement and for a period of three (3) years thereafter, LICENSEE shall keep at its principal place of business true and accurate records of all Sales in accordance with general accepted accounting principles in the respective country where such Sales occur and in such form and manner so that all royalties owed to MCGRI may be readily and accurately determined. LICENSEE shall furnish MCGRI copies of such records upon MCGRI's request, which shall not be made more often than once per License Agreement Year.

6.2 Audit of Records. MCGRI shall have the right, from time to time at reasonable times during normal business hours through an independent certified public accountant, to examine the records of LICENSEE in order to verify the calculation of any royalties payable under this Agreement. Such

examination and verification shall not occur more than once each License Agreement Year and the calendar year immediately following termination of this Agreement. Unless otherwise agreed in writing by LICENSEE, the fees and expenses of performing such examination and verification shall be borne by MCGRI. If such examination reveals an underpayment by LICENSEE of more than five percent (5%) for any quarter examined, LICENSEE shall pay MCGRI the amount of such underpayment plus interest and shall reimburse MCGRI for all expenses of the accountant performing the examination.

#### ARTICLE 7. PATENT PROSECUTION

7.1 Prosecution and Maintenance of Licensed Patents. The prosecution and maintenance of the Licensed Patents shall be the primary responsibility of MCGRI using counsel reasonably acceptable to LICENSEE. MCGRI shall keep LICENSEE informed as to all developments with respect to Licensed Patents, including by providing LICENSEE, in a timely manner prior to their due date, with copies of all official documents and correspondence relating to the prosecution, maintenance, and validity of the Licensed Patents. LICENSEE shall be afforded reasonable opportunities to advise MCGRI and cooperate with MCGRI in such prosecution and maintenance. LICENSEE shall advise MCGRI in which countries LICENSEE desires patents be filed, and MCGRI will comply with any such requests. MCGRI shall not unreasonably withhold consent to amend any patent application to include any claims related to Licensed Patents and/or Licensed Technology reasonably requested by LICENSEE to protect the Licensed Products

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contemplated to be sold under this Agreement. If LICENSEE should fail to timely make reimbursement for patent expenses incurred under this paragraph as required in Article 4.5 of this Agreement, MCGRI shall have no further obligation to prosecute or maintain the Licensed Patents. MCGRI shall not finally abandon prosecution of any patent application without first notifying LICENSEE sixty (60) days prior to any bar date, of MCGRI's intention and reason therefore, and providing LICENSEE with reasonable opportunity to assume responsibility for prosecution, maintenance and associated costs of such Licensed Patents.

LICENSEE, upon ninety (90) days advance written notice to MCGRI, may advise MCGRI that it no longer wishes to pay expenses for filing, prosecuting or maintaining one or more Licensed Patents. MCGRI may, at its option, elect to pay such expenses or permit such Licensed Patents to become abandoned or lapsed. If MCGRI elects to pay such expenses, such patents shall not be subject to any license granted to LICENSEE hereunder.

7.2 Extension of Licensed Patents. LICENSEE may request that MCGRI have the normal term of any Licensed Patent extended or restored under a country's procedure of extending life for time lost in government regulatory approval processes, and the expense of same shall be borne in accordance with the terms of Article 4.5. LICENSEE shall assist MCGRI to take whatever action is necessary to obtain such extension. In the case of such extension, royalties pursuant to Article 4 hereof shall be payable until the end of the extended life of the patent. In the event that LICENSEE does not elect to extend Licensed Patent(s), MCGRI may, at its own expense, effect the extension of such Licensed Patent(s). If MCGRI elects to pay such expenses, such extended Licensed Patents shall not be subject to any license granted to LICENSEE hereunder.

#### ARTICLE 8. ABATEMENT OF INFRINGEMENT

8.1 Each party shall promptly inform the other party of any suspected infringement of any Licensed Patents. During the term of this Agreement, MCGRI and LICENSEE shall have the right to institute an action for infringement of the Licensed Patents against any such third party in accordance with the following and subject to the rights of any third parties granted licenses to practice the Licensed Patents by MCGRI:

(a) If MCGRI and LICENSEE agree to institute suit jointly, the suit shall be brought in both their names [\*] and any recovery or settlement [\*]. LICENSEE and MCGRI shall agree upon the manner in which they shall exercise control over such action. MCGRI may, if it so desires, also be represented by separate counsel of its own selection. The fees for which counsel shall be paid by MCGRI;

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(b) In the absence of agreement to institute a suit jointly, MCGRI may institute suit, and, at its option, name LICENSEE as a plaintiff. [\*]of such litigation and shall be entitled to [\*]; and

(c) In the absence of agreement to institute a suit jointly and if MCGRI notifies LICENSEE that it has decided not to join in or institute a suit, as provided in (a) or (b) above, LICENSEE may institute suit and, at its option, name MCGRI as a plaintiff. [\*]of such litigation, including defending any counterclaims brought against MCGRI and paying any judgments rendered against MCGRI, and shall be entitled to [\*].

8.2 Should either MCGRI or LICENSEE commence a suit under the provisions of this Article and thereafter elect to abandon such suit, the abandoning party shall give timely notice to the other party who may, if it so desires, continue prosecution of such suit, provided that [\*] shall be as agreed upon between MCGRI and LICENSEE.

#### ARTICLE 9. CONFIDENTIALITY

9.1 LICENSEE shall not, without the express written consent of MCGRI, for any reason or at any time either during or subsequent to the term of this Agreement disclose any information contained in the Licensed Patents or Licensed Technology or any other information pertaining to the Licensed Patents and Licensed Technology (collectively referred to as "Proprietary Information") to third parties other than Affiliates and LICENSEE's sublicensees. This obligation of nondisclosure shall not extend to information:

(a) which LICENSEE can demonstrate through documentation to have been within LICENSEE's legitimate possession prior to the time of disclosure of such information to LICENSEE by MCGRI, MCG, or the Inventors;

(b) which was in the public domain prior to disclosure by MCGRI, MCG, or the Inventors, as evidenced by documents published prior to such disclosure;

(c) which, after disclosure by MCGRI, MCG, or the Inventors, comes into the public domain through no fault of LICENSEE;

(d) which is disclosed to LICENSEE by a third party having legitimate possession of the information and the unrestricted right to make such disclosure.

(e) which is required by a valid court order or law, in which case each party would notify the other.

9.2 All reports provided to MCGRI pursuant to this Agreement shall be treated as confidential information of Licensee and shall not be disclosed to any third party without the prior written consent of Licensee. Except as expressly provided herein, each party agrees not to disclose any terms of this Agreement to any third party without the consent of the other party; provided, however, that disclosures may be made as required by securities or other applicable laws, or to actual or prospective investors or corporate partners, or to a party's accountants, attorneys, and other professional advisors.

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9.3 Prior Agreements. The provisions of this Agreement supersede and shall be substituted for any terms of any prior confidentiality agreement between LICENSEE and MCGRI which are not consistent with this Agreement.

#### ARTICLE 10. MERCHANTABILITY AND EXCLUSION OF WARRANTIES

10.1 LICENSEE possesses the necessary expertise and skill in the technical areas in which the Licensed Products and Licensed Technology are involved to make, and has made, its own evaluation of the capabilities, safety, utility, and commercial application of the Licensed Patents and Licensed Technology. ACCORDINGLY, to the best of MCGRI's knowledge based on reasonable inquiry, MCGRI represents and warrants that: (i) the execution, delivery, and performance of this Agreement have been duly authorized by all necessary corporate action on the part of MCGRI; (ii) MCGRI is the sole and exclusive owner of all right, title, and interest in the Licensed Patents; (iii) it has the right to grant the rights and licenses granted herein; (iv) it has not granted any third party any license, right or interest in any of the Licensed Patents that is inconsistent with the rights granted to Licensee herein and will not grant any third party such a right during the term of this Agreement; and (v) there are no threatened or pending actions, suits, investigations, claims, or proceedings in any way relating to the Licensed Patents.

10.2 Except as expressly set forth in Section 10.1, MCGRI MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND WITH RESPECT TO THE LICENSED PATENTS OR LICENSED TECHNOLOGY AND EXPRESSLY DISCLAIMS ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND ANY OTHER IMPLIED WARRANTIES WITH RESPECT TO THE CAPABILITIES, SAFETY, UTILITY, OR COMMERCIAL APPLICATION OF LICENSED PATENTS OR LICENSED TECHNOLOGY.

#### ARTICLE 11. DAMAGES, INDEMNIFICATION, AND INSURANCE

11.1 NO LIABILITY. MCGRI shall not be liable to LICENSEE or LICENSEE's customers for special, incidental, indirect, or consequential damages resulting from defects in the design, testing, labeling, manufacture, or other application of Licensed Products manufactured, tested, designed, or Sold pursuant to this Agreement.

11.2 Indemnification. LICENSEE shall defend, indemnify, and hold harmless the Indemnitees from and against any and all loss, liability, expense, or damage (including investigative costs, court costs and attorneys' fees) Indemnitees may suffer, pay, or incur as a result of claims, demands or actions brought by a third party against any of the Indemnitees arising or alleged to arise by reason of or in connection with

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[\*] caused or contributed to in whole or in part by LICENSEE's [\*], except, in each case, to the extent such claims, demands or actions result from the [\*] of any Indemnitee or the [\*] in this Agreement. LICENSEE's obligations under this Article shall survive the expiration or termination of this Agreement for any reason.

11.3 Insurance. Without limiting LICENSEE's indemnity obligations under the preceding paragraph, LICENSEE shall maintain throughout the term of this Agreement and for ten (10) years thereafter a liability insurance policy which:

(a) insures Indemnitees for all claims, damages, and actions mentioned in Article 10.1 of this Agreement;

(b) includes a contractual endorsement providing coverage for all liability which may be incurred by Indemnitees in connection with this Agreement;

(c) requires the insurance carrier to provide MCGRI with no less than thirty (30) days written notice of any change in the terms or coverage of the policy or its cancellation; and

(d) prior to the initiation of the first clinical trial involving a Licensed Product, provides product liability coverage in an amount no less than two million dollars (\$2,000,000) per occurrence for bodily injury and one million dollars (\$1,000,000) per occurrence for property damage, subject to a reasonable aggregate amount.

11.4 Notice of Claims. LICENSEE shall promptly notify MCGRI of all claims involving the Indemnitees and will advise MCGRI of the policy amounts that might be needed to defend and pay any such claims.

#### ARTICLE 12. TERM AND TERMINATION

12.1 Term. Unless sooner terminated as otherwise provided in this Agreement, the term of this Agreement shall commence on the date hereof and shall continue until the date of expiration of the last to expire of the Licensed Patents, including any renewals or extensions thereof.

12.2 Termination. MCGRI shall have the right to terminate this Agreement upon the occurrence of any one or more of the following events:

- (a) failure of LICENSEE to make any two payments consecutive required pursuant to this Agreement when due; or
- (b) failure of LICENSEE to render reports to MCGRI as required by this Agreement; or

- (c) failure of LICENSEE to notify MCGRI of intent to file bankruptcy as set forth in Article 12.3 below;
- (d) the insolvency of LICENSEE; or
- (e) the institution of any proceeding by LICENSEE under any bankruptcy, insolvency, or moratorium law; or
- (f) any assignment by LICENSEE of substantially all of its assets for the benefit of creditors; or
- (g) placement of LICENSEE's assets in the hands of a trustee or a receiver unless the receivership or trust is dissolved within thirty (30) days thereafter; or
- (h) the breach of any other material term of this Agreement.

12.3 Notice of Bankruptcy. The LICENSEE must inform MCGRI of its intention to file a voluntary petition in bankruptcy or of another's intention to file an involuntary petition in bankruptcy to be received at least thirty (30) days prior to filing such a petition. A party's filing without conforming to this requirement shall be deemed a material, pre-petition incurable breach.

12.4 Exercise. MCGRI may exercise its right of termination by giving LICENSEE, its trustees or receivers or assigns, thirty (30) days prior written notice of MCGRI's election to terminate. Upon the expiration of such period, this Agreement shall automatically terminate unless the LICENSEE has cured the breach. Such notice and termination shall not prejudice MCGRI's right to receive royalties or other sums due hereunder and shall not prejudice any cause of action of claim of MCGRI accrued or to accrue on account of any breach or default by LICENSEE.

12.5 Failure to Enforce. The failure of MCGRI at any time, or for any period of time, to enforce any of the provisions of this Agreement shall not be construed as a waiver of such provisions or as a waiver of the right of MCGRI thereafter to enforce each and every such provision.

12.6 Termination by LICENSEE. LICENSEE shall have the right to terminate this Agreement upon the occurrence the breach of a material term of this Agreement by MCGRI. In addition, LICENSEE may, upon sixty (60) days written notice to MCGRI, terminate this Agreement by doing all of the following: ceasing to make, have made, use, import, sell and offer for sale all Licensed Products; returning any confidential materials provided to Licensee by MCGRI in connection with this Agreement; paying all amounts owed to MCGRI under this Agreement, up to the date of termination.

12.7 Exercise. LICENSEE may exercise its right of termination based upon a material breach of this Agreement by MCGRI by giving MCGRI thirty (30) days prior written notice of LICENSEE's election to terminate. Upon the expiration of such period, this Agreement shall automatically terminate unless MCGRI has cured the breach. Such notice and termination shall not prejudice LICENSEE's right to pursue any other remedies available to LICENSEE at law.

12.8 Effect. In the event this Agreement is terminated for any reason whatsoever, LICENSEE shall return, or at MCGRI's direction destroy, all plans, drawings, papers, notes, writings and other documents, samples, organisms, biological materials and models pertaining to the Licensed Patents and Licensed Technology, retaining no copies, and shall refrain from using or publishing any portion of the Licensed Patents or Licensed Technology as provided in Article 8 of this Agreement. Upon termination of this Agreement, LICENSEE shall cease manufacturing, processing, producing, using, Selling, or distributing Licensed Products; provided, however, that LICENSEE may continue to Sell in the ordinary course of business for a period of one (1) year reasonable quantities of Licensed Products which are fully manufactured and in LICENSEE's normal inventory at the date of termination if (a) all monetary obligations of LICENSEE to MCGRI have been satisfied and (b) royalties on such sales are paid to MCGRI in the amounts and in the manner' provided in this Agreement. The provisions of Articles 9, 10, and 11 of this Agreement shall remain in full force and effect notwithstanding the termination of this Agreement.

#### ARTICLE 13. ASSIGNMENT

This Agreement is dependent upon the special relationship between the parties and the special knowledge and unique skills of the LICENSEE. Therefore, LICENSEE shall not grant, transfer, convey, or otherwise assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of MCGRI, except that Licensee may assign this Agreement without the prior written consent of MCGRI, to any Affiliate, or in connection with the transfer or sale of all or substantially all of Licensee's business to which this Agreement relates to a third party, whether by merger, sale of stock, sale of assets or otherwise. This Agreement shall be assignable by MCGRI to MCG, or any other nonprofit corporation which promotes the education or research purposes of MCG.

#### ARTICLE 14. MISCELLANEOUS

14.1 Export Controls. LICENSEE acknowledges that MCGRI is subject to United States laws and regulations controlling the export of technical data, computer software, laboratory prototypes, and other commodities and that MCGRI's obligations under this Agreement are contingent upon compliance with applicable United States export laws and regulations. The transfer of technical data and commodities may require a license from the cognizant agency of the United States government or written assurances by LICENSEE that LICENSEE shall not export data or commodities to certain foreign countries without the prior approval of certain United States agencies. MCGRI neither represents that an export license shall not be required nor that, if required, such export license shall issue.

14.2 Legal Compliance. LICENSEE shall comply with all laws and regulations applicable to its manufacture, processing, producing, use, Selling, or distributing of Licensed Products.

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14.3 Independent Contractor. LICENSEE's relationship to MCGRI shall be that of a licensee only. LICENSEE shall not be the agent of MCGRI and shall have no authority to act for or on behalf of MCGRI in any matter. Persons retained by LICENSEE as employees or agents shall not by reason thereof be deemed to be employees or agents of MCGRI.

14.4 Patent Marking. LICENSEE shall mark Licensed Products Sold in the United States with United States patent numbers. Licensed Products manufactured or Sold in other countries shall be marked in compliance with the intellectual property laws in force in such foreign countries.

14.5 Use of Names. LICENSEE shall obtain the prior written approval of MCGRI, MCG, or the Inventors prior to making use of their names for any commercial purpose.

14.6 Place of Execution. This Agreement and any subsequent modifications or amendments hereto shall be deemed to have been executed in the State of Georgia, U.S.A. This Agreement shall not become effective or binding upon MCGRI until signed on its behalf by its Executive Director in the State of Georgia, U.S.A.

14.7 Governing Law. This Agreement and all amendments, modifications, alterations, or supplements hereto, and the rights of the parties hereunder, shall be construed under and governed by the laws of the State of Georgia and the United States of America. Only courts in the State of Georgia, U.S.A., shall have jurisdiction to hear and decide any controversy or claim between the parties arising under or relating to this Agreement.

14.8 Entire Agreement. This Agreement constitutes the entire agreement between MCGRI and LICENSEE with respect to the subject matter hereof and shall not be modified, amended or terminated except as herein provided or except by another agreement in writing executed by the parties hereto.

14.9 Severability. All rights and restrictions contained herein may be exercised and shall be applicable and binding only to the extent that they do not violate any applicable laws and are intended to be limited to the extent necessary so that they will not render this Agreement illegal, invalid or unenforceable. If any provision or portion of any provision of this Agreement not essential to the commercial purpose of this Agreement shall be held to be illegal, invalid or unenforceable by a court of competent jurisdiction, it is the intention of the parties that the remaining provisions or portions thereof shall constitute their agreement with respect to the subject matter hereof, and all such remaining provisions or portions thereof shall remain in full force and effect. To the extent legally permissible, any illegal, invalid or unenforceable provision of this Agreement shall be replaced by a valid provision which will implement the commercial purpose of the illegal, invalid or unenforceable provision. In the event that any provision essential to the commercial purpose of this Agreement is held to be illegal, invalid or

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unenforceable and cannot be replaced by a valid provision which will implement the commercial purpose of this Agreement, this Agreement and the rights granted herein shall terminate.

14.10 Force Majeure. Any delays in, or failure of, performance of any party to this Agreement shall not constitute default hereunder, or give rise to any claim for damages, if and to the extent caused by occurrences beyond the control of the party affected, including, but not limited to, acts of God, strikes or other work stoppages; civil disturbances, fires, floods, explosions, riots, war, rebellion, sabotage, acts of governmental authority or failure of governmental authority to issue licenses or approvals which may be required.

#### ARTICLE 15. NOTICES

All notices, statements, and reports required or contemplated herein by one party to the other shall be in writing and shall be deemed to have been given upon delivery in person or upon the expiration of five (5) days after deposit in a lawful mail depository in the country of residence of the party giving the notice, registered or certified airmail postage prepaid, and addressed as follows:

If to MCGRI:

Associate Vice President  
Office of Technology Transfer & Economic Development  
Medical College of Georgia Research Institute, Inc.  
CA-2125  
Medical College of Georgia  
Augusta, Georgia 30912-9824  
Facsimile: (706) 721-2917

With a copy to:

Legal Advisor  
Medical College of Georgia Research Institute, Inc.  
CJ-3301  
Medical College of Georgia  
Augusta, Georgia 30912-4810  
Facsimile: (706) 721-7603

If to LICENSEE:

NewLink Genetics Corporation  
Chief Medical Officer  
2901 South Loop Dr, Suite 3900

Ames, IA 50010  
Facsimile: (515) 296-5557

Either party hereto may change the address to which notices to such party are to be sent by giving notice to the other party at the address and in the manner provided above. Any notice herein required or permitted to be given may be given, in addition to the manner set forth above, by telex, facsimile or cable, provided that the party giving such notice obtains acknowledgement by telex, facsimile or cable that such notice has been received by the party to be notified. Notice made in this manner shall be deemed to have been given when such acknowledgement has been transmitted.

IN WITNESS WHEREOF, MCGRI and LICENSEE have caused this Agreement to be signed by their duly authorized representatives as of the day and year indicated below.

MEDICAL COLLEGE OF GEORGIA  
RESEARCH INSTITUTE, INC.

LICENSEE:  
NEWLINK GENETICS CORPORATION

By: /s/ Betty Aldridge

By: /s/ Nicholas Vahanian

Name: Betty Aldridge

Name: Nicholas Vahanian

Title: Executive Director

Title: Chief Medical and Operations Officer

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EXHIBIT A

LICENSED PATENTS

[\*]

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EXHIBIT B

STOCK SUBSCRIPTION AGREEMENT

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## LICENSE AGREEMENT AMENDMENT

**Inasmuch** as NewLink Genetics Corporation of Ames, Iowa, and the Medical College of Georgia Research Institute of Augusta Georgia, have a valid and existing License Agreement related to the use of [\*] dated September 13, 2005;

and

**Inasmuch** as the parties agree that the License Agreement contains a provision (Section 4.1) for the acquisition of new, related Improvement Technologies by NewLink arising at MCGRI after the Agreement was signed  
and

**Inasmuch** as the NewLink has reviewed a new Improvement Technology [\*], and wishes to exercise its option to incorporate this technology into the existing License Agreement technology portfolio under its standard royalty terms and use conditions,

**It is Agreed:**

That the parties amend the License Agreement relative to its Exhibit A , such that MCG case [\*] is to be included in the technology portfolio for development and commercialization by NewLink, effective the date that the License Fee of [\*] is received at MCGRI.

This present amendment shall hereby be considered part of the original License Agreement and is hereto agreed by representatives of both parties signing below.

MEDICAL COLLEGE OF GEORGIA RESEARCH INSTITUTE

NEWLINK GENETICS

By  /s/Betty Aldridge

By:  /s/Nicholas N. Vahanian

Name: Betty Aldridge

Name: Nicholas N. Vahanian

Title: Executive Director

Title: Chief Medical and Operations Officer

Date: 4/27/06

Date: 4/21/06

LICENSE AGREEMENT AMENDMENT

Inasmuch as NewLink Genetics Corporation of Ames, Iowa, and the Medical College of Georgia Research Institute of Augusta Georgia, have a valid and existing License Agreement related to the use of [\*] dated September 13, 2005;

and

Inasmuch as the parties agree that the License Agreement contains a provision (Section 4.1) for the acquisition of new, related Improvement Technologies by NewLink arising at MCGRI after the Agreement was signed

and

Inasmuch as NewLink has reviewed a new Improvement Technology [\*], and wishes to exercise its option to incorporate those technologies into the existing License Agreement technology portfolio under its standard royalty terms and use conditions,

It is Agreed:

That the parties amend the License Agreement relative to its Exhibit A , such that MCG case [\*] is to be included in the technology portfolio for development and commercialization by NewLink, effective the date that the License Fee of [\*] is received at MCGRI.

This present amendment shall hereby be considered part of the original License Agreement and is hereto agreed by representatives of both parties signing below.

MEDICAL COLLEGE OF GEORGIA RESEARCH INSTITUTE

NEWLINK GENETICS

By /s/Betty Aldridge \_\_\_\_\_

By: /s/Nicholas N. Vahanian \_\_\_\_\_

Name: Betty Aldridge

Name: Nicholas N. Vahanian

Title: Executive Director

Title: Chief Medical and Operations Officer

Date: 4/27/06

Date: 4/21/06



LICENSE AGREEMENT AMENDMENT

Inasmuch as NewLink Genetics Corporation of Ames, Iowa, and the Medical College of Georgia Research Institute of Augusta Georgia, have a valid and existing License Agreement related to the use of [\*] dated September 13, 2005;

and

Inasmuch as the parties agree that the License Agreement contains a provision (Section 4.1) for the acquisition of new, related Improvement Technologies by NewLink arising at MCGRI after the Agreement was signed

and

Inasmuch as the NewLink has reviewed a new Improvement Technology [\*], and wishes to exercise its option to incorporate this technology into the existing License Agreement technology portfolio under its standard royalty terms and use conditions,

It is Agreed:

That the parties amend the License Agreement relative to its Exhibit A , such that MCG case [\*] is to be included in the technology portfolio for development and commercialization by NewLink, effective the date that the License Fee of [\*] is received at MCGRI. All Payments due to the [\*] will be coordinated by MCGRI according to the terms stated in [\*].

This present amendment shall hereby be considered part of the original License Agreement and is hereto agreed by representatives of both parties signing below.

MEDICAL COLLEGE OF GEORGIA RESEARCH INSTITUTE

NEWLINK GENETICS

By /s/Betty Aldridge \_\_\_\_\_

By: /s/Nicholas N. Vahanian \_\_\_\_\_

Name: Betty Aldridge

Name: Nicholas N. Vahanian

Title: Executive Director

Title: Chief Medical and Operations Officer

Date: 2/13/07

Date: 2/6/07



**Patent Licence Agreement****Date:** 1 March 2006**Parties**

1. **Bresagen Xenograft Marketing Ltd** ACN 065 430 328 of 41 Victoria Parade Fitzroy Victoria, Australia 3065 (**Licensor**)
2. **NewLink Genetics Corporation** of 2901 S Loop Drive, Suite 3900, AMES, Iowa USA 500100-8646 (**Licensee**)

**Background**

- A. The Licensor holds the legal and beneficial title in the Intellectual Property Rights subsisting in the Invention
- B. The Licensee seeks a licence to [\*] the Invention in the Fields.
- C. The Licensor has agreed to grant the licence sought on the terms set out in this Agreement.

**Agreed Terms****1. Term****1.1 Initial term**

This Agreement commences on the Effective Date, and unless terminated earlier in accordance with this Agreement, will continue to operate for an initial period of 8 years. (**Initial Term**).

**1.2 Extension of Initial Term**

- (a) The parties may extend the Initial Term for a further 5 years provided that the agreement to extend (including as to amount of annual fees payable) has been reached, reduced to writing and executed by the parties at least one month prior to the expiration of the current Initial Term.
- (b) Subject to clause 1.2(a), the parties acknowledge and agree that any extension of the Term will not vary, reduce or effect the operation of the remaining provisions of this Agreement, unless otherwise agreed by the parties in writing.

**2. Licence****2.1 Grant of Licence**

- (a) The Licensor grants the Licensee a non-exclusive licence to [\*] using the Invention in the Fields for the Term and in the Territory with effect from the Effective Date.
- (b) For the avoidance of doubt, under the licence granted in clause 2.1(a) the Licensee may:
  - (i) [\*];
  - (ii) [\*];
 but the Licensee may not without prior approval from the Licensor (which approval [\*]):
  - (iii) [\*]; or
  - (iv) [\*].

**2.2 Delivery and assistance in the generation of samples**

The Licensor will deliver or arrange for the delivery of:

- (a) [\*]; and
- (b) [\*,

to the Licensee at the Licensee's costs within a reasonable time, not to exceed [\*] after the Effective Date.

**2.3 Conditions of use**

- (a) In the Licensee's use of the Invention, it must do so:
  - (i) efficiently, with due care and skill and to the best of its knowledge and expertise;
  - (ii) in accordance with the Licensor's policy and procedures that are provided in writing to Licensee and all reasonable written directions which the Licensor may give from time to time; and
  - (iii) in compliance with all applicable laws and regulations.

- (b) The Licensee will not publish any material or make any media release in relation to this Agreement or the parties' relationship under this Agreement without the prior written consent of the Licensor.
- (c) The Licensee must not use the Licensor's name, or any trade mark or logo of the Licensor or a Related Body Corporate of the Licensor without the Licensor's prior written consent. The Licensor must not use the Licensee's name, or any trade mark or logo of the Licensee

without the Licensee's prior written consent.

- (d) Any authorised publication or media release made by the Licensee in relation to this Agreement must acknowledge the Licensors rights in the Invention and Patent Rights and the Licensors contributions to the development of the Results.

## 2.4 No right to sublicense

The Licensee may not sublicense or transfer any part of its rights or obligations conferred or imposed upon it under this Agreement without the Licensors prior written consent (which may be withheld at the Licensors sole and absolute discretion).

## 3. Ownership of the Results

The parties acknowledge and agree that all rights (including Intellectual Property Rights) in the Results vest in the Licensee from the date of their creation.

## 4. Payment

### 4.1 Initial and ongoing payments

The Licensee must pay to the Licensor:

- (a) a non-refundable initial licence fee of US\$[\*] on the Commencement Date; and
- (b) US\$[\*] on each anniversary of the Effective Date for the Term.

### 4.2 Late payment

Without prejudice to the Licensor's other rights, if the Licensee fails to make any payment by the due date the Licensor may:

- (a) suspend performance of its obligations under this Agreement until such time as all payments due by the Licensee are paid in full; and
- (b) charge daily interest on the amount outstanding:
  - (i) calculated from the due date of payment to the date of actual payment; and
  - (ii) at the interest rate which was quoted on the due date of payment (and if no rate was quoted on that day, the day on which it is next quoted) for overdrafts over \$100,000 by the Australian licensed bank the Licensor mainly uses.

### 4.3 Other rights and obligations not affected

The exercise by the Licensor of any of its rights under clause 4.2 does not affect:

- (a) the Licensee's obligation to pay any money due and payable; or
- (b) any other rights or remedies the Licensor may have in relation to any failure by the Licensee to pay an amount due, under this Agreement or any other agreement between the Licensor and the Licensee.

### 4.4 Withholding Taxes

The Licensee is responsible for paying all taxes it becomes liable for in connection with this Agreement, including any Withholding Taxes. Where the Licensee is unable to make any payment to the Licensor without a deduction or withholding, at the time of payment the Licensee must pay the Licensor the deducted or withheld amount so that the net amount received by the Licensor equals the full amount payable if no such deduction or withholding had been made. In this clause **Withholding Tax** means any withholding tax payable in respect of any payment paid or deemed to be paid under or in connection with this Agreement.

## 5. Records, reporting and inspection

### 5.1 Licensee to retain records

The Licensee must maintain separate and accurate records of:

- (a) its testing of the Invention;
- (b) the Results and its development of the Results related to the use of Invention; and
- (c) payments that it makes to the Licensor under this Agreement.

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### 5.2 Licensors right to inspect the records and premises

- (a) The Licensor may upon reasonable written notice enter the premises of the Licensee and inspect those premises and any materials or information located there that are solely related to Licensee's use of the Invention, to verify that the Licensee is complying with this Agreement. Such inspection may be conducted no more than once every twelve (12) months, during Licensee's regular business hours and in such a manner as not to unreasonably interfere with Licensee's normal business activities. Any materials and information inspected by Licensor and the results of any such inspection shall be the Confidential Information of Licensee and subject to clause 8.
- (b) The Licensee must make the records under clause 5.1 available for inspection by the Licensor on reasonable written request from the Licensor. Such request may be made no more than once every twelve (12) months. All such records shall be treated as the Confidential Information of Licensee and subject to clause 8.

## 6. Intellectual Property Rights protection

## 6.1 Licensor obligations

The Licensor may at its absolute and sole discretion and expense file, prosecute, register and maintain any Intellectual Property Rights in relation to the Invention.

## 6.2 Licensee obligations

- (a) The Licensee must comply, at the Licensor's sole expense, with all reasonable directions of the Licensor in relation to the Licensor's obligations specified in clause 6.1.
- (b) The Licensee must not at any time, register, attempt to register or use any of the Patent Rights in its own name or other name as proprietor or otherwise.
- (c) The revocation or expiry of the Patent Rights will not affect the validity of this Agreement or the obligation of the Licensee to make payments under this Agreement.
- (d) The Licensee must not challenge the Licensor's title or right to the Patent Rights.

## 7. Infringement and legal action

### 7.1 Licensee to notify infringing action

The Licensee must promptly notify the Licensor of any infringement or suspected infringement of the Patent Rights.

### 7.2 Action taken by Licensor

If the Patent Rights are infringed, the Licensor may take reasonable steps including commencing proceedings to prevent further infringement and to protect the Licensor's interests in the Invention. Unless the Licensor and the Licensee agree in writing, the Licensee will have no right to commence proceedings.

### 7.3 Claims against Licensee

If a third party commences an action against the Licensee relating to the Invention, the Licensee may defend or settle the action or claim only with prior written approval from the Licensor, such approval not to be unreasonably withheld or delayed.

### 7.4 Co-operation by Licensee

If the Licensor defends or starts proceedings, the Licensee must fully co-operate in the proceedings, at Licensor's sole expense, including providing documents and witnesses to give evidence in those proceedings.

## 8. Confidentiality

### 8.1 Obligations of confidentiality

Each party (**Receiving Party**) receiving, possessing or otherwise acquiring Confidential Information of any other party (**Disclosing Party**) acknowledges that the Disclosing Party's Confidential Information is the property of and confidential to or a trade secret of the Disclosing Party. Subject to clause 8.2, the Receiving Party must:

- (a) keep the Disclosing Party's Confidential Information confidential and not directly or indirectly disclose, divulge or communicate that Confidential Information to, or otherwise place that Confidential Information at the disposal of, any other person without the prior written approval of the Disclosing Party;
- (b) limit access to the Confidential Information of the Disclosing Party to only those of the Receiving Party's employees or authorized representatives having a need to know and who have signed confidentiality agreements containing, or are otherwise bound by, confidentiality obligations at least as restrictive as those contained herein;
- (c) take all reasonable steps to secure and keep secure all Disclosing Party's Confidential Information coming into its possession or control; and

- (d) not memorise, use, modify, reverse engineer or make copies, notes or records of the Disclosing Party's Confidential Information for any purpose other than in connection with the performance by the Receiving Party of its obligations under this Agreement.

### 8.2 Exceptions

The obligations of confidentiality under clause 8.1 do not apply to any information that:

- (a) is at the time of disclosure or subsequently becomes generally available to the public (other than by reason of a breach of this Agreement);
- (b) was in the Receiving Party's possession free of any obligation of confidence at the time it was disclosed to the Receiving Party, as can be demonstrated by written records;

- (c) was rightfully communicated to the Receiving Party free of any obligation of confidence subsequent to the time it was disclosed to the Receiving Party; or
- (d) is required to be disclosed by any applicable law, provided that the Receiving Party provides the Disclosing Party with reasonable prior written notice of such disclosure and makes a reasonable effort to obtain, or to assist the Disclosing Party in obtaining, a protective order preventing or limiting the disclosure and/or requiring that the Confidential Information so disclosed be used only for the purposes for which the law or regulation required, or for which the order was issued.

## **9. Warranties and exclusions**

### **9.1 Licensor warranties**

The Licensor represents and warrants to the Licensee that on the date of this Agreement and to the Licensor's actual knowledge, the following warranties are true and correct and not misleading:

- (a) it has full right, power, and authority to grant the licence in clause 2.1.

### **9.2 Licensee's warranties**

The Licensee represents and warrants to the Licensor that on the date of this Agreement the following warranties are true and correct and not misleading:

- (a) it has made its own commercial assessment of the Invention and the Patent Rights, the commercial value of the licence granted under this Agreement; and
- (b) it has the necessary technical expertise to use the Invention for the purposes permitted by the licence granted under clause 2.1.

### **9.3 Reliance on representations and warranties**

The Licensee acknowledges that the Licensor has executed this Agreement and agreed to take part in the transactions contemplated by this Agreement in reliance on the representations and warranties that are made in this clause 9.

### **9.4 Exclusion of implied warranties**

The Licensee acknowledges that it is familiar with the Invention. Accordingly, except where prohibited by the *Trade Practices Act 1974 (Cth)* or other legislation, all warranties, conditions, representations and statements (whether express or implied and statutory or otherwise) regarding the condition of the Invention are excluded including those of merchantability and fitness for a particular purpose.

## **10. Limitation of liability**

### **10.1 Limitations on liability**

- (a) Subject to this clause 10, except for breaches of the obligations set forth in clause 8 (Confidentiality), the Licensor is not liable to the Licensee or to any other person for:
  - (i) any losses or damages of any kind caused by or resulting from any wrongful, wilful or negligent act or omission of the Licensor or a Related Body Corporate of the Licensor and any of their officers, employees, agents or contractors; or
  - (ii) any indirect, incidental, special or consequential damages, including loss of profits or anticipated profits, even if notified of the possibility of that potential loss or damage.
- (b) Subject to this clause 10, except for breaches of the obligations set forth in clause 6 (Confidentiality) and clause 2 (Licence) and amounts for which Licensee is obligated to indemnify pursuant to clause 11 (Indemnity), the Licensee is not liable to the Licensor or to any other person for any indirect, incidental, special or consequential damages, including loss of profits or anticipated profits, even if notified of the possibility of that potential loss or damage.

### **10.2 Maximum liability**

Subject to the liability limitation exceptions in clause 10.1(a) and clause 10.1(b), the maximum aggregate liability of either party for all proven losses, damages and claims arising out of this Agreement, including liability for breach, in negligence or in tort or for any other common law or statutory action, is limited to the total payment paid by the Licensee to the Licensor under this Agreement in the first year of the Term.

### **10.3 Exclusion of implied warranties**

Any representation, warranty, condition or undertaking that would be implied in this Agreement by legislation, common law, equity, trade, custom or usage is excluded to the maximum extent permitted by law.

### **10.4 Non-excludable rights implied by statute**

Nothing in this Agreement excludes, restricts or modifies any condition, warranty, right or remedy conferred on the Licensor by the *Trade Practices Act 1974 (Cth)* or any other applicable Law that cannot be excluded, restricted or modified by agreement.

## 10.5 Liability for breach of non-excludable rights

To the fullest extent permitted by law, the liability of the Licensor for a breach of a non-excludable condition or warranty referred to in clause 10.4 is limited, at the Licensor's option, to:

- (a) in the case of goods, any one or more of the following:
  - (i) the replacement of the goods or the supply of equivalent goods;
  - (ii) the repair of the goods;
  - (iii) the payment of the cost of replacing the goods or of acquiring equivalent goods; or
  - (iv) the payment of the cost of having the goods repaired; or
- (b) in the case of services:
  - (i) the supplying of the services again; or
  - (ii) the payment of the cost of having the services supplied again.

## 10.6 Survival of clause

Despite any other provision of this Agreement, this clause 10 survives the expiry or termination of this Agreement.

## 11. Indemnity

The Licensee must keep the Licensor indemnified against all claims and proceedings made or brought against the Licensor by a third party and for all loss, damage and expense (including, without limitation, reasonable legal costs) the Licensor suffers or incurs (directly or indirectly) arising from:

- (a) any breach or non-performance of this Agreement by the Licensee;
- (b) any wrongful, wilful or negligent act or omission of the Licensee or any of its employees, agents or contractors;
- (c) breach of any third party rights, including Intellectual Property Rights; or
- (d) the use of the Invention, Patent Rights and Results for any purpose.

Licensor will promptly notify Licensee of any such claim.

## 12. Insurance

### 12.1 Obligation to insure

The Licensee must effect and maintain throughout the term of this Agreement, at its own expense:

- (a) all insurances that the Licensee must effect under any legislation or required by the Licensor; and
- (b) any other insurances that a reasonable and prudent person engaged in the relevant industry would effect and maintain.

### 12.2 Produce policies

The Licensee must produce to the Licensor on request, copies of all current certificates of insurance confirming that each of the required policies is current.

## 13. Default and termination

### 13.1 Mutual termination

The parties may terminate this Agreement anytime by agreement in writing, each party not to unreasonably withhold its consent for termination of this Agreement if requested by the other party.

### 13.2 Default notice

If an Event of Default, other than when the Licensee is insolvent or becomes insolvent, occurs in relation to the Licensee, the Licensor may give a notice (**Default Notice**) to the Licensee specifying the Event of Default and requiring the Licensee to remedy the default within 60 Business Days after the Default Notice is given to the Licensee.

### 13.3 Termination notice

If the Licensee:

- (a) receives a Default Notice and does not comply with the notice within the relevant period referred to in clause 13.2; or

- (b) receives a Default Notice on 3 occasions in any period of 12 months; or
- (c) is insolvent or become insolvent,

then the Licensor, without limiting its other rights and remedies, may terminate this Agreement by giving to the Licensee notice with immediate effect.

## 14. Termination consequences

### 14.1 Termination of licence and handover of materials

On termination of this Agreement whether by expiry of the Term or otherwise:

- (a) all rights granted to the Licensee will terminate and all rights in and to the Invention and Patent Rights will revert to the Licensor without further action or notification by the Licensor to the Licensee or any other person;
- (b) the Licensee must hand over to the Licensor, or if directed by the Licensor destroy all samples, documents, data and computer programs concerning the Invention which are in its possession or control or made available to the Licensee by the Licensor under this Agreement;
- (c) the Receiving Party will return to the Disclosing Party or destroy all copies and embodiments of the Disclosing Party's Confidential Information within 10 days; and
- (d) any sums payable to the Licensor immediately become due and payable.

### 14.2 No prejudice to other rights

A party's exercise of any right under this clause 14 does not prejudice any right to damages or other remedy such party may have against the other party for breach of this Agreement.

### 14.3 Continuation

Clauses 8, 9, 10, 11, 13, 14 and 15 survive termination of this Agreement

## 15. General

- (a) A party will not be liable for any failure to carry out its obligations under this Agreement where such failure is due to any cause beyond the reasonable control of that party.
- (b) This Agreement contains the entire understanding between the parties concerning the subject matter of the Agreement and supersedes all prior communications between the parties.
- (c) A failure, delay, relaxation or indulgence by a party in exercising any power or right conferred on the party by this Agreement does not operate as a waiver of the power or right. A single or partial exercise of the power or right does not preclude a further exercise of it or the exercise of any other power or right under this Agreement. A waiver of a breach does not operate as a waiver of any other breach.
- (d) Any illegal or invalid provision of this Agreement will be severable and all other provisions will remain in full force and effect.
- (e) The Licensee cannot assign or otherwise transfer the benefit of this Agreement without the prior written consent of the Licensor. Notwithstanding the foregoing, the Licensee may assign this Agreement in whole, with reasonable prior written notice to the Licensor, to a successor in interest to all, or substantially all, of the assets of the Licensee whether by merger, acquisition, purchase, or otherwise.
- (f) This Agreement cannot be amended or varied except in writing signed by the parties.
- (g) This Agreement is governed by and must be construed in accordance with the laws in force in the State of Victoria, Australia. The parties submit to the exclusive jurisdiction of the courts of that State and the Commonwealth of Australia in respect of all matters arising out of or relating to this Agreement, its performance or subject matter.
- (h) Any notice or other communication to or by a party to this Agreement must be in writing whether given by personal service, post, facsimile or email, to the other party's contact address as specified above or as otherwise notified by other party from time to time.

- 
- (i) If this Agreement consists of a number of signed counterparts, each is an original and all of the counterparts together constitute the same document.
  - (j) Unless this Agreement expressly provides otherwise, nothing in this Agreement may be construed as creating a relationship of partnership, or principal and agent or of trustee and beneficiary.

## Schedule — Dictionary

In this Agreement:

**Agreement** means this agreement including the recitals, any schedules and any annexures;

**Business Day** means a day that is not a Saturday, Sunday, public holiday or bank holiday in the State of Victoria;

**Change of Control** means, in relation to a body corporate, the occurrence of an event or circumstance where a person who is not presently able to do any of the following things becomes able to do one of the following things (whether directly or indirectly or through one or more intervening persons, companies or trusts):

- (a) control the composition of more than one half of the body's board of directors;
- (b) be in a position to cast, or control the casting of, more than one half of the maximum number of votes that might be cast at a general meeting of the members of the body; or
- (c) hold or have a beneficial interest in more than one half of the issued share capital of the body;

**Commencement Date** means the date of execution of this Agreement;

**Confidential Information** means all information belonging or relating to a party to this Agreement, whether oral, graphic, electronic, written or in any other form, that is not generally available to the public at the time of disclosure other than by reason of a breach of this Agreement or that is in fact, or should reasonably be regarded as, confidential to the party to whom it belongs or relates:

- (a) the terms of this Agreement and its subject matter, including Information submitted or disclosed by a party during negotiations, discussions and meetings relating to this Agreement;
- (b) Information that at the time of disclosure by a Disclosing Party is identified to the Receiving Party as being confidential; and
- (c) all other Information belonging or relating to a Disclosing Party, or any Related Body Corporate of that Disclosing Party, that is not generally available to the public at the time of disclosure other than by reason of a breach of this Agreement or which the Receiving Party knows, or ought reasonably to be expected to know, is confidential to that Disclosing Party or any Related Body Corporate of that Disclosing Party;

**Controller** means, in relation to a person:

- (a) a receiver, receiver and manager, administrator or liquidator (whether provisional or otherwise) of that person or that person's property; or
- (b) anyone else who (whether or not as agent for the person) is in possession, or has control, of that person's property to enforce an Encumbrance;

**Corporations Act** means the *Corporations Act 2001 (Cth)*; **Effective Date** means 1 March 2006;

**Effective Date** means 1 March 2006;

**Encumbrance** means:

- (a) an interest or power reserved in or over an interest in an asset, including any retention of title;
- (b) an interest or power created or arising in or over an interest in an asset under a bill of sale, mortgage, charge, lien, pledge, trust or other similar instrument, device or power; or
- (c) any other adverse right, title or interest of any nature, by way of security for the payment of a debt or the performance of any other obligation, and includes any agreement or arrangement (whether legally binding or not) to grant or create any of the above;

**Event of Default** means, in relation to the Licensee, the occurrence of any one or more of the following events or circumstances:

- (a) the Licensee fails to comply with any of its obligations under this Agreement;
- (b) the Licensee is insolvent or becomes insolvent;
- (c) a Change of Control occurs in relation to the Licensee, other than with the consent of the Licensor;
- (d) a notice of deregistration of the Licensee is given;
- (e) the Licensee fails to pay by the due date any amount due and payable by it under this Agreement;
- (f) any representation, warranty or statement made or repeated by the Licensee in or in connection with this Agreement is untrue or misleading in any respect (including by omission) when so made or repeated;
- (g) the Licensee becomes unable to perform all of its obligations and take all actions contemplated under this Agreement;
- (h) a material provision of this Agreement that purports to impose an obligation on the party is or becomes Void, voidable, illegal or unenforceable or of limited effect (other than because of equitable principles or laws affecting creditor's rights generally); or
- (i) the Licensee ceases or threatens to cease to carry on business or a substantial part of it;

**Fields** means:

- (a) testing of microbial vaccines; and
- (b) testing of cancer vaccines;

**Intellectual Property Rights** means all present and future intellectual and industrial properly rights conferred by statute, at common law or in equity and wherever existing, including:

- (a) patents, designs, copyright, rights in circuit layouts, plant breeder's rights, trade marks, know how, brand names, domain names, inventions, product names, trade secrets and any other rights subsisting in the results of intellectual effort in any field, whether or not registered or capable of registration;
- (b) any application or right to apply for registration of any of these rights;
- (c) any registration of any of those rights or any registration of any application referred to in paragraph (b); and
- (d) all renewals and extensions of these rights;

**Invention** means [\*], which is the invention the subject of the Patent Rights;

**Patent** means a patent as defined in the *Patents Act 1990 (Cth)* and any national or regional patent (whether under the *Patent Cooperation Treaty* or not), including a re-issue, renewal or extension of a patent (whether in whole or in part) and a patent of addition or a substantially similar form of protection for an invention granted by another country where the essence is that the holder of the protection gains an exclusive right to make, use and sell a product or process which is the subject of that invention;

**Patent Rights** means the Patent relating to the Invention as described in [\*];

**Related Body Corporate** has the meaning given to that term in the Corporations Act;

**Results** means the testing results which are created or developed by or for the Licensee as a result of the Licensee's valid use of the Invention under and in accordance with this Agreement;

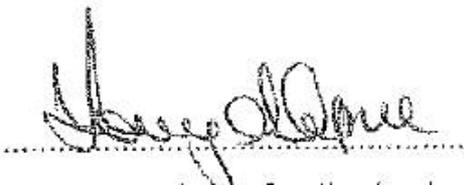
**Schedule** means the schedule to this Agreement;

**Term** means the term of this Agreement as determined in accordance with clause 1; and

**Territory** means USA.

**Executed** as an agreement

Executed by **Bresagen Xenograft Marketing Pty** )  
Ltd ACN 065 430 328 in accordance with its internal )  
rules of constitution and governance: )  
)



Signature of authroised representative

By executing this agreement the signatory is warrants that the signatory is duly authorised to execute this agreement on behalf of Bresagen Xenograft Marketing Pty Ltd

ANTHONY JF O'APICE, Director

Name and title (please print)

Executed by **NewLink Genetics Corporation** in )  
Accordance with its internal rules of constitution and )  
Governance by its authorised officers: )  
)

Signature of authorised officer

Signature of authorised officer



## RESEARCH AGREEMENT

THIS RESEARCH AGREEMENT, (the "Agreement"), effective this 5th day of September, 2006, is entered into by and between NewLink Genetics Corporation, a corporation with its principal place of business at 2901 S. Loop Drive, Suite 3900 Ames, IA 50010 (hereinafter "Sponsor"), and the Medical College of Georgia Research Institute, Inc., (hereinafter "MCGRI") a non-profit research and educational corporation located at the Medical College of Georgia, Augusta, Georgia 30912-4810.

WHEREAS, the research program contemplated by this Agreement is of mutual interest and benefit to MCGRI and to Sponsor, and will further the instructional and research objectives of MCGRI in a manner consistent with its status as a nonprofit, tax-exempt, research and educational institution;

WHEREAS, the research program (hereinafter "Study") will be performed through a subcontract to the Medical College of Georgia (hereinafter "MCG").

NOW, THEREFORE, in consideration of the consideration of the premises and mutual covenants herein contained, the parties hereto agree to the following.

**ARTICLE 1 — RESEARCH PERFORMANCE**

- 1.1 The Study shall be performed in accordance with the protocol attached hereto as EXHIBIT A (the "Protocol"), which involves laboratory work and experiments related [\*] that is licensed by Medical College of Georgia to NewLink Genetics, under the direction of Dr. Andrew L. Mellor as Principal Investigator. MCGRI and its subcontractor, MCG, do not represent, warrant or guarantee that any specific results shall be achieved. In the case of conflict between the terms of this Agreement and the Protocol or other attachments, the terms of this Agreement shall control. It is understood that the Study may be conducted by a Research Associate under the direction of Dr. Mellor, and under the supervision of Dr. Andrew Mellor such Research Associate will perform discovery (fundamental) research related to the role of [\*].
- 1.2 MCGRI and MCG shall use reasonable efforts to perform such Study in accordance with the Protocol and the terms and conditions of this Agreement. By signing below, the Principal Investigator agrees to undertake the obligations of the Investigator as set forth in the Protocol.
- 1.3 In the event that the Principal Investigator becomes unable or unwilling to continue the Study, and a mutually acceptable substitute is not available, MCGRI or Sponsor shall have the option to terminate said Study on thirty days written notice.
- 1.4 The Agreement Period is approximately September 5, 2006 through September 5, 2007 unless earlier terminated pursuant to this Agreement.

**ARTICLE 2 — COSTS, BILLINGS AND OTHER SUPPORT**

- 2.1 Sponsor agrees to pay MCGRI the sum of [\*] for the performance of the entire Study. Sponsor shall pay [\*] , upon the signing of this Agreement and: \$ \_\_\_\_\_ after the completion of the Study

Checks should be made payable to: **MCG Research Institute**

Mailing Address for payments: **MCG Research Institute, Inc.  
P.O. Box 945552**

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**Atlanta, GA 30394-5552**

The MCGRI tax identification number is [\*].

- 2.2 Sponsor acknowledges and agrees that payments made payable or sent to any individual or corporation other than as specified above, shall not be credited towards fulfillment of Sponsor's obligations under this Article.
- 2.3 MCG shall retain title to any equipment purchased with funds provided by Sponsor under this Agreement.
- 2.4 In the event of early termination of this Agreement by Sponsor pursuant to this Agreement, Sponsor shall pay all costs accrued by MCGRI as of the date of termination, including non-cancelable obligations, incurred prior to the effective date of termination.

**ARTICLE 3 — CONFIDENTIALITY**

- 3.1 MCGRI and MCG shall use that care which they use to protect their own confidential information not to disclose to any third party any Study Results (as defined in Section 3.3 below), and any information or data provided by Sponsor to MCGRI in connection with the Study and the Protocol which is marked by Sponsor as confidential or with a similar legend, or which is reduced to writing within 30 days after disclosure and designated as confidential (collectively, the "Confidential Information"). Such confidentiality obligation shall be observed during the performance of the Study and for a period of three years following the termination or expiration date of this Agreement. Confidential Information shall be returned to Sponsor to the extent possible upon completion by MCGRI of its obligations under this Agreement or upon demand.
  - 3.2 The obligation to protect Sponsor's Confidential Information shall not apply to any information that MCGRI can demonstrate:
    1. is already in the possession of, or is independently developed by MCGRI as evidenced by written record;
    2. is or become publicly available other than through breach of MCGRI's confidentiality obligations;
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3. is received by MCGRI from a third party without either knowledge of origination in Sponsor or obligation of confidence;
4. is released for disclosure by Sponsor with its written consent, or
5. is required to be disclosed by law, regulation or court order, including but not limited to the Georgia Open Records Act (providing that MCGRI has taken all reasonable efforts to keep information confidential to the extent permitted by such Act)

**Ownership of Results.** “MCGRI agrees that it has no proprietary rights to or interest in Sponsor’s pre-existing intellectual property. All Rights to inventions, improvements and discoveries, whether or not patentable or copyrightable, relating to the Study made solely by employees of Sponsor shall belong exclusively to Sponsor. Such inventions, improvements, and discoveries shall not be subject to the terms and conditions of this Agreement. All data, results, information and inventions generated by or on behalf of MCGRI and/or MCG in performing the Study (collectively, the “Study Results”), and any intellectual property rights in the Study Results, shall be owned, as between Sponsor and MCGRI, as follows: For Study Results that relate directly to [\*] owned or exclusively licensed by Sponsor and/or are [\*] already licensed to Sponsor by MCGRI (or MCG, as applicable), such Study Results, and all intellectual property rights in such Study Results (the “Improvement Results”), will be governed pursuant to the terms of such existing license agreement. All rights and title to any other Study Results (that is, other than the Improvement Results) created or identified under the Study, and all intellectual property rights in such other Study Results, shall belong to MCGRI, subject to the right of Sponsor to take an exclusive, or non-exclusive, royalty-bearing license to such other Study Results and the associated intellectual property rights (collectively, the “MCGRI Intellectual Property”), as set forth below and shall be subject to the terms and conditions of this Agreement.

MCGRI will promptly notify Sponsor of any MCGRI Intellectual Property. If Sponsor directs or MCGRI determines that a patent application or application for other intellectual property protection should be filed, MCGRI shall promptly prepare, file and prosecute such U. S. or foreign application in MCGRI’s name. If Sponsor directs MCGRI to file a patent application hereunder or desires to maintain its right to exercise either option (a) or (b) below, Sponsor shall bear all costs incurred in connection with such preparation, filing, prosecution and maintenance of U. S. and foreign application(s). Sponsor shall cooperate with MCGRI to assure that such application(s) will cover, to the best of Sponsor’s knowledge, all items of commercial

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interest and importance. While MCGRI shall be responsible for making decisions regarding scope and content of application(s) to be filed and prosecution thereof, Sponsor shall be given an opportunity to review and provide input thereto. MCGRI shall inform Sponsor of all developments with respect to such application(s) and shall promptly supply to Sponsor copies of all papers received and filed in connection with the prosecution thereof in sufficient time for Sponsor to comment thereon.

If Sponsor elects not to exercise its option as described below or decides to discontinue the financial support of the prosecution or maintenance of the protection, MCGRI shall be free to file or continue prosecution or maintain any such application(s), and to maintain any protection issuing thereon in the U. S. and in any foreign country at MCGRI’s sole expense. MCGRI hereby grants Sponsor a royalty-free, non-exclusive license to use MCGRI Intellectual Property within its own organization for any noncommercial purpose. MCGRI hereby grants the first option, at Sponsor’s sole selection, for either (a) a non-exclusive, royalty-bearing license to use MCGRI Intellectual Property for any purpose except sublicensing, or (b) an exclusive royalty-bearing license with the full rights to grant sublicenses. Terms and conditions of these licenses are to be commercially reasonable, and shall be negotiated in good faith and agreed upon between MCGRI and Sponsor. Provided Sponsor has participated in bearing patent expenses as described above, this option shall extend for a period of sixty days from the termination date of this Agreement. In the event that Sponsor acquires an exclusive license or right under this Agreement, Sponsor hereby grants to MCGRI the right to continue to use MCGRI Intellectual Property for any noncommercial purpose.”

3.3

#### ARTICLE 4 — PUBLICATIONS

4.1 Sponsor recognizes that under MCGRI and MCG policy, the results of the Study must be publishable and agrees that researchers engaged in the Study shall be permitted to present at symposia, national or regional professional meetings, and to publish in journals, theses or dissertations, or otherwise of their own choosing, methods and results of the Study, provided, however, that Sponsor shall have been furnished copies of any proposed publication or presentation at least one month in advance of the submission of such proposed publication or presentation to a journal, editor, or other third party. Sponsor shall have 30 days after receipt of said copies, to object to such proposed presentation or proposed publication because of the inclusion of Confidential Information. In the event that Sponsor makes such objection, said researcher(s) shall refrain from making such publication or presentation for a maximum of four months from the date of receipt of such objection in order for MCGRI or Sponsor to file patent application(s) with the United States Patent and Trademark Office or foreign patent office (s) directed to the patentable subject matter contained in the proposed publication or presentation.

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#### ARTICLE 5 — TERM AND TERMINATION

- 5.1 This Agreement shall become effective upon the date first written above and shall continue in effect for the full duration of the Agreement Period, as specified in Article 1.4. The parties hereto may, however, extend the term of this Agreement for additional periods as desired under mutually agreeable terms and conditions which the parties reduce to writing and sign.
- 5.2 This Study may be terminated at any time by MCGRI or by Sponsor for any valid cause, by either party’s giving thirty (30) days written notice to the other party.
- 5.3 No termination of this Agreement, however, effectuated, shall release the parties from their rights and obligations accrued prior to the effective date of termination.

#### ARTICLE 6 — INDEPENDENT CONTRACTOR

6.1 MCGRI shall be deemed to be and shall be an independent contractor and as such MCGRI shall not be entitled to any benefits applicable to employees of Sponsor.

6.2 Neither party is authorized or empowered to act as agent for the other for any purpose and shall not on behalf of the other enter into any contract, warranty or representation as to any matter. Neither shall be bound by acts or conduct of the other.

**ARTICLE 7 — USE OF NAME**

7.1 Sponsor agrees that it will not use the name of MCGRI or the Principal Investigator or sub-investigators in any advertising or publicity material, or make any form of representation or statement in relation to the work conducted under the terms of this Agreement which would constitute an express or implied endorsement by MCGRI, MCG or the Principal Investigator or sub-investigators of any commercial product or service, and that it will not authorize others to do so, without first having obtained written approval from MCGRI.

**ARTICLE 8 — CONFLICT OF INTEREST**

8.1 MCG institutional policy requires that persons engaged in Sponsored research must disclose potential financial conflicts of interests with such research, including certain consulting, stock ownership, or other relationships with a company which Sponsors such research, and that MCG must take measures to eliminate or minimize any effects of such potential conflicts on the objectivity of such research. By signing below, Principal Investigator agrees to comply with MCG institutional policy and requirements governing conflict of interest.

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**ARTICLE 9 — NON-DISCRIMINATION**

9.1 Neither MCGRI nor Sponsor shall discriminate against any person on the basis of race, national origin, religion, creed, sex, sexual orientation, age or handicaps in the performance of this Agreement.

**ARTICLE 10 — GOVERNING LAW**

10.1 This Agreement shall be governed and construed in accordance with the laws of the State of Georgia.

**ARTICLE 11 — ASSIGNMENT**

11.1 This Agreement shall not be assigned by either party without the prior written consent of the parties hereto, except that MCGRI may subcontract Study to MCG.

11.2 This Agreement is assignable to any division of Sponsor, any majority stockholder of Sponsor, or any subsidiary of Sponsor in which fifty-one percent of the outstanding stock is owned by Sponsor.

**ARTICLE 12 — COMPLETE AGREEMENT AND MODIFICATION**

12.1 This writing contains the complete Agreement of MCGRI and Sponsor, which stipulate that they have made no representation with respect to the subject matter of this Agreement including the execution and delivery hereof except such representations as are specifically set forth herein.

**ARTICLE 13 — NOTICES**

13.1 Notices hereunder shall be deemed made if given by registered or certified mail, postage prepaid, and addressed to the party to receive such notice at the address given below, or such other address as may hereafter be designated by notice in writing.

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**If to Sponsor:**

NewLink Genetics Corporation  
2901 S. Loop Drive, Suite 3900  
Ames, IA 50010  
Attn: President

**If to MCGRI:**

Betty Aldridge  
Executive Director  
MCG Research Institute, Inc.  
Medical College of Georgia  
Augusta, Georgia 30912-4810

**AGREED TO:**

**Sponsor:**

Medical College of Georgia Research Institute, Inc.

/s/ Nicholas N. Vahanian                      11/28/06  
\_\_\_\_\_  
**Name:**    **Date**

/s/ Betty Aldridge    11/17/06  
\_\_\_\_\_  
**Betty Aldridge**    **Date**  
Executive Director  
(/s/RPM 10/30/06)

**ACCEPTED BY:**

/s/ Andrew Mellor  
\_\_\_\_\_  
Principal Investigator (Signature)

11/14/06  
\_\_\_\_\_  
**Date**

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**EXHIBIT A**  
**PROTOCOL FOR STUDY**

**[to be added by Parties]**

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**AGREEMENT AMENDMENT**

First Amendment to  
Agreement Between

***NewLink Genetics Corporation***  
and  
***Medical College of Georgia Research Institute, Inc.***

This first amendment to the agreement is entered into by and between NewLink Genetics Corporation (hereinafter SPONSOR) and the Medical College of Georgia Research Institute, Inc. (hereinafter MCGRI).

WHEREAS on November 17, 2006 MCGRI approved an agreement with SPONSOR for the term from September 5, 2006 through September 5, 2007 under which MCGRI and the Medical College of Georgia agreed to perform the study entitled, [\*] under the direction of Dr. Andrew Mellor as Principal Investigator.

NOW, THEREFORE, said agreement is amended as follows:

1. Article 1- RESEARCH PERFORMANCE, subsection 1.4 of agreement is deleted and replaced in its entirety to read:  
The Agreement Period is approximately September 5, 2006 through September 5, 2008 unless earlier terminated pursuant to this Agreement.
2. Article 2 - - COSTS, BILLINGS, AND OTHER SUPPORT of agreement is amended to include:

Sponsor agrees to pay MCGRI the sum of [\*] for the additional performance period of September 5, 2007 through September 5, 2008. Sponsor shall pay in four equal installments of [\*] in Sept. 2007, Jan., June, and July 2008.

3. All other terms and conditions of agreement not expressly amended herein shall remain in full force and effect.

This first amendment to the clinical research agreement is signed below and agreed to by the duly authorized representatives of the parties.

**MEDICAL COLLEGE OF GEORGIA  
RESEARCH INSTITUTE, INC.**

**NEWLINK GENETICS  
CORPORATION**

<u>/s/Betty Aldridge</u>	<u>8/21/07</u>
Betty Aldridge	Date
Executive Director	

<u>/s/Nicholas Vahanian</u>	<u>8/21/07</u>
Name: Nicholas N. Vahanian	Date
Title: Chief Medical & Operations Officer	



## RESEARCH AGREEMENT

THIS AGREEMENT, effective this 17<sup>th</sup> day of Feb 2009, is entered into by and between NewLink Genetics, Inc. a corporation with its principal place of business at 2901 South Loop Drive, Suite 3900, Ames, Iowa 50010, hereinafter (“Sponsor”) and the MEDICAL COLLEGE OF GEORGIA RESEARCH INSTITUTE, INC., (hereinafter “MCGRI”) a non-profit research and educational corporation, located at the Medical College of Georgia, 1120 15<sup>th</sup> Street, Augusta, Georgia 30912-4810.

WHEREAS, the research program contemplated by this Agreement is of mutual interest and benefit to MCGRI and to Sponsor, and will further the instructional and research objectives of MCGRI in a manner consistent with its status as a nonprofit, tax-exempt, research and educational institution;

WHEREAS, the research program (hereinafter “Study”) will be performed through a subcontract to the Medical College of Georgia (hereinafter “MCG”).

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto agree to the following:

### ARTICLE 1 - RESEARCH PERFORMANCE

1.1 The Study shall be performed as described in the Protocol entitled [\*] and attached hereto as EXHIBIT A, under the direction of David Munn, MD as Principal Investigator. MCGRI and its subcontractor, MCG, do not represent, warrant or guarantee that any specific results shall be achieved. In the case of conflict between the terms of this Agreement and the Protocol or other attachments, the terms of this Agreement shall control.

1.2 MCGRI and MCG shall use reasonable efforts to perform such Study substantially in accordance with the terms and conditions of this Agreement. By signing below, the Principal Investigator agrees to undertake the obligations of the Investigator as set forth in the Protocol.

1.3 In the event that the Principal Investigator becomes unable or unwilling to continue the Study, and a mutually acceptable substitute is not available, MCGRI or Sponsor shall have the option to terminate said Study on thirty days written notice.

1.4 The Agreement Period is approximately January 1, 2008 through December 31, 2008, unless earlier terminated pursuant to this Agreement.

### ARTICLE 2 - COSTS, BILLINGS AND OTHER SUPPORT

2.1 Sponsor agrees to pay MCGRI the sum of [\*] for the entire Study. Sponsor shall pay the total cost of the Study, in three equal

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installments. The first payment will be made upon final execution of this agreement, and subsequent payments will follow in March and April 2009.

A final payment that includes all outstanding payments due will be sent within thirty (30) days after all data has been received by Sponsor and all queries have been resolved.

Checks should be made payable to:

MCG Research Institute

Mailing address for payments:

MCG Research Institute, Inc.  
P.O. Box 945552  
Atlanta, GA 30394-5552  
Attn: Seq. No. 22751A

The MCGRI tax identification number is [\*].

2.2 Sponsor acknowledges and agrees that payments made payable or sent to any individual or corporation other than as specified, shall not be credited towards fulfillment of Sponsor’s obligations under this Article.

2.3 MCG shall retain title to any equipment purchased with funds provided by Sponsor under this Agreement.

2.4 In the event of early termination of this Agreement by Sponsor pursuant to this Agreement, Sponsor shall pay all costs accrued by MCGRI as of the date of termination, including non-cancelable obligations, incurred prior to the effective date of termination.

### ARTICLE 3 - DATA, REPORTS AND CONFERENCES

3.1 MCGRI agrees to complete case report forms under the Study promptly and to deliver these forms and any other necessary data related to the Study to representatives of Sponsor at periodic monitoring visits. All such information and material will become the property of Sponsor and may be freely utilized by Sponsor in any manner desired. MCGRI further agrees to assist Sponsor’s representatives in resolving any discrepancies or errors in case report forms and in performing random audits of original case records, laboratory reports and/or other raw data sources underlying data recorded on the case report forms. Sponsor will send copies of the final corrected case report forms to the Principal Investigator when complete.

3.2 MCGRI shall retain copies of all documentation relating to this Study as required by federal, state or local laws or regulations or by the Protocol, until all obligations of all persons associated with the Study have been completed.

3.3 During the term of this Agreement, representatives of MCGRI may meet with representatives of Sponsor at times and places mutually agreed upon to discuss the progress and results as well as ongoing plans, or changes therein, of the Study to be performed hereunder.

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3.4 Sponsor will notify MCGRI prior to or concurrent with any monitoring visits.

#### **ARTICLE 4 - ARTICLE 4 - - CONFIDENTIALITY**

4.1 MCGRI and MCG shall use that care which they use to protect their own confidential information not to disclose to any third party any information or data provided by Sponsor to MCGRI in connection with the Study and the Protocol which is marked by Sponsor as confidential or with a similar legend, or which is reduced to writing within 30 days after disclosure and designated as confidential ("Confidential Information"). Such confidentiality obligation shall be observed during the performance of the Study and for a period of three years following the termination or expiration date of this Agreement. Confidential Information shall be returned to Sponsor to the extent possible upon completion by MCGRI of its obligations under this agreement or upon demand.

4.2 The obligation to protect Sponsor's Confidential Information shall not apply to any information that:

- (1) is already in the possession of, or is independently developed by, MCGRI as evidenced by written record,
- (2) is or becomes publicly available other than through breach of MCGRI's confidentiality obligations,
- (3) is received by MCGRI from a third party without either knowledge of origination in Sponsor or obligation of confidence,
- (4) is released for disclosure by Sponsor with its written consent, or
- (5) is required to be disclosed by law, regulation or court order, including but not limited to the Georgia Open Records Act (providing that MCGRI has taken all reasonable efforts to keep information confidential to the extent permitted by such Act).

#### **ARTICLE 5 - PUBLICATIONS**

5.1 Sponsor recognizes that under MCGRI and MCG policy, the results of the Study must be publishable and agrees that researchers engaged in the Study shall be permitted to present at symposia, national or regional professional meetings, and to publish in journals, theses or dissertations, or otherwise of their own choosing, methods and results of the Study, provided, however, that Sponsor shall have been furnished copies of any proposed publication or presentation at least one month in advance of the submission of such proposed publication or presentation to a journal, editor, or other third party. Sponsor shall have 30 days after receipt of said copies, to object to such proposed presentation or proposed publication because there is patentable subject matter which needs protection. In the event that Sponsor makes such objection, said researcher(s) shall refrain from making such publication or presentation for a maximum of four months from date of receipt of such objection in order for MCGRI to file patent application(s) with the United States Patent and Trademark Office or foreign patent office(s) directed to the patentable subject matter contained in the proposed publication or presentation.

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#### **ARTICLE 6 - INTELLECTUAL PROPERTY**

6.1 All rights and title to MCGRI Intellectual Property under the Study shall belong to MCGRI, subject to the right of Sponsor to take an exclusive, or non-exclusive, royalty-bearing license to MCGRI Intellectual Property, as set forth in Article 7, below and shall be subject to the terms and conditions of this Agreement. "MCGRI Intellectual Property" shall mean individually and collectively all inventions, improvements or discoveries which are conceived or made by one or more employees of MCG in performance of the Study during Agreement Period.

6.2 MCGRI will promptly notify Sponsor of any MCGRI Intellectual Property. If Sponsor directs or MCGRI determines that a patent application or application for other intellectual property protection should be filed, MCGRI shall promptly prepare, file and prosecute such U. S. or foreign application in MCGRI's name. If Sponsor directs MCGRI to file a patent application hereunder or desires to maintain its right to exercise either option (a) or (b) of Section 7.2, below, Sponsor shall bear all costs incurred in connection with such preparation, filing, prosecution and maintenance of U. S. and foreign application(s). Sponsor shall cooperate with MCGRI to assure that such application(s) will cover, to the best of Sponsor's knowledge, all items of commercial interest and importance. While MCGRI shall be responsible for making decisions regarding scope and content of application(s) to be filed and prosecution thereof, Sponsor shall be given an opportunity to review and provide input thereto. MCGRI shall inform Sponsor of all developments with respect to such application(s) and shall promptly supply to Sponsor copies of all papers received and filed in connection with the prosecution thereof in sufficient time for Sponsor to comment thereon.

6.3 If Sponsor elects not to exercise its option as described below or decides to discontinue the financial support of the prosecution or maintenance of the protection, MCGRI shall be free to file or continue prosecution or maintain any such application(s), and to maintain any protection issuing thereon in the U.S. and in any foreign country at MCGRI's sole expense. MCGRI hereby grants Sponsor a royalty-free, non-exclusive license to use MCGRI Intellectual Property within its own organization for any noncommercial purpose. MCGRI hereby grants the first option, at Sponsor's sole selection, for either (a) a non-exclusive, royalty-bearing license to use MCGRI Intellectual Property for any purpose except sublicensing, or (b) an exclusive royalty-bearing license with a right to sublicense. Terms and conditions of these licenses are to be negotiated in good faith and agreed upon between MCGRI and Sponsor. Provided Sponsor has participated in bearing patent expenses as described above, this option shall extend for a period of sixty days from the termination date of this Agreement. In the event that Sponsor acquires an exclusive license or right under this Agreement, Sponsor hereby grants to MCGRI the right to continue to use MCGRI Intellectual Property for any noncommercial purpose.

#### **ARTICLE 7 - - GRANT OF RIGHTS**

Not applicable

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#### **ARTICLE 8 - TERM AND TERMINATION**

8.1 This Agreement shall become effective upon the date first written above and shall continue in effect for the full duration of the Agreement Period, as specified in Article 1.5. The parties hereto may, however, extend the term of this Agreement for additional periods as desired under mutually agreeable terms and conditions which the parties reduce to writing and sign.

8.2 This Study may be terminated at any time by MCGRI for any valid cause or if required to protect patient safety (e.g., due to the occurrence of serious or unexpected adverse reactions) or by Sponsor for any valid cause, by either party's giving thirty (30) days written notice to the other party. If this Study is terminated prior to completion, MCGRI shall furnish to Sponsor all case report forms, either completed or uncompleted, up to the date of termination, as well as all other Study materials, including but not limited to the Study Product.

8.3 No termination of this Agreement, however effectuated, shall release the parties from their rights and obligations accrued prior to the effective date of termination.

#### **ARTICLE 9 - INDEMNIFICATION AND INSURANCE**

9.1 Sponsor agrees to indemnify and hold harmless MCGRI and its duly authorized agents, servants and employees from all claims, demands, actions, causes of action and suites of whatever kind or nature and to indemnify MCGRI and its duly authorized agents, servants and employees from all damages, losses, judgments, costs and fees, including attorneys' fees, [\*], provided that:

- (1) MCGRI, and its agents, servants and employees have followed the Protocol described herein as Exhibit A and [\*]; and
- (2) MCGRI promptly gives SPONSOR notice of, and the right to defend against, any claim or suit as well as the unconditional right to settlement of such suits in the sole discretion of SPONSOR; and
- (3) MCGRI agrees to cooperate fully with SPONSOR in its defense of any claim or suit.

9.2 MCGRI warrants and represents that MCG has adequate liability insurance, such protection being applicable to officers, employees, and agents while acting within the scope of their employment by MCG. MCG has no liability insurance policy as such that can extend protection to any other person.

9.3 Sponsor acknowledges that this Agreement does not confer upon Sponsor any right of claim of indemnification by the MCGRI or MCG, either express or implied.

#### **ARTICLE 10 - INDEPENDENT CONTRACTOR**

10.1 MCGRI shall be deemed to be and shall be an independent contractor and as such MCGRI shall not be entitled to any benefits applicable to employees of Sponsor.

10.2 Neither party is authorized or empowered to act as agent for the other for any purpose

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and shall not on behalf of the other enter into any contract, warranty or representation as to any matter. Neither shall be bound by the acts or conduct of the other.

#### **ARTICLE 11 - USE OF NAME**

11.1 Sponsor agrees that it will not use the name of MCGRI, MCG or the Principal Investigator or sub-investigators in any advertising or publicity material, or make any form of representation or statement in relation to the work conducted under the terms of this Agreement which would constitute an express or implied endorsement by MCGRI, MCG or the Principal Investigator or sub-investigators of any commercial product or service, and that it will not authorize others to do so, without first having obtained written approval from MCGRI.

#### **ARTICLE 12 - CONFLICT OF INTEREST**

12.1 MCG institutional policy requires that persons engaged in Sponsored research must disclose potential financial conflicts of interest with such research, including certain consulting, stock ownership, or other relationships with a company which Sponsors such research, and that MCG must take measures to eliminate or minimize any effects of such potential conflicts on the objectivity of such research. By signing below, Principal Investigator agrees to comply with MCG institutional policy and requirements governing conflict of interest.

#### **ARTICLE 13 - NON-DISCRIMINATION**

13.1 Neither MCGRI nor Sponsor shall discriminate against any person on the basis of race, national origin, religion, creed, sex, sexual orientation, age or handicaps in the performance of this Agreement.

#### **ARTICLE 14 - GOVERNING LAW**

14.1 This Agreement shall be governed and construed in accordance with the laws of the State of Georgia.

#### **ARTICLE 15 - ASSIGNMENT**

15.1 This Agreement shall not be assigned by either party without the prior written consent of the parties hereto, except that the parties hereby consent to the subcontracting of the research to the Medical College of Georgia.

15.2 This Agreement is assignable to any division of Sponsor, any majority stockholder of Sponsor, or any subsidiary of Sponsor in which fifty-one percent of the outstanding stock is owned by Sponsor.

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#### **ARTICLE 16 - COMPLETE AGREEMENT AND MODIFICATION**

16.1 This writing contains the complete agreement of MCGRI and Sponsor, which stipulate that they have made no representation with respect to the subject matter of this Agreement including the execution and delivery hereof except such representations as are specifically set forth herein.

**ARTICLE 17 - NOTICES**

17.1 Notices hereunder shall be deemed made if given by registered or certified mail, postage prepaid, and addressed to the party to receive such notice at the address given below, or such other address as may hereafter be designated by notice in writing:

If to Sponsor:  
Sandra Carroll  
NewLink Genetics  
2901 South Loop Drive  
Ames, IA 50010

If to MCGRI:  
Betty Aldridge  
Executive Director  
MCG Research Institute, Inc.  
Medical College of Georgia  
CJ-3301, 1120 15th Street,  
Augusta, GA 30912-4810

**ARTICLE 18 - AUDIT EXPENSES**

18.1 In the event of an FDA or Sponsor-initiated audit, the Sponsor agrees to pay all actual costs incurred by MCGRI and the Medical College of Georgia as a direct result of the audit.

**ARTICLE 19 - RECORDS RETENTION**

19.1 In the event that the Sponsor wants study documents stored beyond 2 years after the close of the study, the Sponsor will be responsible for all study documents storage fees after that time.

**AGREED TO:**

NEWLINK GENETICS, INC.

MEDICAL COLLEGE OF GEORGIA RESEARCH  
INSTITUTE, INC.

/s/Nicholas N. Vahanian

/s/Betty Aldridge

Name:

Betty Aldridge

Title: COO

Executive Director

2/17/09

Date

Date

**ACCEPTED BY:**

/s/ David Munn

2-16-09

Principal Investigator (Signature)

Date

**LEASE**

Between

**Iowa State University Research Park Corporation**

(Landlord)

and

**NewLink Genetics, Inc.**

(Tenant)

Space:

Suite 3900  
Wayne R. Moore Technology Transfer Center,  
Building #3

Date:

**September 1, 2000**

Address of Tenant to which  
Notices shall be sent

**NewLink Genetics, Inc.  
Suite 3900  
2901 South Loop Drive  
Ames, IA 50010**

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**SUMMARY PAGE**

This page summarizes operational information from the body of the Lease for the convenience of the Landlord. In the event of a conflict between information contained herein and that contained in the body of the Lease, the terms of the body of the Lease shall prevail:

1. Tenant **NewLink Genetics, Inc.**
2. Space: Suite **3900** (± **3,990** g.s.f.), Wayne R. Moore Technology Transfer Center, Building #3
3. Term: **September 1, 2000** through **August 31, 2005**
4. Base Rent and Operating Costs:

Term	Square Feet		Monthly Base	Monthly Operating	Yearly Base	Yearly Operating
	Base	Operating				
9/1/2000 8/31/2001	\$ 11.50	\$ 1.00*	\$ 3,823.75	\$ 332.50	\$ 45,885.00	\$ 3,990.00
9/1/2001 8/31/2002	\$ 12.50	\$ 2.00*	\$ 4,156.25	\$ 665.00	\$ 49,875.00	\$ 7,980.00
9/1/2002 8/31/2003	\$ 13.00	Actual	\$ 4,322.50	Actual	\$ 51,870.00	Actual
9/1/2003 8/31/2004	\$ 13.50	Actual	\$ 4,488.75	Actual	\$ 53,865.00	Actual
9/1/2004 8/31/2005	\$ 14.50	Actual	\$ 4,821.25	Actual	\$ 57,855.00	Actual

\* Estimated operating costs.

Landlord agrees to pay \$174,696 of the estimated tenant finish costs for Suite 3900. Tenant will pay tenant finish costs in excess of this amount, currently estimated at \$93,780. Landlord agrees to finance Tenant's improvement costs up to \$93,780 to be charged as additional rent. Landlord will amortize the improvements over a 10-year term for an additional \$1,132.87 per month (see Amortization Schedule) with a recapture provision for the balance of the loan due at the end of the five-year lease term. (The above example assumes a 7.90% interest rate. Actual amount will be based on rate received from lender.) Other amenities provided by Landlord in the wet-lab area include the use of a conference room, a breakroom, other shared lab facilities, vacuum system, and shared equipment.

As security for these improvements, Landlord will require a letter of credit in the amount of \$50,000 for the term of the lease until Tenant has secured \$1 million in equity investment from private placement offering.

Landlord estimates that Suite 3900 will be completed by August 31, 2000. Should the suite not be completed by this date, this five-year term will begin upon its completion of the building.

Gas and water usage, as well as utility costs for the HVAC system, will be prorated and invoiced monthly. Electricity is metered separately and will be invoiced directly from the provider.

## LEASE

This Lease is entered into this 10th day of May, 2000 by and between Iowa State University Research Park Corporation, an Iowa 504A corporation ("Landlord"), and NewLink Genetics, Inc., a corporation organized pursuant **Delaware** law, ("Tenant").

**1. PREMISES:** Landlord hereby leases to Tenant certain premises at the Iowa State University Research Park ("Park") more particularly described on Attachment 1 attached hereto and incorporated herein (hereinafter referred to as the "Demised Premises"). Lease of the Demised Premises is subject to the terms and conditions of this Lease. The Demised Premises contain  $\pm 3,990$  gross square feet. Whenever reference is made herein to Tenant's pro rata share based upon square feet of the Demised Premises, this number shall define square feet of the Demised Premises.

**2. TERM:** The term of the Lease shall start on September 1, 2000 and terminate on August 31, 2005. If there is any option to renew this lease, such option shall be included on Attachment 2.

A. Landlord has made no representations as to the repair of the Demised Premises, or promises to alter, remodel or improve the Demised Premises, except as set forth in Attachment 2 herein. Tenant's taking possession of the Demised Premises shall conclusively show that the Demised Premises are in good and satisfactory condition.

B. If the Demised Premises are not ready for occupancy on the date that this Lease is due to commence (because construction has not been completed, or because the Demised Premises are not vacant, or for any other reason) Landlord shall not be in default hereunder. Tenant shall accept possession of the Demised Premises when Landlord is able to deliver same. The term of this Lease shall then begin on the date of delivery, but the end of the Lease term shall remain the same. Landlord hereby waives payment of rent covering any period prior to tendering of possession of the Demised Premises to Tenant. On the date the Lease term begins, Tenant shall execute and deliver to Landlord a letter of acceptance of delivery of the Demised Premises.

**3. BASE RENT:** Tenant shall pay annual rent of \$45,885.00 in equal monthly installments of \$3,823.75 (payable monthly in advance) during the first year of the term of this Lease. Rent payments for the balance of this Lease shall be as described at Attachment 2 herein.

**4. OPERATING COSTS:** In addition to base rent, Tenant shall pay the following as operating costs:

A. Tenant shall pay its pro rata share of disbursements paid by Landlord for the building and appurtenant grounds in which the Demised Premises is located including (without limitation) Tenant's proportional share of: 1) real property taxes, including all taxes, assessments, special assessments, levies and government charges of any kind and nature whatever (collectively, "taxes") levied, assessed or payable against building and appurtenant grounds; 2) insurance (including complete pass-through of any additional premiums solely attributed to activities of Tenant at the Demised Premises); 3) repair, maintenance, janitorial and cleaning, including supplies of areas for which Tenant is not directly responsible; 4) landscape maintenance including regular mowing of grass, trimming, weed removal and general landscaping of appurtenant grounds; 5) snow plowing; 6) common area utilities, including (without limitation) parking area lighting; 7) water and sewer charges; 8) management and administration expenses; 9) parking lot maintenance and cleaning; 10) other operating costs; and 11) charges payable by Landlord on the property which this Demised Premises is located by the Research Park for maintenance of common areas in the entire Research Park.

B. Tenant shall repay Landlord for additional operating costs directly attributable to Tenant within thirty days of statement rendered by Landlord.

C. If Landlord desires, Landlord may separately meter any utility to the Demised Premises. Tenant would be directly responsible for payment of such utility charges.

D. Disbursements paid by Landlord for building, appurtenant grounds, and Research Park grounds (other than those directly attributable to Tenant) shall be proportioned among all tenants of the building. This shall be calculated as follows: the total reimbursements paid by Landlord for building and appurtenant grounds shall be divided by the number of square feet in building in which the Demised Premises are located. The resulting amount shall be multiplied by the number of square feet attributed herein to the Demised Premises, and the product shall be Tenant's pro rata share of Landlord's disbursements.

E. Tenant shall pay Landlord operating costs due hereunder in monthly installments as follows:

i. Tenant shall pay such costs according to Landlord's estimate of what they will be, which Landlord shall calculate once a year. Payment shall be made monthly in advance, together with basic rental payments.

ii. For the first year of this Lease, Landlord has estimated such disbursements as \$1.00 per gross square foot. This sum includes only costs set forth in Paragraph 4A herein.

iii. After the close of Landlord's fiscal year, Landlord shall prepare a statement of actual costs for the building in which the Demised Premises are located and appurtenant grounds.

iv. A copy of the statement will be furnished to Tenant, and will set forth Tenant's pro rata share of such actual operating costs for which the Tenant is responsible pursuant to Paragraph 4B herein for which Tenant has not already repaid Landlord.

v. Tenant shall receive a credit against its share of such costs for operating costs actually paid by it to Landlord. If the sum of Tenant's operating costs payments hereunder is less than the disbursements actually made by Landlord, the Tenant will be billed for the additional amounts for which he is responsible. Tenant shall pay such bill within thirty (30) days after it is rendered. If the sum of Tenant's operating costs payments is greater than the actual disbursements made by Landlord, Tenant shall receive a credit against its next month or months operating costs obligation.

vi. Based upon the foregoing, the estimated operating costs for which Tenant shall be initially responsible shall be \$3,990.00 for the first twelve months after commencement of term of this Lease; payable \$332.50 per month.

F. Tenant is responsible for paying all charges for its own use of utilities, if such utilities are separately metered.

G. If Tenant fails to pay rent or operating costs when due, Tenant shall pay Landlord a late charge of five (5%) percent of such overdue payment. Such late charge shall be in addition to (and not in limitation of) all of Landlord's other rights and remedies hereunder or at law. Such charge shall not be considered liquidated damages.

## 5. *USE:*

A. The Demised Premises shall only be used for:

1. Laboratories, offices, and other facilities for research, basic, developmental and applied, and consulting, conducted by or for any individual, organization, or concern, whether public or private.

2. Product manufacture or assembly shall be restricted to the manufacture or assembly of technology products which are clearly related to the on-site research and development

activities of the tenant, or to manufacturing processes which require high levels of scientific or technological input.

3. Pilot plants and test or research facilities in which processes planned for use in production elsewhere can be tested.

4. Incidental operations required to maintain or support any use permitted in paragraphs 1 through 3 above, on the same tract as the permitted use, such as maintenance shops, parking garages, keeping of animals, experimental plots, machine shops, and communications or computer facilities.

5. Services which the Board, in its sole discretion, deems necessary to assist those uses permitted in paragraphs 1 through 3 above including, but not limited to, accounting, legal, printing, research, day-care, travel planning, and mailing centers. However, such services are to remain ancillary to the primary purpose of the Research Park as discussed above.

6. Recreational facilities predominantly for Park tenant use.

B. Outside storage (including, without limitation, all motor vehicles such as trucks or trailers) is prohibited without Landlord's prior written consent. Tenant shall at its own cost and expense obtain any and all licenses and permits necessary for its use of the Demised Premises.

C. Tenant shall comply with all governmental laws, ordinances, regulations, rules, orders and directives (collectively, "regulations"), including (without limitation) all environmental, energy and zoning regulations, and to any restrictive covenants and rules and regulations of the Research Park. Tenant at its sole expense shall promptly comply with all regulations for the correction, prevention and abatement of nuisances in, upon, or connected with the Demised Premises.

D. Tenant shall not permit any objectionable, unpleasant or dangerous odors, smoke, dust, gas, emission, noise or vibrations to emanate from the Demised Premises, nor permit any activity upon the Demised Premises which would constitute a nuisance or would disturb or endanger any other tenant of the Park.

E. Without Landlord's prior written consent, Tenant shall not receive, store or otherwise handle any hazardous substance (as defined below) on the Demised Premises. To the extent Landlord consents to the presence of any hazardous substance on the Demised Premises, in no event shall any such hazardous substance be a substance that is: (i) included on the attached list of Hazardous Materials Presenting a Physical Hazard in a quantity exceeding the maximum quantity allowed on such list; or (ii) a biological contaminant in excess of biohazard level 3 or 4 (see Attachment '3'). Tenant shall provide to Landlord annually, on or about July 1, an inventory of the name and quantity of any permitted hazardous substance received, stored, used, or otherwise handled on the Demised Premises. In addition, Tenant shall receive, store, use, and otherwise handle any such hazardous substance permitted on the Demised Premises in compliance with all applicable local, state, and federal environmental protection ordinances, regulations, or laws (each an "environmental law"). For purposes of this Lease, a hazardous substance shall include any substance that (i) is or contains asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum or petroleum derived substances or wastes, radon gas, or related materials; (ii) requires investigation, removal, or remediation ~~under any environmental~~ [GC] law, or is defined, listed, or identified as a "hazardous waste" or "hazardous substance" thereunder, or (iii) is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is regulated by any governmental authority or environmental law.

**6. LANDLORD'S MAINTENANCE:** Landlord shall at its expense maintain only the roof, foundation and the structural soundness of the exterior walls (including windows, glass, plate glass, door or entries) of the building in good repair, reasonable wear and tear excepted. Provided, however,

Tenant shall repair and pay for any damage caused by Tenant or Tenant's employees, agents or invitees, or caused by Tenant's default hereunder. Tenant shall immediately give Landlord written notice of any defects or need for repairs for which Landlord is responsible, after which Landlord shall have reasonable time to determine whether such repair is needed, and, if so, to repair. Landlord's liability hereunder shall be limited to the cost of such repairs, maintenance or curing of defect.

**7. TENANT'S MAINTENANCE:**

A. Tenant shall, at its own cost and expense, keep and maintain all parts of the Demised Premises (except those for which Landlord is expressly responsible under the terms of this Lease) clean and in good condition, subject to ordinary wear and tear. Tenant hereby authorizes Landlord to arrange for, at Tenant's expense, Tenant's required cleaning, repair and replacement of the Demised Premises, including (without limitation): windows, glass and plate glass, doors, any special office entry, interior walls and finished work, floors and floor covering, downpours, gutters, heating and air conditioning systems, dock boards, truck doors, dock bumpers, paving, plumbing work and fixtures, termite and pest extermination, regular removal of trash and debris, keeping the whole of the Demised Premises in clean and sanitary condition. Tenant shall not be obliged to repair any damage caused by fire, tornado or other casualty covered by the insurance to be maintained by Landlord pursuant hereto, except that Tenant shall repair all wind damage to glass except with respect to tornado damage.

B. Tenant shall not damage any wall or disturb the integrity and support provided by any wall. Tenant shall, at its own cost and expense promptly repair any damage or injury to any part of the building or grounds caused by Tenant or its employees, agents or invitees.

C. Tenant shall, at its own cost and expense, enter into a regularly scheduled preventive maintenance/service contract with a maintenance contractor for service of all plumbing, heating, ventilation and air conditioning systems and equipment within or directly servicing the Demised Premises, unless such system is building wide system, in which case Landlord will provide such maintenance. The maintenance contractor and the contract must be approved by Landlord in writing in advance. Service contract must include all services suggested by the equipment manufacturer within the operations/maintenance manual and must become effective within thirty (30) days of the date that the Tenant takes possession of the Demised Premises. A copy of such executed contract shall be promptly delivered to Landlord.

**8. PARKING:** Parking shall be available on a "first-come, first-served" basis in the parking area adjacent to the Demised Premises, shared by all tenants of that building and Landlord. Landlord may require that all cars shall be marked with a parking decal provided by Landlord. Tenant shall instruct all of its officers, employees and agents not to park in spaces marked for visitor parking.

**9. ALTERATIONS:**

A. Tenant shall not make any alterations, additions or improvement to the Demised Premises (including without limitation roof and wall penetrations) (collectively, "alterations") without the prior written consent of Landlord. Tenant may, without the consent of Landlord, but at its own cost and expense and in a good and workmanlike manner erect such shelves, bins, machinery and fixtures as it may deem advisable, so long as such comply with all regulations and do not alter the basic character of, or overload or damage, the building or improvements.

B. All alterations, additions and improvements erected by Tenant shall be Tenant's property during the term of this Lease. Prior to expiration of this Lease, Tenant shall (unless Landlord otherwise elects as provided herein) remove all alterations, additions and improvements erected by Tenant and restore the Demised Premises to their original condition by the date of Lease termination or upon earlier vacating of the Demised Premises. However, Landlord shall have the right to elect, during the thirty (30) days prior to termination or earlier vacating of the Demised

Premises, that any such alterations, additions and improvements shall become the property of Landlord as of the date of termination or upon earlier vacating of the Demised Premises, and that they shall not be removed by Tenant.

C. All removals and restoration to original condition shall be accomplished in a good and workmanlike manner so as not to damage the primary structure or structural quality of the Demised Premises or building.

**10. SIGNS:** Tenant shall not erect any signs upon or within the Demised Premises without prior written approval of the Landlord. This prohibition shall extend, without limitation, to space within the Demised Premises visible from the outside of the building. Landlord shall not unreasonably withhold its approval if the proposed sign is consistent with the Park requirements contained within the Covenants and Conditions of the Park.

**11. INSPECTION:** Landlord, its agents and representatives, shall have the right to enter and inspect the Demised Premises:

A. any time during business hours for the purpose of ascertaining the condition of the Demised Premises or in order to make such repairs as may be herein required of or permitted to Landlord; and

B. any time in the event of an emergency, to be determined in Landlord's sole discretion; and

C. during the one hundred and twenty (120) days in advance of expiration of this Lease, at any time during business hours to show the Demised Premises. During such one hundred and twenty (120) days, Landlord shall have the right to erect on the Demised Premises a suitable sign stating that the Demised Premises are available.

D. Tenant shall meet with Landlord on the Demised Premises for a joint inspection of the Demised Premises thirty (30) days prior to vacating. If Tenant fails to arrange for such joint inspection, Landlord's inspection at or after Tenant's vacating the Demised Premises shall conclusively determine Tenant's responsibility for repairs and restoration.

E. Landlord shall at all times have a key to all locks to the Demised Premises. Tenant shall not change or install any locks without Landlord's prior approval for consistency with Landlord's master key.

**12. ASSIGNMENT AND SUBLETTING:**

A. Tenant shall not assign this Lease or sublet the whole or any part of the Demised Premises without prior written consent of Landlord which may be withheld in its sole discretion. If Landlord consents to such, Tenant shall remain directly, primarily and fully responsible and liable for the payment of the rent herein specified and for compliance with all its other obligations hereunder.

B. In the event of default (defined at Paragraph 18 herein), if the Demised Premises or any part thereof have been assigned or sublet, Landlord, in addition to any other remedies provided herein or by law, may at its option collect directly from such assignee or subtenant all rents becoming due to Tenant under such assignment or sublease and apply such rent against any sums due to Landlord from Tenant hereunder. Such collections, if any, shall not be a novation or a release of Tenant from any performance of Tenant's obligation hereunder except so much of rent due as is so collected.

### **13. FIRE AND CASUALTY:**

A. Landlord shall maintain standard fire and extended coverage insurance covering the building at which the Demised Premises are a part in an amount of not less than eighty (80%) percent (or for such greater percentage as may be necessary to comply with the provisions of any co-insurance clauses of the policy) of the "replacement cost" thereof as such term is defined in the Replacement Cost Endorsement to be attached thereto. Such coverage shall insure against the perils of fire, lightning, and extended coverage, such coverages and endorsements to be as defined, provided and limited in the standard bureau forms prescribed by the insurance regulatory authority for the State of Iowa. Subject to the other provisions in this Paragraph 13, such insurance shall be for the sole benefit of Landlord and under its sole control.

B. If the Demised Premises should be damaged or destroyed by fire, wind or other casualty, Tenant shall give Landlord immediate written notice thereof. If the Demised Premises have been destroyed, or in Landlord's sole judgment damaged beyond usability, Landlord may, in its sole discretion, terminate this Lease and the rent shall be abated during the unexpired portion of this Lease (effective upon the date of the occurrence of such damage or destruction). No damages shall be payable to Tenant if Landlord so terminates.

C. If Landlord does not choose to terminate, but rather decides to repair or rebuild the Demised Premises, the rent payable hereunder during the period in which the Demised Premises are not tenantable shall be reduced to such extent as may be fair and reasonable under all the circumstances during such period of repair or rebuilding. At the completion of such repair or rebuilding, rent shall resume for the full amount herein set forth for the remainder of the term of the Lease.

D. If holder of an instrument (defined at Paragraph 20 herein) requires that the insurance proceeds be applied to pay off the indebtedness evidenced by that instrument, Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant within fifteen (15) days after such requirement is made by any such holder. In such event, all rights and obligations hereunder shall cease and terminate, except for any payments previously due and owing from Tenant to Landlord.

E. To the extent that either party has insurance payable to it under any policy of insurance (directly or by subjugation), the other party is hereby released from any claim for loss or damage to property caused by fire or other peril, but only if the releaser's insurance policy (or policies) contains a clause or endorsement to the effect that any such release shall not adversely affect or impair the policy (including increased premiums) or prejudice the right of the releaser to recover under the policy.

This release shall be effective even if the loss or damage is caused by fault or negligence of the party released, or anyone for whom it is responsible, but this release is effective only to the extent and limit of the proceeds payable under the releaser's insurance policy.

### **14. LIABILITY:**

A. *Covenant not to sue.* Tenant shall not commence an action, interpose a counterclaim, or implead Landlord for any injury to person or damage to property on or about the Demised Premises resulting from and/or caused in part or whole by: 1) the negligence or misconduct of Tenant, its directors, officers, agents, servants or employees, or of any other person entering upon the Demised Premises for Tenant's purposes; or 2) Tenant's failure to repair.

B. *Indemnification.* Tenant shall at all times indemnify and hold harmless Landlord, its directors, officers, employees and agents, from any loss, liability, claims, suits, costs, expenses (including, without limitation, attorneys fees) and damages (actual and punitive), arising out of any

personal injury or property damage associated with the Demised Premises. Provided, however, that Tenant shall not indemnify or hold harmless Landlord for personal injury or property damage caused by gross negligence of Landlord or (but only if Tenant has duly notified Landlord of the need for repair) failure of Landlord to repair any part of the Demised Premises which Landlord is obligated to repair and maintain hereunder.

C. *Insurance.* Tenant shall procure and maintain throughout the term of this Lease a policy or policies of insurance at its sole cost and expense, insuring Tenant against all claims, demands or actions arising out of or in connection with: (i) the Demised Premises; (ii) the condition of the Demised Premises; (iii) Tenant's operations, maintenance and use of the Demised Premises; and (iv) all assumed contractual or quasi-contractual liability, including without limitation Tenant's liability assumed under this Lease. The limits of such policy or policies shall be in aggregate amounts of no less than Two Million (\$2,000,000) Dollars. Tenant shall name Landlord and Tenant as insured. All such policies shall be procured by Tenant from responsible insurance companies licensed to do business in the State of Iowa and satisfactory to Landlord. Evidence of such insurance shall be provided to Landlord prior to commencement date of this Lease.

**15. CONDEMNATION:** In the event the Demised Premises, or any portion thereof, shall be taken by Eminent Domain (or by private purchase in lieu thereof):

A. The proceeds of such taking or purchase shall exclusively belong to Landlord. Tenant shall be entitled to an award made specifically to Tenant for its leasehold estate.

B. This Lease shall not terminate so long as Tenant can still carry on its business on the Demised Premises but rental shall abate in proportion to space taken.

C. This Lease shall terminate if it is impossible (by reason of such taking or purchase) for Tenant to still carry on its business on the Demised Premises.

**16. HOLDING OVER:** At the termination of this Lease, Tenant shall yield up immediate possession to Landlord. If Landlord agrees in writing that Tenant may hold over after the expiration or termination of this Lease, the hold over tenancy shall be subject to termination by Landlord at any time upon not less than thirty (30) days advance written notice, or by Tenant at any time upon not less than thirty (30) days advance written notice. All other terms and provisions of this Lease shall be applicable during the hold over tenancy, except that Tenant shall pay Landlord as rental through the period of any hold over an amount equal to one and one-half times the base rent and operating costs in effect on termination date. Such rental shall be computed on a daily basis for each day of the hold over period. No holding over by Tenant, whether with or without consent of Landlord, shall extend this Lease except as otherwise expressly provided herein. This Paragraph may not be interpreted for any purpose as a consent by Landlord to any hold over by Tenant.

**17. QUIET ENJOYMENT:** Subject to all rights of mortgagees, as set forth in Paragraph 20 herein Landlord covenants that:

A. It now has, or will have before Tenant takes possession of the Demised Premises, good title to the Demised Premises. Such title is or shall be free and clear of all liens and encumbrances, except for liens for current taxes not yet due, such mortgage or mortgages as are permitted by the terms of this Lease, regulations as defined herein, and easements, restrictions and other conditions of record.

B. Landlord has full right and authority to enter into this Lease.

C. Tenant, upon paying rent as required, and performing its other obligations, shall peaceably and quietly have, hold and enjoy the Demised Premises for the term without hindrance or molestation from Landlord.

**18. DEFAULT:** The following shall be events of default by Tenant under this Lease:

- A. Tenant's failure to pay any installment of rent or operating costs, required by this Lease when due, and such failure continues for a period of ten (10) days from the due date.
- B. Tenant becoming insolvent, making a transfer in fraud of creditors, or making an assignment for the benefit of creditors.
- C. Tenant filing a petition under any bankruptcy law of the United States or any state, or Tenant being placed in bankruptcy proceedings or adjudged bankrupt or insolvent in proceedings filed against Tenant.
- D. Receiver or trustee or similar officer being appointed for all or substantially all of Tenant's assets.
- E. Tenant failing to comply with any other term, provision or covenant of this Lease and not curing such within ten (10) days after written notice thereof. However, if such default is not curable within ten (10) days, Tenants must be making a good faith, diligent effort to cure said default and as soon as possible.

**19. LANDLORD'S REMEDIES:** If Tenant defaults Landlord may pursue any one or more of the following remedies without any notice or demand whatsoever:

- A. Terminate the Lease. In such event, Tenant shall immediately surrender the Demised Premises to Landlord. If Tenant fails to do so, Landlord may, without limiting any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Demised Premises and remove Tenant and any other person that may be occupying the Demised Premises without being liable for prosecution or any claim of damages therefrom. In such event, Tenant agrees to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, including without limitation Landlord's inability to relet the Demised Premises on terms satisfactory to Landlord.
- B. In the event of a termination and removal as set forth herein, Landlord may:
  - 1) relet the Demised Premises and receive rent therefor. Tenant shall pay to Landlord on demand any deficiency between rent under this Lease and the reletting. If Landlord relets the Demised Premises at a greater rental, such excess shall be the sole property of Landlord, and Tenant hereby waives any claim to such relet excess rent; and
  - 2) perform Tenant's obligations under the terms of this Lease. Tenants agrees to reimburse Landlord on demand for any expenses which Landlord incurs in fulfilling Tenant's obligations with interest accruing on such amount at 12% per annum.
- C. Exercise of any of the remedies set forth herein, or otherwise provided by law, shall not constitute a forfeiture or waiver of any rent or other payments due to Landlord, or of any damages accruing to Landlord; nor shall any act of Landlord hereunder be deemed an acceptance of surrender of the Demised Premises. Only a writing signed by Landlord shall constitute a valid acceptance of surrender of the Demised Premises.
- D. Landlord's acceptance of any rent or other payments hereunder after a default by Tenant shall not be deemed a waiver of such default unless Landlord so notifies Tenant in writing. Forbearance by Landlord to enforce a remedy shall not be a waiver of default or Landlord's right to enforce any remedy with respect to that default or any later default. Tenant shall pay Landlord's reasonable attorneys fees in the enforcement or defense of any of Landlord's rights or remedies hereunder.

**20. MORTGAGE SUBORDINATION:** Tenant accepts this Lease subject and subordinate to any mortgage(s), mortgage modifications, extensions and additions (collectively, "instruments") now or at any time hereafter constituting a lien or charge upon the Demised Premises or improvements thereon. Tenant shall at any time hereafter and as often as requested to do so on demand execute any documents which may be required by any holder of an instrument for the purpose of subjecting and subordinating this Lease to the lien of any such instrument. However, as a condition to executing any subordination, Tenant shall receive from Mortgagee a covenant that as long as Tenant is not in default on Lease, Mortgagee will not disturb Tenant's leasehold interest in the Demised Premises.

**21. NEW OWNER:** If Landlord shall sell, assign, or convey its right, title and interest in the Demised Premises to another (called herein "new owner"), this Lease shall continue in full force and effect; Tenant shall in all respects recognize the new owner as its Landlord under this Lease, paying all rents and complying with all terms of this Lease. In such event, Landlord shall turn over Tenant's security deposit, if any, to the new owner. Landlord's liability to return same to Tenant shall then cease, and the new owner shall then be obligated to return security deposit to Tenant subject to the terms and conditions of this Lease. The new owner shall have all of Landlord's rights and shall assume all of Landlord's obligations hereunder.

**22. MECHANIC'S LIENS:** Tenant shall have no authority, express or implied, to create, place or allow any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind, the interest of Landlord in the Demised Premises. Payments under this Lease shall not be chargeable by any third party, including any who may furnish materials or perform labor for any construction or repairs. Any claim or lien shall affect and attach to, if at all, only the leasehold interest granted to Tenant by this agreement. Tenant shall pay all sums legally due and payable by it on account of any labor performed on the Demised Premises. Tenant shall indemnify and hold Landlord harmless from any and all loss, costs or expense (including, without limitation, reasonable legal fees) based on or arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of Landlord in the Demised Premises. If a mechanic's lien attaches to the Demised Premises, Tenant shall take immediate action to obtain a bond or other surety to remove the mechanic's lien from the Demised Premises.

**23. NOTICES:** Tenant shall send all rent or required notices by hand-delivery or be registered mail to Landlord at *Iowa State University Research Park Corporation, Suite 1600, 2501 North Loop Drive, Ames, Iowa 50010*. Landlord shall provide any notice to Tenant by hand-delivery or registered mail at the address set forth on the title page hereof, or as Tenant may otherwise designate in writing. Any notice or payment made shall be deemed delivered when actually received and not when deposited in the mail.

**24. BUSINESS INTERRUPTION:** Landlord shall not be responsible to Tenant for any damages or inconvenience caused by interruption of business or inability to occupy the Demised Premises for any reason whatsoever.

**25. DELIVERY OF GOODS:** All deliveries to and shipments from Tenant are the sole responsibility of Tenant. Tenant shall provide that such do not disrupt any other tenant of the Park. Landlord, in its sole discretion, may reasonably regulate such deliveries and shipments to prevent disturbance to other tenants of the Park.

**26. NONDISCRIMINATION:** Tenant shall not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin or in any other way prohibited by law. Tenant shall act affirmatively to ensure that applicants are employed, and employees treated during employment, without regard to race, color, religion, sex or national origin or other discrimination prohibited by law. Such nondiscrimination shall include, without limitation: employment, promotion, demotion, transfer, recruitment, advertising, lay-off, termination, rates of pay or other forms of compensation, selection of training, including apprenticeship.

**27. LANDLORD REFUSAL TO CONSENT:** If Landlord is required to give reasonable consent in any matter hereunder (rather than such consent being in Landlord's sole discretion), and Landlord refuses to consent, Tenant's sole remedy shall be to apply to an appropriate court to request that Landlord be directed to give its consent. Tenant agrees not to make any claim against Landlord for money or subtract any sum from rent based on Landlord's refusal to consent.

**28. ENTIRE AGREEMENT:** Both parties have read this Lease and understand that it sets forth their entire agreement. This Lease may be changed only by an agreement in writing duly signed and acknowledged and delivered to each party.

**29. CAPTIONS, DELETIONS, DEFINITIONS:** Headings and captions used in this Lease are for the convenience of reference only, and are not deemed to modify any of the legal rights of the parties, such deletion may not be used in interpreting the rights of the parties hereunder. Each party shall then have all rights which it would have had, at law or otherwise, as if such deleted provision had never been a part hereof.

**TENANT**

**NewLink Genetics, Inc.**

BY:     /s/ Gregory Compton    

POSITION:     President    

DATED:     May 23, 2000    

BY:                                     

POSITION:                                     

DATED:                                     

**LANDLORD**

**Iowa State University  
Research Park Corporation**

BY:     /s/ John B. Parks    

POSITION:     President    

DATED:     5-25-00    

BY:                                     

POSITION:                                     

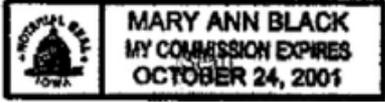
DATED:

STATE OF IOWA)  
 ) SS:  
COUNTY OF Story)

On this 23 day of May, 2000, before me, the undersigned, a Notary Public in and for said county and state, personally appeared Greg Compton and \_\_\_\_\_, to me personally known, who being by me duly sworn, did say that they are the President and NA, respectively, of said corporation executing the within and foregoing instrument, that (no seal has been procured by the said) (the seal affixed thereto is the seal of said) corporation; that said instrument was signed (and sealed) on behalf of said corporation by authority of its Board of Directors; and that the said Greg Compton and NA as such officers acknowledged the execution of said instrument to be the voluntary act and deed of said corporation by it and by them voluntarily executed.

/s/ Mary Ann Black

\_\_\_\_\_  
Notary Public in and for said County and State



STATE OF IOWA)  
 ) SS:  
COUNTY OF Story)

On this 25 day of May, 2000, before me, the undersigned, a Notary Public in and for said county and state, personally appeared John Parks and \_\_\_\_\_, to me personally known, who being by me duly sworn, did say that they are the President and \_\_\_\_\_, respectively, of said corporation executing the within and foregoing instrument, that (no seal has been procured by the said) (the seal affixed thereto is the seal of said) corporation; that said instrument was signed (and sealed) on behalf of said corporation by authority of its Board of Directors; and that the said John Parks and \_\_\_\_\_ as such officers acknowledged the execution of said instrument to be the voluntary act and deed of said corporation by it and by them voluntarily executed.

/s/ [illegible]

\_\_\_\_\_  
Notary Public in and for said County and State

(Seal)

ATTACHMENT 1

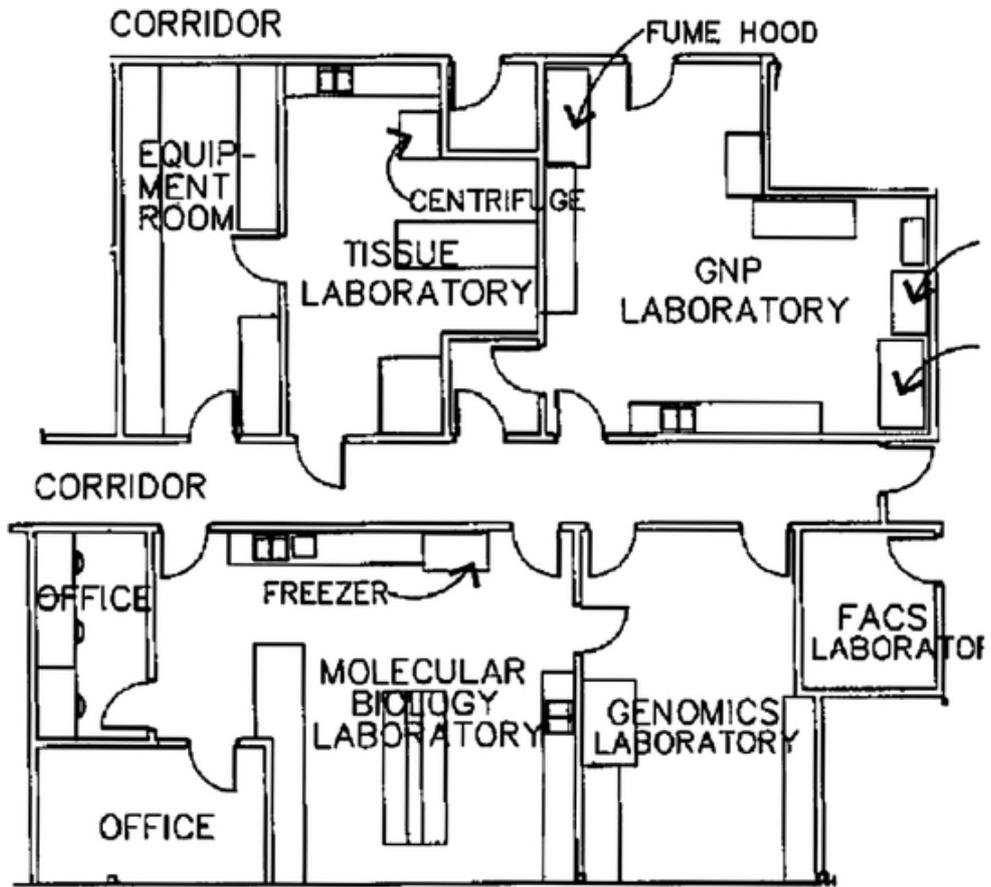
NEWLINK GENETICS, INC.

±3,990 gross square feet

Suite 3900

Wayne R. Moore Technology Transfer Center #3

TYPICAL



**ATTACHMENT 2**

**NEWLINK GENETICS, INC.**

±3,990 gross square feet  
Suite 3900

Wayne R. Moore Technology Transfer Center #3

<u>Term</u>	<u>Square Feet</u>		<u>Monthly Base</u>	<u>Monthly Operating</u>	<u>Yearly Base</u>	<u>Yearly Operating</u>
	<u>Base</u>	<u>Operating</u>				
9/1/2000 8/31/2001	\$ 11.50	\$ 1.00*	\$ 3,823.75	\$ 332.50	\$ 45,885.00	\$ 3,990.00
9/1/2001 8/31/2002	\$ 12.50	\$ 2.00*	\$ 4,156.25	\$ 665.00	\$ 49,875.00	\$ 7,980.00
9/1/2002 8/31/2003	\$ 13.00	Actual	\$ 4,322.50	Actual	\$ 51,870.00	Actual
9/1/2003 8/31/2004	\$ 13.50	Actual	\$ 4,488.75	Actual	\$ 53,865.00	Actual
9/1/2004 8/31/2005	\$ 14.50	Actual	\$ 4,821.25	Actual	\$ 57,855.00	Actual

(\*) Estimated operating costs.

Landlord agrees to pay \$174,696 of the estimated tenant finish costs for Suite 3900. Tenant will pay tenant finish costs in excess of this amount, currently estimated at \$93,780. Landlord agrees to finance Tenant's improvement costs up to \$93,780 to be charged as additional rent. Landlord will amortize the improvements over a 10-year term for an additional \$1,132.87 per month (see Amortization Schedule) with a recapture provision for the balance of the loan due at the end of the five-year lease term. (The above example assumes a 7.90% interest rate. Actual amount will be based on rate received from lender.) Other amenities provided by Landlord in the wet-lab area include the use of a conference room, a breakroom, other shared lab facilities, vacuum system, and shared equipment.

As security for these improvements, Landlord will require a letter of credit in the amount of \$50,000 for the term of the lease until Tenant has secured \$1 million in equity investment from private placement offering.

Landlord estimates that Suite 3900 will be completed by August 31, 2000. Should the suite not be completed by this date, this five-year term will begin upon its completion of the building.

Gas and water usage, as well as utility costs for the HVAC system, will be prorated and invoiced monthly. Electricity is metered separately and will be invoiced directly from the provider.

**Exempt Amounts of Hazardous Materials Presenting a Physical Hazard  
Maximum Quantities Per Laboratory**

<u>MATERIAL</u>	<u>CLASS</u>	<u>OPEN SYSTEM— SOLID LBS. (Cu. Ft.)</u>	<u>OPEN SYSTEM— LIQUID GALLONS (LBS.)</u>
Combustible liquid(1)	II	N.A.	30
	III-A		80
	III-B		3300(3)
Cryogenic (flammable or oxidizing)	—	N.A.	10
Explosives	—	<sup>1</sup> / <sub>4</sub> (4)	( <sup>1</sup> / <sub>4</sub> )(4)
Flammable Solid	—	Not Allowed	N.A.
Flammable Gas	—	N.A.	N.A.
Flammable Liquid(1)	I-A	N.A.	10
Combination I-A, I-B, I-C	I-B	N.A.	15
	I-C	N.A.	20
		N.A.	30
Organic Peroxide, unclassified, detonatable	—	<sup>1</sup> / <sub>4</sub> (4)	( <sup>1</sup> / <sub>4</sub> )(4)
Organic Peroxide	I	1(1)	1(1)
	II	10(1)	(10)(1)
	III	25(1)	(25)(1)
	IV	100(1)	(100)(1)
	V	Not Limited	Not Limited
Oxidizer	4	<sup>1</sup> / <sub>4</sub> (4)	( <sup>1</sup> / <sub>4</sub> )(4)
	3	2(1)	(2)(1)
	2	50(1)	(50)(1)
	1	1000(1)	(1000)(1)
Oxidizer—Gas(1)	—	N.A.	N.A.
Pyrophoric	—	0	0
Unstable (Reactive)	4	<sup>1</sup> / <sub>4</sub> (4)	( <sup>1</sup> / <sub>4</sub> )(4)
	3	1(1)	(1)(1)
	2	10(1)	(10)(1)
	1	Not Limited	Not Limited
Water Reactive	3	1(1)	(1)(1)
	2	10(1)	(10)(1)
	1	25(3)	(25)(3)
Biohazard Level 3 & 4 Agents	None	None	None

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- (1) Quantities may be increased 100 percent in sprinklered buildings. When footnote 3 also applies, the increase for both footnotes may be applied.
  - (2) Quantities may be increased by 100 percent when stored in approved storage cabinets, gas cabinets or exhausted enclosures. When footnote 2 also applies, the increase for both footnotes may be applied.
  - (3) The quantities permitted in a sprinklered building are not limited.
  - (4) Permitted in sprinklered buildings only. None is allowed in unsprinklered buildings.
-

**Combustible Liquid—**

- Class II— Acetic Acid, Acetic Anhydride, Acrylic Acid, Benzenethiol, Formic Acid, Kerosene, Naphtha, Vinyl Toluene
- Class III-A— Aniline, Benzyl Chloride, Chloroacetaldehyde, Cyclohexanone, Diazinon, Dimethyl Sulfate, Divinyl Benzene, Ethanolamine, Formalin, Nitrobenzene
- Class III-B— Diethanolamine, Ethylene Glycol, Formamide, Glycerin, Malathion, Parathion, Resorcinol

**Cryogenic Fluids—**

Flammable (Carbon monoxide, Deuterium, Ethylene, Hydrogen, Methane)  
Oxidizer (Fluorine, Nitric Oxide, Oxygen)

**Explosives—**

Black Powder, Dynamite, Nitrocellulose, Nitroglycerine

**Flammable Solid—**

Camphor, Cellulose Nitrate, Naphthalene, Decaborane, Lithium Amide, Potassium Sulfide, Sulfur, Combustible Metals (Cesium, Magnesium and Zirconium)

**Flammable Gas—**

Acetylene, Arsine, Carbon Monoxide, Cyanogen, Diborane, Ethane, Ethylene, Formaldehyde, Hydrogen, Hydrogen Sulfide, LP Gas, Methane, Phosphine, Vinyl Chloride

**Flammable Liquid—**

- Class I-A— Acetaldehyde, n-Butane, Dimethylamine, Ethylamine, Ethyl Chloride, Ethylene Oxide Ethyl Ether, Ethyl Mercaptan, Hydrogen Cyanide, Isobutane, Pentane, Vinyl Bromide,
- Class I-B— Acetone, Acetonitrile, Acrolein, Acrylonitrile, Benzene, tert-Butyl Alcohol, Carbon Disulfide, Cyclohexane, Diethylamine, Dioxane, Ethyl Acetate, Ethyl Alcohol, Gasoline, Heptane, Hexane, Isopropyl Acetate, Isopropyl Alcohol, Methyl Alcohol, Octane, Propionitrile, Propanol, Pyridine, Tetrahydrofuran, Toluene, Triethylamine, Vinyl Acetate
- Class I-C— sec-Butyl Alcohol, Chlorobenzene, Cumene, Ethylenediamine, Hydrazine, Isoamyl Acetate, Nonane, Styrene, Turpentine, o-Xylene

**Organic Peroxide (Unclassified, Detonatable)—****Organic Peroxide—**

- Class I— Acetyl Cyclohexane Sulfonyl 60-65%, Fulfonyl Peroxide, Benzoyl Peroxide over 98%, t-butyl hydroperoxide 90%
- Class II— Acetyl Peroxide 25%, Peroxyacetic Acid 43%
- Class III— Benzoyl Peroxide 78%,
- Class IV— Benzoyl Peroxide 70%,
- Class V— Benzoyl Peroxide 35%, 1,1-di-t-butyl peroxy 3,5,5-trimethylcyclohexane 40%

**Oxidizer—**

- Class 4— Ammonium Perchlorate, Ammonium Permanganate, Tetranitromethane
- Class 3— Ammonium Dichlorate, Calcium Hypochlorite, Potassium Bromate, Potassium Chlorate, Sodium Bromate, Sodium Chlorate
- Class 2— Barium Bromate, Barium Chlorate, Calcium Perchlorate, Lithium Perchlorate, Magnesium Perchlorate, Sodium Permanganate
- Class 1— Inorganic Nitrates, Inorganic Nitrites, Ammonium Persulfate, Lithium Peroxide, Manganese Dioxide, Zinc Peroxide

**Oxidizer (Gas)—**

Oxygen, Ozone, Oxides of Nitrogen Fluorine and Chlorine

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**Pyrophoric—**

Gases (Diborane, Phosphine, Silane)  
 Solids (Cesium, hafnium, Lithium, White or Yellow Phosphorus, Plutonium, Potassium, Sodium)  
 Liquids (Diethyl Aluminum Chloride, Diethyl Beryllium, Diethyl Phosphine)

**Unstable (Reactive)—**

Class 4— Acetyl Peroxide, Dibutyl Peroxide, Ethyl Nitrate, Picric Acid Trinitrobenzene, Peroxyacetic Acid  
 Class 3— Hydrogen Peroxide greater than 52%, Hydroxylamine, Nitromethane, Perchloric Acid  
 Class 2— Acrolein, Acrylic Acid, Hydrazine, Sodium Perchlorate, Styrene, Vinyl Acetate  
 Class 1— Acetic Acid, Hydrogen Peroxide 35% to 52%, Paraldehyde, Tetrahydrofuran

**Water Reactive—**

Class 3— Bromine Pentafluoride, Isobutylaluminum, Triethylaluminum,  
 Class 2— Calcium Carbide, Calcium Metal, Lithium Hydride, Sodium Metal, Sodium Peroxide Trichlorosilane  
 Class 1— Acetic Anhydride, Sodium Hydroxide, Sulfur Monochloride, Titanium Tetrachloride

**Amortization Schedule—NewLink**

Amount to be financed	93,780.00
Interest Rate	7.90%
Monthly Payment	1,132.87
Term	10 Years
Total number of Payments	120
Principal balance at the end of 5 years	56,003
Principal balance at the end of 10 years	(1)

Tenant will be billed at the beginning of each month with monthly lease billings.

Billings will be for the upcoming month.

Pmt#	Date	Payment Beginning Balance	Principal	Interest	Balance
	5/1/00				93,780.00
1	6/1/00	\$ 1,132.87	\$ 515.48	\$ 617.39	93,264.52
2	7/1/00	\$ 1,132.87	\$ 518.87	\$ 613.99	92,745.64
3	8/1/00	1,132.87	\$ 522.29	\$ 610.58	92,223.35
4	9/1/00	1,132.87	\$ 525.73	\$ 607.14	91,697.62
5	10/1/00	1,132.87	\$ 529.19	\$ 603.68	91,168.43
6	11/1/00	1,132.87	\$ 532.67	\$ 600.19	90,635.76
7	12/1/00	1,132.87	\$ 536.18	\$ 596.69	90,099.58
8	1/1/01	1,132.87	\$ 539.71	\$ 593.16	89,559.87
9	2/1/01	1,132.87	\$ 543.26	\$ 589.60	89,016.60
10	3/1/01	1,132.87	\$ 546.84	\$ 586.03	88,469.76
11	4/1/01	1,132.87	\$ 550.44	\$ 582.43	87,919.32
12	5/1/01	1,132.87	\$ 554.06	\$ 578.80	87,365.26
13	6/1/01	1,132.87	\$ 557.71	\$ 575.15	86,807.55
14	7/1/01	1,132.87	\$ 561.38	\$ 571.48	86,246.16
15	8/1/01	1,132.87	\$ 565.08	\$ 567.79	85,681.08
16	9/1/01	1,132.87	\$ 568.80	\$ 564.07	85,112.28
17	10/1/01	1,132.87	\$ 572.54	\$ 560.32	84,539.74
18	11/1/01	1,132.87	\$ 576.31	\$ 556.55	83,963.43

Pmt#	Date	Payment		Interest	Balance
		Beginning Balance	Principal		
19	12/1/01	1,132.87	\$ 580.11	\$ 552.76	83,383.32
20	1/1/02	1,132.87	\$ 583.93	\$ 548.94	82,799.39
21	2/1/02	1,132.87	\$ 587.77	\$ 545.10	82,211.62
22	3/1/02	1,132.87	\$ 591.64	\$ 541.23	81,619.98
23	4/1/02	1,132.87	\$ 595.53	\$ 537.33	81,024.45
24	5/1/02	1,132.87	\$ 599.46	\$ 533.41	80,424.99
25	6/1/02	1,132.87	\$ 603.40	\$ 529.46	79,821.59
26	7/1/02	1,132.87	\$ 607.37	\$ 525.49	79,214.22
27	8/1/02	1,132.87	\$ 611.37	\$ 521.49	78,602.84
28	9/1/02	1,132.87	\$ 615.40	\$ 517.47	77,987.45
29	10/1/02	1,132.87	\$ 619.45	\$ 513.42	77,368.00
30	11/1/02	1,132.87	\$ 623.53	\$ 509.34	76,744.47
31	12/1/02	1,132.87	\$ 627.63	\$ 505.23	76,116.84
32	1/1/03	1,132.87	\$ 631.76	\$ 501.10	75,485.08
33	2/1/03	1,132.87	\$ 635.92	\$ 496.94	74,849.15
34	3/1/03	1,132.87	\$ 640.11	\$ 492.76	74,209.04
35	4/1/03	1,132.87	\$ 644.32	\$ 488.54	73,564.72
36	5/1/03	1,132.87	\$ 648.57	\$ 484.30	72,916.15
37	6/1/03	1,132.87	\$ 652.84	\$ 480.03	72,263.32
38	7/1/03	1,132.87	\$ 657.13	\$ 475.73	71,606.19
39	8/1/03	1,132.87	\$ 661.46	\$ 471.41	70,944.73
40	9/1/03	1,132.87	\$ 665.81	\$ 467.05	70,278.91
41	10/1/03	1,132.87	\$ 670.20	\$ 462.67	69,608.72
42	11/1/03	1,132.87	\$ 674.61	\$ 458.26	68,934.11
43	12/1/03	1,132.87	\$ 679.05	\$ 453.82	68,255.06
44	1/1/04	1,132.87	\$ 683.52	\$ 449.35	67,571.54
45	2/1/04	1,132.87	\$ 688.02	\$ 444.85	66,883.52
46	3/1/04	1,132.87	\$ 692.55	\$ 440.32	66,190.97
47	4/1/04	1,132.87	\$ 697.11	\$ 435.76	65,493.86
48	5/1/04	1,132.87	\$ 701.70	\$ 431.17	64,792.16
49	6/1/04	1,132.87	\$ 706.32	\$ 426.55	64,085.84
50	7/1/04	1,132.87	\$ 710.97	\$ 421.90	63,374.87
51	8/1/04	1,132.87	\$ 715.65	\$ 417.22	62,659.22
52	9/1/04	1,132.87	\$ 720.36	\$ 412.51	61,938.86
53	10/1/04	1,132.87	\$ 725.10	\$ 407.76	61,213.76
54	11/1/04	1,132.87	\$ 729.88	\$ 402.99	60,483.89
55	12/1/04	1,132.87	\$ 734.68	\$ 398.19	59,749.21
56	1/1/05	1,132.87	\$ 739.52	\$ 393.35	59,009.69
57	2/1/05	1,132.87	\$ 744.39	\$ 388.48	58,265.30
58	3/1/05	1,132.87	\$ 749.29	\$ 383.58	57,516.02
59	4/1/05	1,132.87	\$ 754.22	\$ 378.65	56,761.80
60	5/1/05	1,132.87	\$ 759.18	\$ 373.68	56,002.61
61	6/1/05	1,132.87	\$ 764.18	\$ 368.68	55,238.43
62	7/1/05	1,132.87	\$ 769.21	\$ 363.65	54,469.22
63	8/1/05	1,132.87	\$ 774.28	\$ 358.59	53,694.94
64	9/1/05	1,132.87	\$ 779.37	\$ 353.49	52,915.56
65	10/1/05	1,132.87	\$ 784.51	\$ 348.36	52,131.06
66	11/1/05	1,132.87	\$ 789.67	\$ 343.20	51,341.39
67	12/1/05	1,132.87	\$ 794.87	\$ 338.00	50,546.32
68	1/1/06	1,132.87	\$ 800.10	\$ 332.76	49,746.42
69	2/1/06	1,132.87	\$ 805.37	\$ 327.50	48,941.05
70	3/1/06	1,132.87	\$ 810.67	\$ 322.20	48,130.38

Pmt#	Date	Payment		Interest	Balance
		Beginning Balance	Principal		
71	4/1/06	1,132.87	\$ 816.01	\$ 316.86	47,314.37
72	5/1/06	1,132.87	\$ 821.38	\$ 311.49	46,492.99
73	6/1/06	1,132.87	\$ 826.79	\$ 306.08	45,666.20
74	7/1/06	1,132.87	\$ 832.23	\$ 300.64	44,833.97
75	8/1/06	1,132.87	\$ 837.71	\$ 295.16	43,996.26
76	9/1/06	1,132.87	\$ 843.22	\$ 289.64	43,153.04
77	10/1/06	1,132.87	\$ 848.78	\$ 284.09	42,304.26
78	11/1/06	1,132.87	\$ 854.36	\$ 278.50	41,449.90
79	12/1/06	1,132.87	\$ 859.99	\$ 272.88	40,589.91
80	1/1/07	1,132.87	\$ 865.65	\$ 267.22	39,724.26
81	2/1/07	1,132.87	\$ 871.35	\$ 261.52	38,852.91
82	3/1/07	1,132.87	\$ 877.08	\$ 255.78	37,975.83
83	4/1/07	1,132.87	\$ 882.86	\$ 250.01	37,092.97
84	5/1/07	1,132.87	\$ 888.67	\$ 244.20	36,204.30
85	6/1/07	1,132.87	\$ 894.52	\$ 238.34	35,309.78
86	7/1/07	1,132.87	\$ 900.41	\$ 232.46	34,409.37
87	8/1/07	1,132.87	\$ 906.34	\$ 226.53	33,503.03
88	9/1/07	1,132.87	\$ 912.30	\$ 220.56	32,590.72
89	10/1/07	1,132.87	\$ 918.31	\$ 214.56	31,672.41
90	11/1/07	1,132.87	\$ 924.36	\$ 208.51	30,748.06
91	12/1/07	1,132.87	\$ 930.44	\$ 202.42	29,817.61
92	1/1/08	1,132.87	\$ 936.57	\$ 196.30	28,881.05
93	2/1/08	1,132.87	\$ 942.73	\$ 190.13	27,938.31
94	3/1/08	1,132.87	\$ 948.94	\$ 183.93	26,989.38
95	4/1/08	1,132.87	\$ 955.19	\$ 177.68	26,034.19
96	5/1/08	1,132.87	\$ 961.47	\$ 171.39	25,072.71
97	6/1/08	1,132.87	\$ 967.80	\$ 165.06	24,104.91
98	7/1/08	1,132.87	\$ 974.18	\$ 158.69	23,130.73
99	8/1/08	1,132.87	\$ 980.59	\$ 152.28	22,150.15
100	9/1/08	1,132.87	\$ 987.04	\$ 145.82	21,163.10
101	10/1/08	1,132.87	\$ 993.54	\$ 139.32	20,169.56
102	11/1/08	1,132.87	\$ 1,000.08	\$ 132.78	19,169.47
103	12/1/08	1,132.87	\$ 1,006.67	\$ 126.20	18,162.81
104	1/1/09	1,132.87	\$ 1,013.29	\$ 119.57	17,149.51
105	2/1/09	1,132.87	\$ 1,019.97	\$ 112.90	16,129.55
106	3/1/09	1,131.87	\$ 1,026.68	\$ 106.19	15,102.87
107	4/1/09	1,132.87	\$ 1,033.44	\$ 99.43	14,069.43
108	5/1/09	1,132.87	\$ 1,040.24	\$ 92.62	13,029.19
109	6/1/09	1,132.87	\$ 1,047.09	\$ 85.78	11,982.09
110	7/1/09	1,132.87	\$ 1,053.98	\$ 78.88	10,928.11
111	8/1/09	1,132.87	\$ 1,060.92	\$ 71.94	9,867.19
112	9/1/09	1,132.87	\$ 1,067.91	\$ 64.96	8,799.28
113	10/1/09	1,132.87	\$ 1,074.94	\$ 57.93	7,724.34
114	11/1/09	1,132.87	\$ 1,082.01	\$ 50.85	6,642.33
115	12/1/09	1,132.87	\$ 1,089.14	\$ 43.73	5,553.19
116	1/1/10	1,132.87	\$ 1,096.31	\$ 36.56	4,456.88
117	2/1/10	1,132.87	\$ 1,103.53	\$ 29.34	3,353.36
118	3/1/10	1,132.87	\$ 1,110.79	\$ 22.08	2,242.57
119	4/1/10	1,132.87	\$ 1,118.10	\$ 14.76	1,124.46
120	5/1/10	1,132.87	\$ 1,125.46	\$ 7.40	(1.00)

## QuickLinks

[Exhibit 10.46](#)

[NewLink Genetics, Inc. Suite 3900 2901 South Loop Drive Ames, IA 50010](#)

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**Exhibit 10.47**

IOWA STATE INNOVATION SYSTEM

SUBLEASE AGREEMENT

\*\*\*\*

NewLink Genetics, Inc.

February 1, 2001 - January 31, 2002

1

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**Sublease Between  
IOWA STATE INNOVATION SYSTEM  
and  
NewLink Genetics, Inc.  
an Iowa Company**

Iowa State University of Science and Technology and the Board of Regents, State of Iowa have entered into a lease agreement with the Iowa State University Research Park Corporation for multi-tenant space commonly referred to as Iowa State Innovation System (ISIS), in the Iowa State University Research Park Corporation building located at 2501 North Loop Drive, Ames, Iowa. The Board of Regents, State of Iowa and Iowa State University of Science and Technology are authorized to sublease space within the ISIS Center for approved uses.

THIS SUBLEASE AGREEMENT MADE AND ENTERED INTO THIS 24th day of January 2001 by and between the Board of Regents, State of Iowa for the Use and Benefit of Iowa State University of Science and Technology and Iowa State Innovation System, hereinafter referred to as the LESSEE, and NewLink Genetics, Inc., hereinafter referred to as the SUBLESSEE.

1. **PREMISES:** The premises consists of approximately 165 and 110 square feet, respectively, of office space, commonly referred to as Suite 3505 & 3510 in the building known as the Iowa State Innovation System Center (ISIS Wet-lab Incubator), located at 2901 South Loop Drive. The premises are on the Iowa State University Research Park site in Ames, Iowa.
2. **SUBLEASE TERM:** The term of this sublease for Suite 3505 shall be a period of 12 months, commencing February 1, 2001 and ending January 31, 2002. The term of this sublease for Suite 3510 shall be on a month-to-month basis. It is mutually agreed that this sublease may be terminated by either party upon thirty (30) days written notice to the other party. Prior to final execution of this document, SUBLESSEE may stage equipment and conduct business at its own risk provided that it insures LESSEE pursuant to paragraph 9 of this lease.
3. **SUBLEASE PAYMENT:** Rent for the term of this sublease shall be in the amount of \$500.00 per month, payable in advance on the first day of the month.
4. **RENEWAL:** Continuation of the lease is contingent upon a review of the business progress of the client by the director of ISIS. After a successful review, this sublease may be renewed on a month-to-month basis at a rental of \$300.00 per month for Suite 3505 and \$200.00 per month for Suite 3510.
5. **POSSESSION:** SUBLESSEE shall be entitled to possession on the first day of the term of this sublease, and shall yield possession to LESSEE at the time and date of the close of the sublease term. All keys and other property of LESSEE shall be returned by SUBLESSEE at that time.
6. **USE OF PROPERTY:** This property shall be used by SUBLESSEE for office, applied research, product development and marketing. SUBLESSEE shall submit in writing any proposed plan for changes, modifications or additions to the premises and will not proceed with same without LESSEE's written approval, which shall not be unreasonably withheld.

Without Landlord's prior written consent, Tenant shall not receive, store or otherwise handle any hazardous substance (as defined below) on the Demised Premises. To the extent Landlord consents to the presence of any hazardous substance on the Demised Premises, in no event shall any such hazardous substance be a substance that is: (i) included on the attached list of Hazardous Materials Presenting a Physical Hazard in a quantity exceeding the maximum quantity allowed on such list; or (ii) a biological contaminant in excess of biohazard level 3 or 4 (see Attachment '1'). In addition, Tenant shall receive, store, use, and otherwise handle any such hazardous substance permitted on the Demised Premises in compliance with all applicable local, state, and federal

environmental protection ordinances, regulations, or laws (each an "environmental law"). For purposes of this SubLease, a hazardous substance shall include any substance that: (i) is or contains asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum or petroleum derived substances or wastes, radon gas, or related materials; (ii) requires investigation, removal, or remediation under any environmental law, or is defined, listed, or identified as a "hazardous waste" or "hazardous substance" thereunder, or (iii) is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is regulated by any governmental authority or environmental law.

7. **CARE OF PREMISES:** SUBLESSEE shall keep the premises neat and orderly, and shall surrender the premises at the end of the sublease term in the same condition as when it took possession, normal wear and tear excepted. SUBLESSEE shall ensure that its operation shall not create unreasonable noise, interference or disruption for any other SUBLESSEE, or for the University.
8. **UTILITIES AND SERVICES:** General purpose water, heat, light, trash removal, maintenance and general care of hallways and public areas will be provided by LESSEE. Should SUBLESSEE's operations result in excessive and inordinate utility consumption, LESSEE reserves the right to charge a reasonable fee for such consumption. SUBLESSEE is responsible for telephone service and charges; as well as any secretarial and administrative services provided to SUBLESSEE based on the current costs presented to SUBLESSEE at the date of this lease.
9. **INSURANCE:** LESSEE and SUBLESSEE shall each be responsible to protect its respective property interests. SUBLESSEE shall obtain, at its own expense, and provide to the University, a general liability insurance certificate that includes the Iowa State University Research Park Corporation and the Board of Regents, State of Iowa as additional insureds. The insurance companies providing coverage must be of an acceptable financial rating as determined by Iowa State University Risk Management. The policy must provide the following coverage and limits as a minimum: \$1,000,000 combined single limit per occurrence for bodily injury including death personal injury and property damage.  
  
The term of coverage shall coincide with the dates of the agreement. The certificates shall provide 30 days notice of cancellation or material change of coverage to the certificate holders.
10. **LIABILITY:** SUBLESSEE agrees to indemnify, defend and hold harmless LESSEE, Iowa State University of Science and Technology, Board of Regents, State of Iowa and the Iowa State University Research Park Corporation and their respective officers, employees, agents and others from and against any and all liability, loss, costs, damage and expenses occasioned by, or arising out of, SUBLESSEE's business operation, products or services, debts or obligations, or any action of SUBLESSEE, its employees, agents and others, or any and all liability resulting from or arising out of the advice, services, or other aid provided to SUBLESSEE by the parties set forth above in this section.
11. **HOLDING OVER:** Continued possession beyond the expiration date of the term of this sublease by the SUBLESSEE shall constitute a month-to-month extension of this sublease.
12. **RULES:** SUBLESSEE understands and acknowledges that it and its officers, employees, agents, visitors and guests shall observe all operating policies of the LESSEE, including, but not limited to, rules, procedures and traffic and parking regulations. Such policies shall be provided in writing by LESSEE upon request of SUBLESSEE.
13. **REPRESENTATIONS:** SUBLESSEE agrees that it will not represent itself as acting on behalf of, or as a part of, the LESSEE, Iowa State University of Science and Technology, Board of Regents, State of Iowa and Iowa State University Research Park Corporation.

14. *ASSIGNMENT:* SUBLESSEE shall not assign or sublet this sublease or its rights hereunder to any other party without the prior written approval of LESSEE.
15. *INSPECTION:* SUBLESSEE shall allow LESSEE to enter the leased premises at reasonable times, and with reasonable notice considering the circumstances, for the purposes of inspection, repairs or improvements, or to show the premises to prospective sublessees.
16. *REMEDIES.* If SUBLESSEE fails to comply with the terms of this sublease, and refuses to correct such non-compliance within 10 days following written notice, LESSEE may terminate this sublease and proceed to remove SUBLESSEE from the premises, or take such other action as is provided by law.
17. *CHANGES IN WRITING:* Any and all changes, additions or deletions to the terms of this sublease shall be in writing, executed by both parties.
18. *COMMON AREAS:* SUBLESSEE shall have reasonable use of common areas of the building for normal business purposes, within the policy guidelines of ISIS Center. Common areas include the ISIS equipment room, tissue culture lab, dark room, conference room, shipping and receiving, copy room, break area, hallways, and other designated common work areas.
19. *SECURITY:* SUBLESSEE is responsible for securing all windows and doors within and on its subleased space, and shall exert diligence in keeping building entrances and openings locked after normal business hours.
20. *RELOCATION:* LESSEE reserves the right to relocate SUBLESSEE to a comparable space within the incubator facility at LESSEE's discretion. LESSEE will provide 30 days notice prior to relocation.

SUBLESSEE:

BY: /s/ T. Seregina  
\_\_\_\_\_

TITLE: COO  
\_\_\_\_\_

DATE: 01-30-01  
\_\_\_\_\_

Iowa State University  
Vice President for  
Business and Finance

Board of Regents, State of Iowa  
for the Use and Benefit  
of Iowa State University  
of Science and Technology at Ames, Iowa.

BY: /s/ Warren Madden  
\_\_\_\_\_

Warren Madden,  
Vice President

BY: /s/ Frank J. Stork  
\_\_\_\_\_

Frank J. Stork,  
Exclusive Director

DATE: 3/23/01  
\_\_\_\_\_

DATE: 4/11/01  
\_\_\_\_\_

AND

LESSEE: IOWA STATE INNOVATION SYSTEM

BY: /s/ Steven T. Carter  
\_\_\_\_\_

Steven T. Carter,  
Director

DATE: 2/2/01  
\_\_\_\_\_

**ATTACHMENT 1**

Exempt Amounts of Hazardous Materials Presenting a Physical Hazard  
Maximum Quantities Per Laboratory

<u>MATERIAL</u>	<u>CLASS</u>	<u>OPEN SYSTEM— SOLID LBS. (Cu. Ft.)</u>	<u>OPEN SYSTEM— LIQUID GALLONS (LBS.)</u>
Combustible liquid(1)	II	N.A.	30
	III-A		80
	III-B		3300(3)
Cryogenic (flammable or oxidizing)	*****	N.A.	10
Explosives	*****	1/4(4)	(1/4)(4)
Flammable Solid	*****	Not Allowed	N.A.
Flammable Gas	*****	N.A.	N.A.
Flammable Liquid(1)	I-A	N.A.	10
Combination I-A, I-B, I-C	I-B	N.A.	15
	I-C	N.A.	20
		N.A.	30
Organic Peroxide, unclassified, detonatable		1/4(4)	(1/4)(4)
Organic Peroxide	I	1(1)	1(1)
	II	10(1)	(10)(1)
	III	25(1)	(25)(1)
	IV	100(1)	(100)(1)
	V	Not Limited	Not Limited
Oxidizer	4	1/4(4)	(1/4)(4)
	3	2(1)	(2)(1)
	2	50(1)	(50)(1)
	1	1000(1)	(1000)(1)
Oxidizer—Gas(1)		N.A.	N.A.
Pyrophoric	*****	0	0
Unstable (Reactive)	4	1/4(4)	(1/4)(4)
	3	1(1)	(1)(1)
	2	10(1)	(10)(1)
	1	Not Limited	Not Limited
Water Reactive	3	1(1)	(1)(1)
	2	10(1)	(10)(1)
	1	25(1)	(25)(1)
Biohazard Level 3 & 4 Agents	None	None	None

- (1) Quantities may be increased 100 percent in sprinklered buildings. When footnote 3 also applies, the increase for both footnotes may be applied.
- (2) Quantities may be increased by 100 percent when stored in approved storage cabinets, gas cabinets or exhausted enclosures. When footnote 2 also applies, the increase for both footnotes may be applied.
- (3) The quantities permitted in a sprinklered building are not limited.
- (4) Permitted in sprinklered buildings only. None is allowed in unsprinklered buildings.

**Combustible Liquid—**

Class II—	Acetic Acid, Acetic Anhydride, Acrylic Acid, Benzenethiol, Formic Acid, Kerosene, Naphtha, Vinyl Toluene
Class III-A—	Aniline, Benzyl Chloride, Chloroacetaldehyde, Cyclohexanone, Diazinon, Dimethyl Sulfate, Divinyl Benzene, Ethanolamine, Formalin, Nitrobenzene
Class III-B—	Diethanolamine, Ethylene Glycol, Formamide, Glycerin, Malathion, Parathion, Resorcinol

**Cryogenic Fluids—**

Flammable (Carbon monoxide, Deuterium, Ethylene, Hydrogen, Methane)  
Oxidizer (Fluorine, Nitric Oxide, Oxygen)

**Explosives—**

Black Powder, Dynamite, Nitrocellulose, Nitroglycerine

**Flammable Solid—**

Camphor, Cellulose Nitrate, Napthalene, Decaborane, Lithium Amide, Potassium

**Flammable Gas—**

Sulfide, Sulfur, Combustible Metals (Cesium, Magnesium and Zirconium) Acetylene, Arsine, Carbon Monoxide, Cyanogen, Diborane, Ethane, Ethylene, Formaldehyde, Hydrogen, Hydrogen Sulfide, LP Gas, Methane, Phosphine, Vinyl Chloride

**Flammable Liquid—**

Class I-A—	Acetaldehyde, n-Butane, Dimethylamine, Ethylamine, Ethyl Chloride, Ethylene Oxide
Class I-B—	Ethyl Ether, Ethyl Mercaptan, Hydrogen Cyanide, Isobutane, Pentane, Vinyl Bromide, Acetone, Acetonitrile, Acrolein, Acrylonitrile, Benzene, tert-Butyl Alcohol, Carbon Disulfide, Cyclohexane, Diethylamine, Dioxane, Ethyl Acetate, Ethyl Alcohol, Gasoline, Heptane, Hexane, Isopropyl Acetate, Isopropyl Alcohol, Methyl Alcohol, Octane, Propionitrile, Propanol, Pyridine, Tetrahydrofuran, Toluene, Triethylamine, Vinyl Acetate
Class I-C—	sec-Butyl Alcohol, Chlorobenzene, Cumene, Ethylenediamine, Hydrazine, Isoamyl Acetate, Nonane, Styrene, Turpentine, o-Xylene

**Organic Peroxide (Unclassified, Detonatable)—****Organic Peroxide—**

Class I—	Acetyl Cyclohexane Sulfonyl 60-65%, Fulfonyl Peroxide, Benzoyl Peroxide over 98%, t-butyl hydroperoxide 90%
Class II—	Acetyl Peroxide 25%, Peroxyacetic Acid 43%
Class III—	Benzoyl Peroxide 78%,
Class IV—	Benzoyl Peroxide 70%,
Class V—	Benzoyl Peroxide 35%, 1,1-di-t-butyl peroxy 3,5,5-trimethylcyclohexane 40%

**Oxidizer—**

Class 4—	Ammonium Perchlorate, Ammonium Permanganate, Tetranitromethane
Class 3—	Ammonium Dichlorate, Calcium Hypochlorite, Potassium Bromate, Potassium Chlorate, Sodium Bromate, Sodium Chlorate
Class 2—	Barium Bromate, Barium Chlorate, Calcium Perchlorate, Lithium Perchlorate, Magnesium Perchlorate, Sodium Permanganate
Class 1—	Inorganic Nitrates, Inorganic Nitrites, Ammonium Persulfate, Lithium Peroxide, Manganese Dioxide, Zinc Peroxide

**Oxidizer (Gas)—**

Oxygen, Ozone, Oxides of Nitrogen Fluorine and Chlorine

**Pyrophoric—**

Gases (Diborane, Phosphine, Silane)

Solids (Cesium, hafnium, Lithium, White or Yellow Phosphorus, Plutonium, Potassium, Sodium)

Liquids (Diethyl Aluminum Chloride, Diethyl Beryllium, Diethyl Phosphine)

**Unstable (Reactive)—**

Class 4— Acetyl Peroxide, Dibutyl Peroxide, Ethyl Nitrate, Picric Acid Trinitrobenzene, Peroxyacetic Acid

Class 3— Hydrogen Peroxide greater than 52%, Hydroxylamine, Nitromethane, Perchloric Acid

Class 2— Acrolein, Acrylic Acid, Hydrazine, Sodium Perchlorate, Styrene, Vinyl Acetate

Class 1— Acetic Acid, Hydrogen Peroxide 35% to 52%, Paraldehyde, Tetrahydrofuran

**Water Reactive—**

Class 3— Bromine Pentafluoride, Isobutylaluminum, Triethylaluminum,

Class 2— Calcium Carbide, Calcium Metal, Lithium Hydride, Sodium Metal, Sodium Peroxide Trichlorosilane

Class 1— Acetic Anhydride, Sodium Hydroxide, Sulfur Monochloride, Titanium Tetrachloride



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## Iowa State University Research Park Corporation

Suite 4050, 2711 South Loop Drive, Ames, Iowa 50010-8648  
515-296-PARK FAX: 515-296-9924

### Memorandum of Agreement

DATE: December 6, 2005

TO: Nick Vahanian, Chief Medical & Operations Officer  
NewLink Genetics Corporation  
2901 S. Loop Drive, Suite 3900  
Ames, IA 50010

FROM: Steven T. Carter, President

RE: ADDENDUM TO THE LEASE BETWEEN ISU RESEARCH PARK CORPORATION AND NEWLINK GENETICS CORPORATION DATED FEBRUARY 1, 2001.

The following information constitutes additions to the Lease Agreement between ISU Research Park Corporation (Landlord) and NewLink Genetics Corporation (Tenant). Upon signatures of appropriate representatives of Landlord and Tenant affixed to this Memorandum, this Memorandum becomes a part of that Lease Agreement dated February 1, 2001.

Landlord agrees to lease to Tenant Suites 3540 & 3550 (containing  $\pm 1,439$  gsf) in Building #3 at 2901 South Loop Drive, in the following manner:

<u>Term</u>	<u>Sq. Ft. Base Rents</u>	<u>Sq. Ft. Operating Rents</u>	<u>Monthly Base Rents</u>	<u>Monthly Operating Rents</u>	<u>Annual Base Rents</u>	<u>Annual Operating Rents</u>
01/01/2006 - 12/31/2008	\$ 12.50	Actual	\$ 1,498.96	Actual	\$ 17,987.52	Actual

Gas and water usage, as well as utility costs for the HVAC system, will be prorated and invoiced monthly. Electricity is metered separately and will also be prorated and invoiced monthly.

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Tenant leases the space as is. Any modifications will be at the Tenant's sole expense. Subject to the terms of this Memorandum, Tenant agrees that all terms and conditions of the February 1, 2001 Lease and those described in this Memorandum shall remain in force. Landlord agrees to release Tenant from this lease obligation upon Tenant's move into a larger facility at the ISU Research Park.

Please sign and return both originals to my office by December 7, 2005 if you concur with the above terms. We will then send a fully executed copy for your records.

AGREED

FOR  
NewLink Genetics Corporation

FOR  
ISU Research Park Corporation

/s/ Nicholas Vahanian

/s/Steven Carter

Chief Medical & Operations Officer

Director

Title

Title

12/14/05

12/14/05

Date

Date

## QuickLinks

[Exhibit 10.48](#)

[Memorandum of Agreement](#)

## Iowa State University Research Park Corporation

Suite 4050, 2711 South Loop Drive, Ames, Iowa 50010-8648  
515-296-PARK FAX: 515-296-9924

### Memorandum of Agreement

DATE: April 13, 2006

TO: Nick Vahanian, Chief Medical & Operations Officer  
NewLink Genetics Corporation  
2901 S. Loop Drive, Suite 3900  
Ames, IA 50010

FROM: Steven T. Carter, President

RE: ADDENDUM TO THE LEASE BETWEEN ISU RESEARCH PARK CORPORATION AND NEWLINK GENETICS CORPORATION DATED FEBRUARY 1, 2001.

The following information constitutes additions to the Lease Agreement between ISU Research Park Corporation (Landlord) and NewLink Genetics Corporation (Tenant). Upon signatures of appropriate representatives of Landlord and Tenant affixed to this Memorandum, this Memorandum becomes a part of that Lease Agreement dated February 1, 2001.

Landlord agrees to extend the Lease Agreement for Suites 3350 (containing ±1,038 gsf) and 3600 (containing ±1,325 gsf) and for Suite 3900 (containing ±3,147 gsf) in Building #3 at 2901 South Loop Drive, beginning May 1, 2006, in the following manner:

<u>Term</u>	<u>Sq. Ft. Base Rents</u>	<u>Sq. Ft. Operating Rents</u>	<u>Monthly Base Rents</u>	<u>Monthly Operating Rents</u>	<u>Annual Base Rents</u>	<u>Annual Operating Rents</u>
<i>Suites 3350 &amp; 3600 (containing ±2,363 gsf)</i>						
5/1/2006 - 4/30/2007	\$ 12.00	Actual	\$ 2,363.00	Actual	\$ 28,356.00	Actual
<i>Suite 3900 (containing ±3,147 gsf)</i>						
5/1/2006 - 4/30/2007	\$ 12.75	Actual	\$ 3,343.69	Actual	\$ 40,124.28	Actual

Landlord agrees to lease to Tenant Suite 3560 (containing ±701 gsf) in Building #3 at 2901 South Loop Drive, beginning May 15, 2006 in the following manner:

<u>Term</u>	<u>Sq. Ft. Base Rents</u>	<u>Sq. Ft. Operating Rents</u>	<u>Monthly Base Rents</u>	<u>Monthly Operating Rents</u>	<u>Annual Base Rents</u>	<u>Annual Operating Rents</u>
5/15/2006 - 4/30/2007	\$ 12.00	Actual	\$ 701.00	Actual	\$ 8,412.00	Actual

Gas and water usage, as well as utility costs for the HVAC system, will be prorated and invoiced monthly. Electricity is metered separately and will be invoiced directly from the provider. Tenant is responsible for ensuring that the invoice is sent directly to them. (The electrical meter for Suite 3560 also covers Suites 3540 and 3550 which Tenant is currently leasing.)

Tenant leases the space as is. Any modifications will be at the Tenant's sole expense. Landlord agrees to release Tenant from this lease obligation upon Tenant's move into a larger facility at the ISU Research Park. Subject to the terms of this Memorandum, Tenant agrees that all terms and conditions of the February 1, 2001 Lease and those described in this Memorandum shall remain in force.

Please sign and return both originals to my office by April 18, 2006 if you concur with the above terms. We will then send a fully executed copy for your records.

AGREED

FOR  
NewLink Genetics Corporation

FOR  
ISU Research Park Corporation

/s/ Nicholas Vahanian

/s/ Steven T. Carter

Chief Medical & Operations Officer

Director

Title

Title

4/21/06

4/21/06

Date

Date

## QuickLinks

[Exhibit 10.49](#)

[Memorandum of Agreement](#)

## Iowa State University Research Park Corporation

Suite 4050, 2711 South Loop Drive, Ames, Iowa 50010-8648  
515-296-PARK FAX: 515-296-9924

### Memorandum of Agreement

DATE: February 20, 2008

TO: Carl Langren  
NewLink Genetics Corporation  
2901 S. Loop Drive, Suite 3900  
Ames, IA 50010

FROM: Steven T. Carter, President

RE: ADDENDUM TO THE LEASE BETWEEN ISU RESEARCH PARK CORPORATION AND NEWLINK GENETICS CORPORATION DATED FEBRUARY 1, 2001.

The following information constitutes additions to the Lease Agreement between ISU Research Park Corporation (Landlord) and NewLink Genetics Corporation (Tenant). Upon signatures of appropriate representatives of Landlord and Tenant affixed to this Memorandum, this Memorandum becomes a part of that Lease Agreement dated February 1, 2001.

Landlord agrees to extend the Lease Agreement for Suites 3350 (containing ±1,038 gsf), 3560 (containing ±701 gsf), and 3600 (containing ±1,325 gsf) and for Suite 3900 (containing ±3,147 gsf) in Building #3 at 2901 South Loop Drive, beginning March 1, 2008, in the following manner:

<u>Term</u>	<u>Sq. Ft. Base Rents</u>	<u>Sq. Ft. Operating Rents</u>	<u>Monthly Base Rents</u>	<u>Monthly Operating Rents</u>	<u>Annual Base Rents</u>	<u>Annual Operating Rents</u>
<i>Suites 3350, 3560 &amp; 3600 (containing ±3,064 gsf)</i> 3/1/2008 - 6/30/2009	\$ 12.00	Actual	\$ 3,064.00	Actual	\$ 36,768.00	Actual
<i>Suite 3900 (containing ±3,147 gsf)</i> 3/1/2008 - 6/30/2009	\$ 12.75	Actual	\$ 3,343.69	Actual	\$ 40,124.28	Actual
<i>Suites 3540 &amp; 3550 (containing ±1,439 gsf)</i> 1/1/2009 - 6/30/2009	\$ 12.50	Actual	\$ 1,498.96	Actual	\$ 17,987.52	Actual

Tenant leases the space as is. Any modifications will be at the Tenant's sole expense. Landlord agrees to release Tenant from this lease obligation upon Tenant's move into a larger facility at the ISU Research Park. Subject to the terms of this Memorandum, Tenant agrees that all terms and conditions of the February 1, 2001 Lease and those described in this Memorandum shall remain in force.

Please sign and return both originals to my office by February 25, 2008 if you concur with the above terms. We will then send a fully executed copy for your records.

AGREED

FOR  
NewLink Genetics Corporation

FOR  
ISU Research Park Corporation

/s/ Carl Langren

/s/ Steven T. Carter

Controller

President

Title

Title

2/21/08

2/21/08

Date

Date

## QuickLinks

[Exhibit 10.50](#)

[Memorandum of Agreement](#)

**Iowa State University Research Park Corporation**

Suite 4050, 2711 South Loop Drive, Ames, Iowa 50010-8648  
 515-296-PARK FAX: 515-296-9924

**Memorandum of Agreement**

DATE: May 1, 2009

TO: Carl Langren  
 NewLink Genetics Corporation  
 2901 S. Loop Drive, Suite 3900  
 Ames, IA 50010

FROM: Steven T. Carter, President

RE: ADDENDUM TO THE LEASE BETWEEN ISU RESEARCH PARK CORPORATION AND NEWLINK GENETICS CORPORATION DATED FEBRUARY 1, 2001.

The following information constitutes additions to the Lease Agreement between ISU Research Park Corporation (Landlord) and NewLink Genetics Corporation (Tenant). Upon signatures of appropriate representatives of Landlord and Tenant affixed to this Memorandum, this Memorandum becomes a part of that Lease Agreement dated February 1, 2001.

Landlord agrees to extend the Lease Agreement for Suites 3350 (containing ±1,038 gsf), 3560 (containing ±701 gsf), and 3600 (containing ±1,325 gsf), for Suite 3900 (containing ±3,147 gsf), and for Suites 3540 & 3550 (±1,439 gsf) in Building #3 at 2901 South Loop Drive, beginning July 1, 2009, in the following manner:

<u>Term</u>	<u>Sq. Ft. Base Rents</u>	<u>Sq. Ft. Operating Rents</u>	<u>Monthly Base Rents</u>	<u>Monthly Operating Rents</u>	<u>Annual Base Rents</u>	<u>Annual Operating Rents</u>
<b>Suites 3350, 3560 &amp; 3600 (containing ±3,064 gsf)</b>						
7/1/2009 - 6/30/2010	\$ 12.00	Actual	\$ 3,064.00	Actual	\$ 36,768.00	Actual
<b>Suite 3900 (containing ±3,147 gsf)</b>						
7/1/2009 - 6/30/2010	\$ 12.75	Actual	\$ 3,343.69	Actual	\$ 40,124.28	Actual
<b>Suites 3540 &amp; 3550 (containing ±1,439 gsf)</b>						
7/1/2009 - 6/30/2010	\$ 12.50	Actual	\$ 1,498.96	Actual	\$ 17,987.52	Actual

Tenant leases the space as is. Any modifications will be at the Tenant's sole expense. Landlord agrees to release Tenant from this lease obligation upon Tenant's move into a larger facility at the ISU Research Park. Subject to the terms of this Memorandum, Tenant agrees that all terms and conditions of the February 1, 2001 Lease and those described in this Memorandum shall remain in force.

Please sign and return both originals to my office by May 8, 2009 if you concur with the above terms. We will then send a fully executed copy for your records.

AGREED

FOR  
NewLink Genetics Corporation

FOR  
ISU Research Park Corporation

/s/ Nicholas Vahanian

/s/ Steven T. Carter

\_\_\_\_\_  
Chief Operating Officer

\_\_\_\_\_  
Director

Title

Title

5/19/09

5/20/09

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

QuickLinks

[Exhibit 10.51](#)

[Memorandum of Agreement](#)

**Memorandum of Agreement**

DATE: March 24, 2010

TO: Gordon Link  
NewLink Genetics Corporation  
2901 S. Loop Drive, Suite 3900  
Ames, IA 50010

FROM: Steven T. Carter, Director  
Iowa State Innovation System

RE: ADDENDUM TO THE LEASE BETWEEN IOWA STATE INNOVATION SYSTEM AND NEWLINK GENETICS CORPORATION DATED FEBRUARY 1, 2001.

The following information constitutes additions to the Lease Agreement between Iowa State Innovation System- ISIS (Landlord) and NewLink Genetics Corporation (Tenant). Upon signatures of appropriate representatives of Landlord and Tenant affixed to this Memorandum, this Memorandum becomes a part of that Lease Agreement dated February 1, 2001.

Landlord agrees to extend the Lease Agreement for the ISIS Wet-lab in Building #3 which includes Suites 3500, 3501, 3502, 3503, 3505, 3510, 3515, 3520, 3525, 3530, 3531, 3532 & 3575 (containing ±4,157 rentable square feet), *beginning March 1, 2010*, in the following manner:

<u>Term</u>	<u>Base-Op Rent/rsf</u>	<u>Monthly Rent</u>	<u>Annual Rent</u>
Monthly	\$ 18.51	\$ 6,412.17	\$ 76,946.07

Gas and water usage, as well as utility costs for the HVAC system, will be prorated and invoiced monthly. Electricity is metered separately and will be invoiced directly from the provider. Tenant is responsible for ensuring that the invoice is sent directly to them. Tenant is also responsible for the custodial services as well as the cost of inspections & maintenance for the fume hoods, plumbing, etc. for those areas. This agreement does not preclude other tenants from using the common equipment room.

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Tenant leases the space as is. Any modifications will be at the Tenant's sole expense. Subject to the terms of this Memorandum, Tenant agrees that all terms and conditions of the February 1, 2001 Lease and those described in this Memorandum shall remain in force.

Please sign and return both originals to my office by March 25, 2010 if you concur with the above terms. We will then send a fully executed copy for your records.

AGREED

FOR  
NewLink Genetics Corporation

FOR Iowa State Innovation System &  
ISU Research Park Corporation

/s/Gordon Link

/s/Steven Carter

CFO

Director

Title

Title

3/25/2010

3/25/2010

Date

Date

QuickLinks

[Exhibit 10.52](#)

[Memorandum of Agreement](#)

**LEASE SUMMARY PAGE**

Iowa State University Research Park Corporation  
(Landlord)

and

NewLink Genetics Corporation  
(Tenant)

Dated: September 30<sup>th</sup>, 2009

Suite 5100

Wayne R. Moore Technology Transfer Center

Building #5

Useable Square Feet in Demised Premises: ± 22,000

Rentable Square Feet in Demised Premises ± 23,544

Commencement Date: March 1, 2010

3/1/2010 Full rent and operating costs

Will utilize production space from December 15, 2009 to March 1, 2010 to set, test, clean equipment,  
tenant will be responsible for all operating costs of the production space during this period.

Termination Date:

January 31, 2015

Base Rent: Annualized: \$258,984 years 1 and 2

\$270,756 subsequent years

Per Rentable Square Foot: 23,544

\$11.00 for year 1 and 2, \$11.50 for all subsequent years.

Monthly Installments: \$21,582 years 1 and 2

\$22,563 subsequent years

Initial Operating Rent Per Rentable Square Foot: \$4.00

Additional Provisions:

Address of Tenant to which

Notices shall be sent:

NewLink Genetics Corp.

2503 South Loop Drive, Suite 3900

Ames, IA 50010

Liability Insurance Minimum Limits: \$2,000,000.00

Tenant improvement allowance is based upon useable square footage of 21,928 and an allowance rate of \$43 per net (useable) square foot. Based upon the total usf of 21,928 the landlord will reimburse the tenant no more than \$942,904. Payments will be based upon monthly billings for completed construction and after the Research Park approves the completed work.

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## LEASE

This Lease is entered into on the date set forth on the Summary Page, by and between Iowa State University Research Park, an Iowa 504A corporation ("Landlord"), and the Tenant set forth on the Summary Page ("Tenant").

1. *PREMISES* Landlord hereby leases to Tenant certain premises at the Iowa State University Research Park (the "Research Park") more particularly described on Attachment 1 attached hereto and incorporated herein (herein referred to as the "Demised Premises"). Lease of the Demised Premises is subject to the terms and conditions of this Lease. The Demised Premises contain that number of rentable square feet ("rsf") as set forth on the Summary Page, calculated in accordance with BOMA measurement standards. Whenever reference is made herein to Tenant's pro rata share based upon square feet of the Demised Premises, this number shall define the square feet of the Demised Premises

### 2. *TERM*

The term of the Lease shall start on the Commencement Date set forth on the Summary Page and shall terminate on the Termination Date set forth on the Summary Page (the "Term").

### RENEWAL:

The Tenant shall have the option, if not then in default under this Lease, to renew the Lease for Three (3) terms of five (5) years each (the "Renewal Term(s)"), by giving written notice to the Landlord of its exercise of the option no later than one hundred eighty (180) days prior to the end of the initial or renewal Term. The terms of this Lease shall remain the same during the Renewal Term, including the Base Rent payable for such Renewal.

### OPTION on Phase II.

The Tenant shall have a first right of refusal on any space coming available in Phase II of Building 5.

### 3. *CONDITION OF THE DEMISED PREMISES; TENANT IMPROVEMENTS ALLOWANCE AND FINANCING; RELOCATION COSTS*

A. Except as may be otherwise set forth in an attachment to this Lease, Landlord has made no representations as to the condition of the Demised Premises, or promises to alter, remodel or improve the Demised Premises, other than its contribution to the cost of Tenant improvements referenced below. Tenant's taking possession of the Demised Premises to initiate its improvements shall constitute Tenant's acceptance of the Demised Premises and Tenant's confirmation that the Demised Premises as provided by Landlord are in good and satisfactory condition.

B. If the Demised Premises are not ready for occupancy on the Commencement Date due to Tenant's inability, through no fault of its own, to have completed its improvements, Tenant shall not be in default hereunder, nor shall the Lease be void or voidable, and the Tenant shall not be liable for any loss or damage as a result of the delay and rent shall not be payable by Tenant until the below defined Completion Date. Otherwise, however, rent shall be payable on the Commencement Date.

C. In connection with the Tenant's modifications and improvements to the space and building systems in the Demised Premises required to facilitate its operations in the Demised Premises, including any modifications needed to meet applicable building codes, Landlord will provide Tenant an allowance of up to \$43.00 per square usable foot (as set forth on the Summary Page) for such construction costs, and for any of such costs above the \$43.00 per useable square foot allowance, Landlord shall make available to Tenant up to an additional Eight Hundred Thousand Dollars(\$800,000.00) in state funds as a loan for such additional costs. The construction plans and design and any changes thereto during construction for such improvements shall be reviewed and approved by Landlord or Landlord's designee, which review shall be done in a timely manner upon Landlord's receipt of such plans and design drawings, and the approval of which shall not be unreasonably withheld. Tenant shall be responsible for costs incurred performing the

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review. Tenant shall be responsible for all construction being completed and meeting applicable codes, and being consistent with the plans and design approved by Landlord or its designee.

Tenant may request reimbursement from the allowance funds, and upon full expenditure of the allowance funds then from the loan funds, no more than three times during construction; being (i) upon completion of one-half of the production space, (ii) upon completion of all of the production space, and (iii) upon full completion of all Tenant improvements. At each such time, Tenant shall give Landlord a written acceptance of the improvements completed and provide evidence satisfactory to Landlord or its designee, by proper invoices reflecting costs appropriate for the nature and extent of the Tenant improvements then completed under the approved construction plans and design, of the total cost of such improvements for which reimbursement is being sought. Tenant shall also provide to Landlord or its designee any contractor's affidavit and executed conditional lien waivers from the contractor and any subcontractors as may be reasonably required by Landlord relating to the cost of the improvements for which reimbursement is being sought. At the time of completion of the production space and at the time of full completion of all Tenant improvements, the architect for the project shall participate in a final walk through and approve the completed improvements before any reimbursement from the Landlord to Tenant is allowed.

Landlord shall pay Tenant for such costs up to \$43.00 per useable square foot, and shall finance any costs above the \$43.00 per useable square foot amount, not to exceed \$800,000 by taking a note from Tenant for such amount. Such note shall be amortized in monthly payments over eight (8) years at three percent (3%) interest on the unpaid balance for the first five (5) years and at five percent (5%) interest on the unpaid balance for the last three (3) years. If the Lease is not extended by Tenant for a second 5-year period, or is terminated prior to the end of the initial Term or the Renewal Term, then the unpaid principal balance of the note and interest accrued shall be paid in full by Tenant upon the end of the Lease. The note may be prepaid in whole or in part at any time without penalty.

D. Tenant shall upon the Completion Date pay \$5,000 to Landlord to defray the moving costs of two tenants that are being relocated to accommodate the occupancy by Tenant of all of Building 5.

E. Notwithstanding any provisions herein to the contrary, when Tenant takes possession of the Demised Premises to initiate construction of its tenant improvements, Tenant shall thereafter be responsible for providing at its cost builder's risk insurance protecting Landlord and Tenant, security for the Building consistent with that normally provided to a construction area and shall reimburse Landlord for all utility costs incurred for the Building. Tenant shall also indemnify, defend and hold Landlord harmless from any claims for personal injury or property damage arising from the Tenant's construction activities on the Demised Premises.

#### 4. *BASE RENT*

Tenant shall pay Landlord annualized base rent ("Base Rent") in equal monthly installments as set forth on the Summary Page (payable monthly in advance) commencing, except as otherwise provided in Section 3B above, on the Commencement Date and continuing thereafter. Base Rent expressed on a per rentable square foot per annum basis is as set forth on the Summary Page, but in the event of any discrepancy, the annualized fixed Base Rent set forth therein shall control. All payments of Base Rent shall be without abatement, deduction or set-off of any kind, it being the intention of the parties that Tenant's covenant to pay the Base Rent shall be independent of all other covenants contained in this Lease. Tenant shall pay all amounts due to Landlord hereunder when due, at the address of Landlord, or to such other entity or person as Landlord shall designate in writing. Tenant shall not be required to pay Landlord a security deposit under this Lease.

Any payment from Tenant received more than thirty (30) days past due shall be subject to a late payment fee of five (5) percent of the amount of such payment, plus interest on the amount of such delinquent payment accruing from the due date at the rate of ten (10) percent per annum.

5. *OPERATING COSTS* In addition to the Base Rent Tenant shall pay to Landlord as additional rent Tenant's pro rata share of the common area expenses and other operating costs incurred by Landlord in operating the Building and appurtenant grounds in which the Demised Premises are located (hereinafter the "Operating Costs" or "Operating Rents").

A. *Definition of Operating Costs.* Operating Costs shall mean the aggregate amount paid by Landlord for: 1) real property taxes, including all taxes, assessments, special assessments, levies, rebates and abatement and government charges of any kind and nature whatever (collectively, "Taxes") levied, assessed or payable against the Demised Premises, the Building and appurtenant grounds; 2) insurance (including complete pass-through of any additional premiums solely attributed to activities of Tenant at the Demised Premises); 3) janitorial and cleaning, including supplies for common areas; 4) landscape maintenance, including regular mowing of grass, trimming, weed removal and general landscaping of appurtenant grounds; 5) snow plowing; 6) common area utilities, including (without limitation) parking area lighting; 7) water, natural gas and sewer charges (if not separately metered); 8) parking lot maintenance and cleaning and 9) repair and maintenance of common areas including HVAC systems; 10) management and administration expenses; 11) charges payable by Landlord for maintenance of common areas in the entire Research Park; and 12) all other operating costs attributable to the Demised Premises, the Building or the Research Park, EXCEPT FOR THE FOLLOWING: (1) leasing commissions, advertising costs and other expenses incurred to locate new tenants for the Research Park; (2) depreciation, costs of leasehold improvements and payments of principal and interest on any mortgages, deeds of trusts, or other security devices covering the Research Park; (3) costs of repairs, restoration or other work necessitated by casualty to the extent that the cost exceeds the ordinary deductible; (4) legal expenses incurred to enforce lease terms against a specific tenant (5) damage or repairs necessitated by the negligence or willful misconduct of Landlord or its agents; and (6) costs of capital improvements and equipment, defined in accordance with generally accepted accounting principles ("GAAP").

B. *Allocation of Operating Costs.* Operating Costs paid by Landlord shall be allocated among tenants of the Building. Tenant's pro rata share of Operating Costs shall be equal to that percent which is the ratio of the number of rentable square feet in the Demised Premises to the total number of rentable square feet in the Building. The total amount of Operating Costs paid by Landlord shall be multiplied by that percent and the product shall be Tenant's pro rata share of Operating Costs. At the outset of this lease and until adjusted as provided herein, Tenant shall pay to Landlord as Operating Rent the sum per rentable square foot per annum set forth on the Summary Page.

C. *Payment of Operating Costs.* Tenant shall pay to Landlord as additional rent Tenant's pro rata share of Operating Costs due hereunder in monthly installments as follows:

i. On or before October 1 of each lease year, Landlord shall estimate the amount of Operating Costs for the next twelve-month period. Each month on the first day of the month, Tenant shall pay Landlord one-twelfth ( $1/12$ ) of the Tenant's pro rata share of the estimated annual Operating Cost calculated by Landlord.

ii. On or before October 1 of each year, Landlord shall prepare a statement of the actual Operating Costs for the Building for the twelve-month period ending on June 30th of such year.

iii. Landlord shall provide a copy of the actual Operating Cost statement to Tenant along with a calculation of Tenant's pro rata share of such actual Operating Costs.

iv. If Tenant's pro rata share of the estimated Operating Costs is less than or equal to the actual annual Operating Cost amount, then Tenant shall pay Landlord the difference, if any, between Tenant's pro rata share of the actual amount of Operating Costs and the amount of estimated Operating Costs Tenant paid to Landlord during such year. Tenant shall pay such difference within thirty (30) days of Tenant's receipt of Landlord's statement, regardless of whether the Lease has since terminated. If the amount of estimated Operating Costs paid by Tenant is greater than Tenant's pro rata share of Landlord's actual Operating Costs, then Tenant shall receive a credit for the excess amount which shall be (a) applied against Tenant's monthly obligation to pay Operating Costs until such excess amount has been amortized in full or (b) refunded within thirty (30) days to Tenant if the Lease has expired or terminated, so long as Tenant is not otherwise in default of the Lease. Partial lease years shall be equitably adjusted.

v. Tenant or its designated agents shall have the right at all reasonable times, but no more frequently than once a year, to have an independent audit made of the books of Landlord relating to Operating Costs. If an inspection should reveal that Tenant's pro rata share of Operating Costs has been overstated, then Landlord shall immediately credit such overstatement against the next monthly Operating Costs payable by Tenant until such overstatement has been fully amortized, so long as Tenant is not otherwise in default of the Lease. If any overstatement of Operating Costs exists at the termination of this Lease, Landlord shall pay Tenant such amount within twenty (20) days of termination.

## 6. USE

A. The Demised Premises shall only be used for a purpose that does not violate the zoning ordinances applicable to the Demised Premises and the permitted uses described in the Covenants, Conditions and Restrictions of the Iowa State University Research Park, as amended from time to time, now limited to the following purposes:

1. Laboratories, offices, green houses and other facilities for research, basic, developmental and applied, and consulting, conducted by or for any individual, organization, or concern, whether public or private.
2. Product manufacture or assembly shall be restricted to the manufacture or assembly of technology products which are clearly related to the on-site research and development activities of the tenant, or to manufacturing processes which require high levels of scientific or technological input.
3. Pilot plants and test or research facilities in which processes planned for use in production elsewhere can be tested.
4. Incidental operations required to maintain or support any use permitted in paragraphs 1 through 3 above, on the same tract as the permitted use, such as maintenance shops, parking garages, keeping of animals, experimental plots, machine shops, and communications or computer facilities.
5. Services which Landlord deems necessary to assist those uses permitted in paragraphs 1 through 3 above including, but not limited to, accounting, legal, printing, research, day-care, travel planning, and mailing centers. However, such services are to remain ancillary to the primary purpose of the Research Park as described above.
6. Recreational facilities predominantly for Research Park tenant use.

7. Any other activity expressly agreed upon by Landlord and Tenant.

B. Outside storage (including, without limitation, all motor vehicles such as trucks or trailers) is prohibited without Landlord's prior written consent.

C. Tenant shall, at its own cost and expense, obtain any and all licenses and permits necessary for its use of the Demised Premises. Tenant shall comply with all governmental laws, ordinances, regulations, rules, orders and directives (collectively, "regulations"), including (without limitation) all environmental, energy and zoning regulations, and with any restrictive covenants and rules and regulations of the Research Park. Tenant, at its sole expense, shall promptly comply with all regulations for the correction, prevention and abatement of nuisances in, upon, or connected with the Demised Premises.

D. Tenant shall not permit any objectionable, unpleasant or dangerous odors, including but not limited to autoclave odors, smoke, dust, gas, emission, noise or vibrations to emanate from the Demised Premises, nor permit any activity upon the Demised Premises which would constitute a nuisance or would disturb or endanger any other tenant of the Building or of the Research Park.

E. Without Landlord's prior written consent, Tenant shall not receive, store or otherwise handle any hazardous substance (as defined below) on the Demised Premises. To the extent Landlord consents to the presence of any hazardous substance on the Demised Premises, in no event shall the quantity of any such hazardous substance exceed the maximum quantity allowed on the attached list of Hazardous Materials Presenting a Physical Hazard attached as an Attachment 2 to this Lease. In addition, Tenant shall receive, store, use, and otherwise handle any such hazardous substance permitted on the Demised Premises in compliance with all applicable local, state, and federal environmental protection ordinances, regulations, or laws (each an "environmental law"). For purposes of this Lease, a Hazardous Substance shall include any substance that: (i) is or contains asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum or petroleum derived substances or wastes, radon gas, or related materials; (ii) requires investigation, removal, or remediation under any environmental law, or is defined, listed, or identified as a "hazardous waste" or "hazardous substance" thereunder, or (iii) is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, a genetically modified organism, or otherwise hazardous and is regulated by any governmental authority or environmental law. Tenant shall at all times maintain a complete listing of all Hazardous Substances on the Demised Premises, a copy of which listing shall be maintained by Tenant's emergency coordinator at an off-site location. Tenant shall be allowed to use the same chemicals and materials it currently uses in the labs and production spaces. Located in building 3.

F. Tenant shall comply with, and shall require its employees, agents and contractors to comply with the rules and regulations uniformly made and enforced by Landlord from time to time regarding the operation of the Building and/or the Demised Premises or the Research Park, including but not limited to the following:

1. Tenant shall not operate any device that will cause electromagnetic interference with the communication systems of other occupants in the Building or in the Research Park.
2. Precautions are to be taken in all operations against radiation, radioactivity, fire and explosion hazards. Acceptable limits and standards may be established by Landlord.
3. Disposal of all waste and waste water shall be in accordance with controlling law and shall be pre-treated if required. Building process and floor drains must be properly connected to the sanitary wastewater collection system and not to the underground storm system.

4. Tenant shall abide by the Covenants, Conditions and Restrictions for Iowa State University Research Park, originally recorded January 11, 1988, as amended by amendment recorded July 2, 1992, and as may be subsequently amended, a copy of which has been provided to Tenant and receipt of which Tenant hereby acknowledges.
5. Tenant shall abide by the terms and provisions of the network access policy for the Iowa State University Research Park, a copy of which has been provided to Tenant and receipt of which Tenant hereby acknowledges. Landlord shall not be responsible for any failure of network connectivity.
6. Tenant shall abide by all other rules and regulations uniformly adopted and enforced by Landlord for the orderly operation of the Building and the Iowa State University Research Park, provided such rules and regulations do not directly conflict with express provisions of this Lease.

G. USA Patriot Act Compliance. Tenant represents to Landlord that the Tenant is not (and is not engaged in this transaction on behalf of) a person or entity with which Landlord is prohibited from doing business pursuant to any law, regulation or executive order pertaining to national security (Anti-Terrorism Laws) and; Tenant has not violated and, to the best of Tenant's knowledge it is not under investigation for, the violation of any Laws pertaining to money laundering.

H. Iowa Smokefree Air Act. Tenant represents and covenants to Landlord that it shall be responsible for compliance with the terms of the Iowa Smokefree Air Act set forth in Chapter 142D of the Iowa Code (the "Smokefree Air Act"), as the provisions of that Chapter relate to the areas over which it has control in the Demised Premises. In this regard, Tenant shall comply with the requirements of the Smokefree Air Act as they apply to an Employer and Place of Employment as such terms are defined in the Smokefree Air Act and as are applicable to the Demised Premises, including without limitation, the prohibition on smoking in the Demised Premises and the requirement for posting of signs at the entrance to and within the Demised Premises as to notice of the non-smoking requirements. The indemnification obligations of Section 16C shall apply to the Tenant for violation on the Demised Premises of the Smokefree Air Act by Tenant or by its employees, agents or invitees.

7. *LANDLORD'S MAINTENANCE.* Landlord shall subject to reimbursement as Operating Costs under Section 5 above maintain the roof, foundation, heating, ventilating and air conditioning system, common areas, exterior grounds and the structural soundness of the exterior walls (including windows, glass, plate glass, door or entries) of the Building in good repair, reasonable wear and tear excepted. Provided, however, Tenant shall repair and pay for any damage caused by Tenant or Tenant's employees, agents, invitees, licensees, subtenants or contractors, or caused by Tenant's default hereunder. Tenant shall promptly give Landlord written notice of any defects or need for repairs for which Landlord is responsible, after which Landlord shall have reasonable time to determine whether such repair is needed, and, if so, to repair. Landlord's liability hereunder shall be limited to the cost of such repairs, maintenance or curing of defect and Landlord shall not be liable for costs or damages to Tenant or its property resulting from the defect.

8. *TENANT'S MAINTENANCE*

A. Tenant shall, at its own cost and expense, keep and maintain all parts of the Demised Premises (except those for which Landlord is expressly responsible under the terms of this Lease) clean and in good condition and repair, including individual HVAC units or VAV (variable air volume) boxes, if any, located in the Demised Premises or used exclusively for the Demised Premises. Tenant shall not be obliged to repair any damage caused by fire, tornado or other casualty covered by the insurance to be maintained by Landlord pursuant hereto.

B. Tenant shall not damage any wall or disturb the integrity and support provided by any wall. Tenant shall, at its own cost and expense, promptly repair any damage or injury to any part of the Building or grounds caused by Tenant or its employees, agents or invitees.

C. All maintenance and repairs made by Tenant shall be performed in a good and workmanlike manner using materials of a quality acceptable in the industry.

9. *PARKING.* Parking shall be available on a "first-come, first-served" basis in the parking area adjacent to the Demised Premises, shared by all tenants of that building and Landlord. Landlord may require that all cars shall be marked with a parking decal provided by Landlord and may promulgate other rules and regulations related to parking. Tenant shall instruct all of its officers, employees, and agents not to park in spaces marked for visitor parking.

10. *UTILITIES AND SERVICES.* Tenant shall pay before delinquency all charges for separately metered water, electricity, telephone service and other similar charges incurred by Tenant with respect to and during its occupancy of the Demised Premises. Utilities which are not separately metered shall be included in Operating Costs defined in Section 5 of this Lease. Landlord reserves the right to separately meter any utility to the Demised Premises. Tenant shall be responsible for determining its particular electrical service needs and for furnishing and installing any transformer(s). Landlord, Iowa State University, and the City of Ames, Iowa shall not be liable for damage or loss incurred by Tenant as a result of electrical system failure or malfunction.

Tenant acknowledges that Landlord has entered into an agreement with the Iowa State University Telecommunications Office ("ISU Telecommunications") to provide telecommunications equipment and services to the Research Park. All telecommunications raceways, trays, closets, wire, fiber optics, equipment and other devices shall be installed in accordance with ISU Telecommunications' standards. Prior to the commencement date of this Lease, Tenant agrees to use reasonable efforts to enter into a written agreement with ISU Telecommunications for the provision of telecommunications service to and the installation of telecommunications equipment in the Demised Premises. Landlord shall not be responsible for any claims, losses, or damages resulting from the failure of network connectivity.

Tenant acknowledges that Landlord does not provide security to the Research Park or the Building and shall not be responsible to Tenant for any loss or claim by reason of the fact that no security is provided.

11. *ALTERATIONS*

A. Tenant shall not make any alterations, additions or improvement to the Demised Premises (including without limitation roof and wall penetrations) without the prior written consent of Landlord. Tenant shall give Landlord written notice of all Permitted Improvements. Tenant may, without the consent of Landlord, but at its own cost and expense and in a good and workmanlike manner, erect such shelves, bins, machinery, hoods, laboratory benches, laboratory equipment and fixtures as it may deem advisable, so long as such comply with all regulations and do not alter the basic character of, or overload or damage, the Demised Premises, the Building or improvements.

B. All alterations, additions, and improvements erected by Tenant prior to and after the Commencement Date shall be Tenant's property during the Term of this Lease and any extensions.

Prior to expiration of this Lease, Tenant shall, at its option, have the right to remove any alterations, additions and improvements in the approximate 14,000 square feet known as "production space" erected by Tenant and restore the Demised Premises to its original condition (as defined in following paragraph) by the date of Lease termination or upon earlier vacating of the Demised Premises. In the event Tenant elects not to remove the alterations, additions and improvements, then Landlord shall have the right to require Tenant to remove them and restore the Demised Premises to its original condition by the date of Lease termination or upon earlier vacating of the Demised Premises. If any property is not removed, then Landlord may, at its election, deem that the property has been abandoned by Tenant to Landlord, but no such election shall relieve Tenant of the cost to remove the property or repair any damage as to the production space if Landlord has notified Tenant that Tenant is to remove any alterations, additions and improvements from such space.

Original condition shall be defined as removing walls, cap plumbing at floors or above ceiling area, terminate the electric and gas service where they enter the demised premises, remove the HVAC/ventilation units, HEPA filters and related ducting that was installed on the roof, repair all roof penetrations and clean the concrete flooring.

Tenant will not be required to remove or restore to original condition the following;

1. Fire suppression system
2. Roof reinforcing
3. Concrete floors
4. Electric service

C. All removals and restoration to original condition shall be accomplished in a good and workmanlike manner so as not to damage the primary structure or structural quality of the Demised Premises or Building.

12. *SIGNS.* Tenant shall not erect any signs, awnings, antennas or other apparatus upon or within the Demised Premises or the Research Park without prior written approval of the Landlord. This prohibition shall extend, without limitation, to space within the Demised Premises visible from the outside of the Building. Landlord shall not unreasonably withhold its approval if the proposed sign is consistent with the Research Park requirements contained within the Covenants and Conditions of the Research Park.

13. *INSPECTION.* Landlord, its agents, employees, contractors and representatives, shall have the right to enter and inspect the Demised Premises upon giving the tenant no less than 24 hours notice, except in case of an emergency in which no notice need be given and in accordance with any policies established through G of this section:

A. at any time during business hours for the purpose of ascertaining the condition of the Demised Premises or in order to make such repairs as may be herein required of or permitted to Landlord; and

B. any time in the event of an emergency, to be determined in Landlord's sole discretion; and

C. during the one hundred and twenty (120) days in advance of expiration of this Lease, at any time during business hours to show the Demised Premises to potential tenants. During such one-hundred and twenty (120) days, Landlord shall have the right to erect on the Demised Premises a suitable sign stating that the Demised Premises are available; and

D. any time to supply services to be provided by Landlord for Tenant pursuant to this Lease.

E. Tenant shall meet with Landlord on the Demised Premises for a joint inspection of the Demised Premises within the thirty (30) day period prior to vacating.

F. Landlord shall at all times have a key to all locks on doors to the Demised Premises. Tenant shall not change or install any locks without Landlord's prior approval for consistency with Landlord's master key.

G. Tenant and Landlord shall establish policies for access to specific technical space.

#### 14. *ASSIGNMENT AND SUBLETTING*

A. Tenant shall not assign, transfer or encumber this Lease or sublet the whole or any part of the Demised Premises without prior written consent of Landlord which consent may be not unreasonably be withheld. Tenant may assign this Lease to any entity resulting from a merger or consolidation of the Tenant, provided that the total assets and net worth of such assignee after such consolidation or merger is reasonably acceptable to Landlord, and provided that Tenant is not at such time in default hereunder, and provided further that such successor shall execute an instrument in writing fully assuming all of the obligations and liabilities imposed upon Lessee hereunder and deliver the same to Landlord; whereupon Tenant shall be discharged from any further liability hereunder. Tenant may also assign this lease to any entity for purposes of a publicly-traded stock offering of Tenant provided the total assets and net worth of the assignee is reasonably acceptable to Landlord.

Upon any permitted assignment, transfer or sublease, Tenant shall remain directly, and fully responsible and liable for the payment of all rent and other sums herein specified and for compliance with all other obligations of the tenant hereunder unless otherwise provided above. This Lease shall be binding on and for the benefit of Tenant's assignees and transferees with the same effect as if they were mentioned in each instance where Tenant is referenced. Tenant shall promptly deliver to Landlord a true and complete copy of every assignment or sublease.

B. In the event of default (defined at Section 20 herein), if the Demised Premises or any part thereof have been assigned or sublet, Landlord, in addition to any other remedies provided herein or by law, may at its option collect directly from such assignee or subtenant all sums becoming due to Tenant under such assignment or sublease and apply such sums against any sums due to Landlord hereunder. Such collections, if any, shall not be a novation or release of Tenant from any performance of Tenant's obligations hereunder except so much of rent due as is so collected.

#### 15. *FIRE AND CASUALTY*

A. Landlord shall maintain standard fire and extended coverage insurance covering the Building (including the Demised Premises and Improvements) are a part in an amount of not less than eighty (80%) percent (or for such greater percentage as may be necessary to comply with the provisions of any co-insurance clauses of the policy) of the "replacement cost" thereof as such term is defined in the Replacement Cost Endorsement to be attached thereto. Such coverage shall insure against the perils of fire, lightning, and extended coverage, such coverages and endorsements to be as defined, provided and limited in the standard bureau forms prescribed by the insurance regulatory authority for the State of Iowa. Subject to the other provisions in this Section 15, such insurance shall be for the sole benefit of Landlord and under its sole control.

B. If the Demised Premises should be damaged or destroyed by fire, wind or other casualty, Tenant shall give Landlord immediate written notice thereof. If the Demised Premises have been destroyed, or damaged beyond usability, within thirty (30) days after such casualty loss, Landlord may terminate this Lease and the rent shall be abated during the unexpired portion of this Lease (effective upon the date of the occurrence of such damage or destruction). No damages shall be

payable upon such termination and the parties shall be released herefrom without further obligation to the other, except for payment previously due and owing from Tenant to Landlord.

C. If Landlord does not choose to terminate, Landlord shall repair or rebuild the Demised Premises and the rent payable hereunder during the period in which the Demised Premises are not tenantable shall be reduced to such extent as may be fair and reasonable under all the circumstances during such period of repair or rebuilding. At the completion of such repair or rebuilding, rent shall resume for the full amount herein set forth for the remainder of the Term of the Lease. Landlord shall not be responsible for replacement of Tenant's trade fixtures, furniture, equipment or other items that were not part of the Demised Premises.

D. If holder of an instrument (defined at Section 22 herein) requires that the insurance proceeds be applied to pay off the indebtedness evidenced by that instrument, Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant within fifteen (15) days after such requirement is made by any such holder. In such event, all rights and obligations hereunder shall cease and terminate, except for any payments previously due and owing from Tenant to Landlord.

E. Nothing in this Lease shall be construed so as to authorize or permit any insurer of Landlord or Tenant to be subrogated to any right of Landlord or Tenant against the other party arising under this Lease. Landlord and Tenant each hereby release the other to the extent of any perils to be insured against by either of the parties under the terms of this Lease, whether or not such insurance as actually been secured and to the extent of their respective insurance coverage for any loss or damage caused by any such casualty, even if such incidents shall be brought about by the fault or negligence of either party or persons for whose acts or negligence the other party is responsible. Landlord and Tenant shall each obtain appropriate waivers of subrogation from their respective insurance carriers giving effect to this paragraph.

## 16. LIABILITY

A. *Covenant Not to Sue.* Tenant shall not commence an action, interpose a counterclaim, or implead Landlord for any injury to person or damage to property on or about the Demised Premises resulting from and/or caused in part or whole by: 1) the negligence, omission, or misconduct of Tenant, its directors, officers, agents, servants, contractors or employees, or of any other person entering upon the Demised Premises for Tenant's purposes; or 2) Tenant's failure to repair.

B. *Indemnification.* Tenant shall at all times indemnify and hold harmless Landlord, its directors, officers, employees and agents, from any loss, liability, claims, suits, costs, expenses (including, without limitation, attorneys fees) and damages (actual, punitive, special and consequential), arising out of any noncompliance with applicable laws and ordinances, personal injury, death or property damage associated with the Demised Premises, and on the common areas associated with the Demised Premises if caused by Tenant and/or Tenant's directors, officers, employees, agents and/or invitees. Notwithstanding anything in this Lease to the contrary, Tenant shall have no obligation to indemnify or hold harmless Landlord for personal injury or property damage caused by the gross negligence of Landlord.

C. *Insurance.* Tenant shall procure and maintain throughout the Term of this Lease a policy or policies of insurance at its sole cost and expense, insuring Tenant against all claims, demands or actions arising out of or in connection with: (i) the Demised Premises; (ii) the condition of the Demised Premises; (iii) Tenant's operations, maintenance and use of the Demised Premises; and (iv) all assumed contractual or quasi-contractual liability, including without limitation Tenant's liability assumed under this Lease. The limits of such policy or policies shall be in aggregate amounts of no less than the amount set forth on the Summary Page. All policies procured by

Tenant shall name Landlord as an additional insured. All such policies shall be procured by Tenant from responsible insurance companies licensed to do business in the State of Iowa and satisfactory to Landlord. Evidence of such insurance shall be provided to Landlord prior to the commencement date of this Lease and continuously thereafter prior to expiration of such insurance coverages.

17. *CONDEMNATION.* In the event the Demised Premises, or any portion thereof, shall be taken by eminent domain or condemnation, meaning the taking by exercise of any governmental power, whether by legal proceedings or otherwise (or by private voluntary sale or transfer in lieu thereof while under threat of eminent domain or condemnation):

A. The proceeds of such taking or purchase shall exclusively belong to Landlord and Tenant shall make no claim against Landlord or the governmental authority for damages for termination of the leasehold interests or interference with Tenant's business. Tenant shall only be entitled to an award made specifically to Tenant for its equipment and fixtures and relocation expenses, if any.

B. This Lease shall not terminate so long as Tenant can still carry on its business on the Demised Premises but rental shall abate in proportion to space taken as determined by the parties hereto.

C. This Lease shall terminate if it is impossible (by reason of such taking or purchase) for Tenant to still carry on its business on the Demised Premises.

18. *TERMINATION; HOLDING OVER.* At the termination of this Lease, Tenant shall yield up immediate possession to Landlord, shall remove all of its goods and effects and shall deliver all keys to the Research Park and the Demised Premises to Landlord. Possession of the Demised Premises shall be delivered to Landlord peaceably and in substantially similar condition as at the commencement of the Lease, ordinary wear and tear excepted, subject to restorations and repairs as determined pursuant to Section II hereof. The Demised Premises and all suites/labs used by Tenant shall be free of hazardous substances. Tenant's obligation to perform pursuant to this section shall survive termination of the Lease. If Landlord agrees in writing that Tenant may hold over after the expiration or termination of this Lease, the holdover tenancy shall be subject to termination by Landlord at any time upon not less than thirty (30) days advance written notice, or by Tenant at any time upon not less than thirty (30) days advance written notice. All other terms and provisions of this Lease shall be applicable during the holdover tenancy, except that Tenant shall pay Landlord as rental through the period of any holdover an amount equal to one and one-half times the base rent in effect on the termination date. Such rental shall be computed on a daily basis for each day of the holdover period. No holding over by Tenant, without consent of Landlord, shall extend this Lease except as otherwise expressly provided herein. This section may not be interpreted for any purpose as a consent by Landlord to any holdover by Tenant.

19. *QUIET ENJOYMENT.* Subject to all rights of mortgagees, as set forth in Section 22 herein, Landlord covenants that:

A. Landlord has full right and authority to enter into this Lease.

B. Tenant, upon paying rent as required, and performing its other obligations, shall peaceably and quietly have, hold and enjoy the Demised Premises for the Term without disturbance from Landlord subject to the terms of this Lease and to any instruments as provided in Section 23 below.

20. *TENANT'S DEFAULT.* The following shall be events of default by Tenant under this Lease (each a "Tenant Default"):

- A. Tenant's failure to pay any installment of Base Rent or Operating Rent, or utilities or any other sums due to the Landlord required by this Lease when due, and such failure continues for a period of ten (10) days from the due date.
- B. Tenant becoming insolvent, making a transfer in fraud of creditors, or making an assignment for the benefit of creditors.
- C. Tenant filing a petition under any bankruptcy law of the United States or any state, or Tenant being placed in bankruptcy proceedings or adjudged bankrupt or insolvent in proceedings filed against Tenant.
- D. Receiver or trustee or similar officer being appointed for all or substantially all of Tenant's assets.
- E. Tenant vacating or abandoning the Demised Premises.
- F. Tenant failing to comply with any other term, provision or covenant of this Lease and not curing such within thirty (30) days after written notice thereof. However, if such Tenant Default is not curable within thirty (30) days, Tenant must have commenced the curing of the Tenant Default within thirty (30) days and must be making a good faith, diligent effort to cure said Tenant Default as soon as possible.

21. *LANDLORD'S REMEDIES.* If during any lease year Tenant fails to pay more than one installment of Base Rent and/or Operating Rent when due, Landlord shall be entitled to interest at the rate of ten percent (10%) per annum until all such delinquent installments, other than the first delinquent installment, are paid by Tenant. Tenant shall not be required to pay Landlord interest on the first delinquent installment of Base Rent and/or Operating Rent during any lease year. If Tenant defaults and fails to cure within the applicable notice period, Landlord may pursue any one or more of the following remedies:

A. Terminate the Lease or terminate Tenant's right to possession under the Lease. In such event, Tenant shall immediately surrender the Demised Premises to Landlord. If Tenant fails to do so, Landlord may, without limiting any other remedy which it may have for possession or arrearage in rent, peaceably enter upon and without force take possession of the Demised Premises and peaceably remove Tenant and any other person that may be occupying the Demised Premises without being liable for prosecution or any claim of damages therefrom. Notwithstanding anything in this Lease to the contrary, Landlord shall not breach the peace or use any force to enforce any of its rights under this Lease. In such event, Tenant agrees to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, including without limitation Landlord's inability to relet the Demised Premises on terms satisfactory to Landlord.

B. In the event of a termination due to Tenant's default and removal as set forth herein, Landlord may:

- i. relet the Demised Premises and receive rent therefor. Tenant shall pay to Landlord on demand any deficiency between the aggregate rent due under this Lease and the reletting. If Landlord relets the Demised Premises at a greater rental, such excess shall be the sole property of Landlord, and Tenant hereby waives any claim to such relet excess rent; or

ii. perform Tenant's obligations under the terms of this Lease. Tenant agrees to reimburse Landlord on demand for any expenses which Landlord incurs in fulfilling Tenant's obligations with interest accruing on such amount at twelve percent (12%) per annum. Tenant for itself and on behalf of any and all persons claiming through it, hereby waives all right and privilege to redeem the Demised Premises for the remainder of the Term after it has been dispossessed or ejected; or

iii. obtain a temporary or permanent injunction, without necessity of posting bond.

C. Exercise of any of the remedies set forth herein, or otherwise provided by law or equity, shall not constitute a forfeiture or waiver of any rent or other payments due to Landlord, or of any damages accruing to Landlord but rather shall be cumulative; nor shall any act of Landlord hereunder be deemed an acceptance of surrender of the Demised Premises. Only a writing signed by Landlord shall constitute a valid acceptance of surrender of the Demised Premises.

D. Landlord's acceptance of any rent or other payments hereunder after a default by Tenant shall not be deemed a waiver of such default unless Landlord so notifies Tenant in writing. Forbearance by Landlord to enforce a remedy shall not be a waiver of default or Landlord's right to enforce any remedy with respect to that default or any later default. Tenant shall pay Landlord's reasonable attorneys fees in the enforcement or defense of any of Landlord's rights or remedies hereunder.

E. To protect Landlord in the event Tenant defaults hereunder, Tenant hereby grants to Landlord a continuing security interest for all rent and other sums of money becoming due hereunder from Tenant, and upon all goods, fixtures, furniture and other personal property of Tenant which are or may be located on the premises and the proceeds thereof, none of which may be removed from the Demised Premises without Landlord's consent so long as any rent or other sum from time to time owed to Landlord hereunder remains unpaid. Tenant shall, on its receipt of a written request from Landlord, execute such financing statements, continuation statements and other security instruments as are necessary or desirable, in Landlord's judgment, to perfect such security interest.

22. *MORTGAGE SUBORDINATION; ATTORNMENT.* Tenant accepts this Lease subject and subordinate to any mortgage(s), deeds of trust, mortgage modifications, extensions and additions (collectively, "Instruments") now or at any time hereafter constituting a lien or charge upon the Research Park, the Demised Premises or any leasehold improvements. Tenant shall at any time hereafter and as often as requested to do so on demand execute any documents which may be required by any holder of an Instrument for the purpose of subjecting and subordinating this Lease to the lien of any such Instrument. However, as a condition to executing any subordination, Tenant shall receive from the holder of such Instrument a covenant that as long as Tenant is not in default on this Lease, the holder will not disturb Tenant's leasehold interest in the Demised Premises. At the option of the holder or beneficiary of any encumbrance upon the Research Park or the Demised Premises, Tenant agrees that no foreclosure of such encumbrance, nor any proceedings against Landlord, shall by operation of law or otherwise, result in cancellation or termination of this Lease or the obligations of Tenant. Upon request, Tenant shall execute such instruments satisfactory to the holder, beneficiary or purchaser at a foreclosure proceeding whereby Tenant attorns to such successor-in-interest.

23. *NEW OWNER.* If Landlord shall sell, assign, or convey its right, title and interest in the Demised Premises to another, this Lease shall continue in full force and effect; Tenant shall in all respects recognize the new owner as its Landlord under this Lease, paying all rents and complying with all terms of this Lease. In the event of the sale or transfer of the Demised Premises, or the Building, or the Research Park and the assignment of this Lease, Landlord shall be relieved of all liability for the covenants and obligations in or derived from this Lease, or arising out of any act, occurrence or omission relating to the Demised Premises or this Lease. The covenants, representations and

obligations of Landlord shall be binding on Landlord only during the period that Landlord has an ownership interest in the Demised Premises.

24. *MECHANICS LIENS.* Tenant shall have no authority, express or implied, to create, place or allow any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind, the interest of Landlord in the Demised Premises. Payments under this Lease shall not be chargeable by any third party, including any who may furnish materials or perform labor for any construction or repairs. Any claim or lien shall affect and attach to, if at all, only the leasehold interest granted to Tenant by this Lease. Tenant shall pay all sums legally due and payable by it on account of any labor performed on the Demised Premises. Tenant shall indemnify and hold Landlord harmless from any and all loss, costs or expense (including, without limitation, reasonable legal fees) based on or arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of Landlord in the Demised Premises. If a mechanic's lien attaches to the Demised Premises, Tenant shall take immediate action to obtain a bond or other surety to remove the mechanic's lien from the Demised Premises and to indemnify Landlord for all expenses incurred by it related thereto.

25. *NOTICE.* All notices, demands, requests, and other communications desired or required to be given hereunder ("Notices"), shall be in writing and shall be given by: (i) hand delivery to the address for Notices; (ii) delivery by overnight courier service to the address for Notices; or (iii) sending the same by United States mail, postage prepaid, certified mail, return receipt requested, addressed to the address for Notices.

All Notices shall be deemed given and effective upon the earlier to occur of: (i) the hand delivery of such Notice to the address for Notices; (ii) one business day after the deposit of such Notice with an overnight courier service by the time deadline for next day delivery addressed to the address for notices; or (iii) three business days after depositing the Notice in the United States mail as set forth above. All Notices shall be addressed to the following addresses:

If to the Landlord, to: Iowa State University Research Park Corporation  
Suite 4050  
2711 South Loop Drive  
Ames, Iowa 50010

If to Tenant, to the address set forth on the Summary Page.

or to such other persons or at such other place as any party hereto may by Notice designate as a place for service of Notice. Any "copy to" Notice to be given as set forth above is a courtesy copy only; and a Notice given to such person is not sufficient to effect giving a Notice to the principal party, nor does a failure to give such a courtesy copy of a Notice constitute a failure to give Notice to the principal party.

26. *DELIVERY OF GOODS.* All deliveries to and shipments from Tenant are the sole responsibility of Tenant. Tenant shall ensure that such do not disrupt any other tenant of the Research Park. Landlord, in its sole discretion, may reasonably regulate such deliveries and shipments to prevent disturbance to other tenants of the Research Park.

27. *NONDISCRIMINATION.* Tenant shall not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin or in any other way prohibited by law. Tenant shall act affirmatively to ensure that applicants are employed, and employees treated during employment, without regard to race, color, religion, sex or national origin or other discrimination prohibited by law. Such nondiscrimination shall include, without limitation: employment, promotion, demotion, transfer, recruitment, advertising, lay-off, termination, rates of pay or other forms of compensation, selection of training, including apprenticeship.

28. *ENTIRE AGREEMENT.* This Lease, and all exhibits, attachments and schedules hereto, constitute the entire agreement between the parties hereto pertaining to the subject matters hereof and supersede all negotiations, preliminary agreements and all prior or contemporaneous discussions and understandings of the parties in connection with the subject matter hereof. All attachments, exhibits and schedules are incorporated into this Lease by this reference as if set forth in their entirety and constitute a part hereof. This Lease may be changed only by an agreement in writing duly signed and acknowledged and delivered to each party.

29. *MISCELLANEOUS*

A. The term "Tenant" shall include legal representatives, successors and permitted assigns. All covenants herein made binding upon Tenant shall be construed to be equally applicable to and binding upon its agents, employees and others claiming the right to be in the Premises or in the Building through or under Tenant.

B. If more than one individual, firm, or corporation shall join as Tenant, singular context shall be construed to be plural wherever necessary and the covenants of Tenant shall be the joint and several obligations of each party signing as Tenant and when the parties signing as Tenant are partners, shall be the obligation of the firm and of the individual members thereof.

C. Feminine or neuter pronouns shall be substituted for those of the masculine form and the plural shall be substituted for the singular, wherever the context shall require. It is also agreed that no specific words, phrases or clauses herein used shall be taken or construed to control, limit or cut down the scope or meaning of any general words, phrases or clauses used in connection therewith.

D. No waiver or breach of any covenant, condition or agreement herein contained shall operate as a waiver of the covenant, condition or agreement itself, or of any subsequent breach thereof.

E. Headings and captions used in this Lease are for the convenience of reference only, and shall not be considered a part thereof for purposes of interpreting or applying this Lease, and such titles, headings or captions do not define, limit, extend, explain or describe the scope or extent of the Lease or any of its terms or conditions.

F. Tenant and Landlord expressly agree that there are and shall be no implied warranties for merchantability, habitability, fitness for a particular purpose or any other kind arising out of this lease, and there are no warranties which extend beyond those expressly set forth in this lease.

G. This Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns. This provision shall not be deemed to grant Tenant any right to assign this Lease or sublet the Premises or any part thereof other than as provided in Section 14 hereof.

H. Every agreement contained in this Lease is, and shall be construed as a separate and independent agreement. If any term or this Lease or the application thereof to any person or circumstances shall be invalid and unenforceable, the remaining provisions of this Lease, the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected.

I. The submission of this Lease to Tenant shall not be construed as an offer nor shall Tenant have any rights with respect thereto unless Landlord executes a copy of this Lease and delivers same to Tenant.

J. This Lease shall not be construed more strongly against either party regardless of which was more responsible for its preparation,

K. All times, whenever stated in this Lease, are declared to be of the essence of this Lease.

L. Tenant represents and warrants that it has full power and authority to perform all of its obligations under this Lease and the party (ies) executing this Lease on behalf of Tenant has (have) been duly authorized and empowered to bind Tenant to this Lease.

30. *BROKERS.* Each party hereto represents and warrants to the other that all negotiations relative to this Lease have been carried on by it directly without the intervention of any person who may be entitled to any brokerage or finder's fee or other commission in respect to the Lease. Each party hereby agrees to indemnify and hold harmless the other party against any and all claims, losses, liabilities, and expenses which may be assessed against or incurred by it as a result of such party's dealings, arrangements, or agreements with any such person or firm.

31. *WAIVER OF JURY TRIAL.* If a suit or action is instituted in connection with any controversy arising out of this Lease, the parties hereby unconditionally waive any right to a jury trial with respect to and in any action, proceeding, claim, counterclaim, demand or other matter whatsoever arising out of this Lease.

32. *CHOICE OF LAW.* This Lease shall be governed by, construed and enforced in accordance with the laws of the State of Iowa, without regard to choice of law provisions. Should any provision of this Lease and for its condition be illegal or not enforceable, it or they shall be considered severable, and this lease and its conditions shall remain in force and be binding upon the parties hereto as though such provision had never been included.

33. *FORCE MAJEURE.* The time within which any of the parties hereto shall be required to perform any act or acts under this Lease, except for the payment of monies, shall be extended to the extent that the performance of such act shall be delayed by act of God, fire, windstorm, flood, explosion, collapse of structures, riot, war, terrorism, labor disputes or delays, or restrictions by government bodies; provided, however, that the party entitled to such extension hereunder shall give prompt notice to the other party of the occurrence causing such delay, and further provided that the time within which any such act or acts are required to be performed shall not be extended pursuant to this paragraph for more than ninety (90) days.

IN WITNESS WHEREOF, Tenant and Landlord have executed this instrument as of the date first set forth above.

TENANT:

LANDLORD:

Iowa State University Research Park

By:     /s/Gordon Link    

By:     /s/ Steve T. Carter    

Position:     CFO    

Position:     Director    

Dated:     Oct. 10, 2009    

Dated:     10/24/09

**ATTACHMENT 1  
TYPICAL**

**ATTACHMENT 2**

Exempt Amounts of Hazardous Materials Presenting a Physical Hazard  
Maximum Quantities Per Laboratory  
Source: 2006 International Building Code and 2006 International Fire Code

<u>MATERIAL</u>	<u>CLASS</u>	<u>OPEN SYSTEM— SOLID LBS (Cu. Ft.)</u>	<u>OPEN SYSTEM—LIQUID GALLONS (LBS.)</u>
Combustible liquid(1)	II	N.A.	30
	III-A		80
	III-B		3300(3)
Cryogenic (flammable or oxidizing)	//////////	N.A.	10
Explosives	//////////	1/4(4)	(1/4)(4)
Flammable Solid	//////////	Not t Allowed	N.A.
Flammable Gas	//////////	N.A.	N.A.
Flammable Liquid(1)	I-A	N.A.	10
Combination I-A, I-B, I-C	I-B	N.A.	15
	I-C	NA.	20
		N.A.	30
Organic Peroxide, unclassified, detonatable		1/4(4)	(1/4)(4)
Organic Peroxide	I	1(1)	1(1)
	II	10(1)	(10)(1)
	III	25(1)	(25)(1)
	IV	100(1)	(100)(1)
	V	Not Limited	Not Limited
Oxidizer	4	1/4(4)	(1/4)(4)
	3	2(1)	(2)(1)
	2	50(1)	(50)(1)
	1	1000(1)	(1000)(1)
Oxidizer—Gas(1)		N.A.	N.A.
Pyrophoric	//////////	0	0
Unstable (Reactive)	4	1/4(4)	(1/4)(4)
	3	1(1)	(1)(1)
	2	10(1)	(10)(1)
	1	Not Limited	Not Limited
Water Reactive	3	1(1)	(1)(1)
	2	10(1)	(10)(1)
	1	25(1)	(25)(3)
Biohazard Level 3 & 4 Agents	None	None	None

- (1) Quantities may be increased 100 percent in sprinklered buildings. When footnote 2 also applies, the increase for both footnotes may be applied.
- (2) Quantities may be increased by 100 percent when stored in approved storage cabinets, gas cabinets or exhausted enclosures. When footnote 1 also applies, the increase for both footnotes may be applied.
- (3) The quantities permitted in a sprinklered building are not limited.
- (4) Permitted in sprinklered buildings only. None is allowed in unsprinklered buildings.

Combustible Liquid—

Class II—Acetic Acid, Acetic Anhydride, Acrylic Acid, Benzenethiol, Formic Acid, Kerosene, Naphtha, Vinyl Toluene

Class III-A—Aniline, Benzyl Chloride, Chloroacetaldehyde, Cyclohexanone, Diazinon, Dimethyl Sulfate, Divinyl Benzene, Ethanolamine, Formalin, Nitrobenzene

Class III-B—Diethanolamine, Ethylene Glycol, Formamide, Glycerin, Malathion, Parathion, Resorcinol

*Cryogenic Fluids*—Flammable (Carbon monoxide, Deuterium, Ethylene, Hydrogen, Methane) Oxidizer (Fluorine, Nitric Oxide, Oxygen)

*Explosives*—Black Powder, Dynamite, Nitrocellulose, Nitroglycerine

*Flammable Solid*—Camphor, Cellulose Nitrate, Naphthalene, Decaborane, Lithium Amide, Potassium Sulfide, Sulfur, Combustible Metals (Cesium, Magnesium and Zirconium)

*Flammable Gas*—Acetylene, Arsine, Carbon Monoxide, Cyanogen, Diborane, Ethane, Ethylene, Formaldehyde, Hydrogen, Hydrogen Sulfide, LP Gas, Methane, Phosphine, Vinyl Chloride

Flammable Liquid—

Class I-A—Acetaldehyde, n-Butane, Dimethylamine, Ethylamine, Ethyl Chloride, Ethylene Oxide Ethyl Ether, Ethyl Mercaptan, Hydrogen Cyanide, Isobutane, Pentane, Vinyl Bromide,

Class I-B—Acetone, Acetonitrile, Acrolein, Acrylonitrile, Benzene, tert-Butyl Alcohol, Carbon Disulfide, Cyclohexane, Diethylamine, Dioxane, Ethyl Acetate, Ethyl Alcohol, Gasoline, Heptane, Hexane, Isopropyl Acetate, Isopropyl Alcohol, Methyl Alcohol, Octane, Propionitrile, Propanol, Pyridine, Tetrahydrofuran, Toluene, Triethylamine, Vinyl Acetate

Class I-C—sec-Butyl Alcohol, Chlorobenzene, Cumene, Ethylenediamine, Hydrazine, Isoamyl Acetate, Nonane, Styrene, Turpentine, o-Xylene

Organic Peroxide (Unclassified, Detonatable)

Organic Peroxide—

Class 1—Acetyl Cyclohexane Sulfonyl 60-65%, Fulfonyl Peroxide, Benzoyl Peroxide over 98%, t-butyl hydroperoxide 90%

Class II—Acetyl Peroxide 25%, Peroxyacetic Acid 43%

Class III Benzoyl Peroxide 78%,

Class IV—Benzoyl Peroxide 70%,

Class V—Benzoyl Peroxide 35%, 1,1-di-t-butyl peroxy 3,5,5-trimethylcyclohexane 40%

*Oxidizer*—

Class 4—Ammonium Perchlorate, Ammonium Permanganate, Tetranitromethane

Class 3—Ammonium Dichlorate, Calcium Hypochlorite, Potassium Bromate, Potassium Chlorate, Sodium Bromate, Sodium Chlorate

Class 2—Barium Bromate, Barium Chlorate, Calcium Perchlorate, Lithium Perchlorate, Magnesium Perchlorate, Sodium Permanganate

Class 1—Inorganic Nitrates, Inorganic Nitrites, Ammonium Persulfate, Lithium Peroxide, Manganese Dioxide, Zinc Peroxide

*Oxidizer (Gas)*—Oxygen, Ozone, Oxides of Nitrogen Fluorine and Chlorine

*Pyrophoric*—Gases (Diborane, Phosphine, Silane) Solids (Cesium, hafnium, Lithium, White or Yellow Phosphorus, Plutonium, Potassium, Sodium) Liquids (Diethyl Aluminum Chloride, Diethyl Beryllium, Diethyl Phosphine)

*Unstable (Reactive)*

Class 4—Acetyl Peroxide, Dibutyl Peroxide, Ethyl Nitrate, Picric Acid Trinitrobenzene, Peroxyacetic Acid

Class 3—Hydrogen Peroxide greater than 52%, Hydroxylamine, Nitromethane, Perchloric Acid

Class 2—Acrolein, Acrylic Acid, Hydrazine, Sodium Perchlorate, Styrene, Vinyl Acetate

Class 1—Acetic Acid, Hydrogen Peroxide 35% to 52%, Paraldehyde, Tetrahydrofuran

*Water Reactive*

Class 3—Bromine Pentafluoride, Isobutylaluminum, Triethylaluminum,

Class 2—Calcium Carbide, Calcium Metal, Lithium Hydride, Sodium Metal, Sodium Peroxide Trichlorosilane

Class 1—Acetic Anhydride, Sodium Hydroxide, Sulfur Monochloride, Titanium Tetrachloride

## QuickLinks

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**PROMISSORY NOTE**

Evidencing amounts up to:  
**\$800,000.00**

Made and delivered on and at the following:

, 2009  
 Ames, Iowa

FOR VALUE RECEIVED, the undersigned (the "Company") promises to pay to the order of IOWA STATE UNIVERSITY RESEARCH PARK (the "Holder") 2711 S. Loop Drive, Building 4, Suite 4050, Ames, Iowa 50010 the principal sum of EIGHT HUNDRED THOUSAND AND NO/100 DOLLARS (\$800,000.00), or so much thereof as has been advanced hereunder as noted on the amortization schedule to be attached hereto, with interest thereon from the date of the first advance of funds hereunder as provided below until payment hereof in full as follows, and in accordance with the terms and conditions set forth herein:

1. Purpose of Note. This Promissory Note ("Note") evidences amounts due and owing for certain tenant improvements made to Suite 5100 of Building 5 in the Iowa State University Research Park, Ames, Iowa (the "Leased Premises"). The obligations evidenced under this Note are separate from the rent obligations of the Company under that certain lease dated September 30, 2009 for the Leased Premises between the Holder and the undersigned (the "Lease") and shall not be deemed to constitute "additional rent" thereunder.

2. Interest Rate and Interest and Principal Payments. Interest only at the rate of 3.0% per annum on the principal balance of this Note outstanding from time to time, payable beginning the first day of the month following the date of the first advance hereunder, and continuing on the first day of each month thereafter until the first day of the month subsequent to the date of the final completion (the "Completion Date") by the undersigned of its tenant improvements at the Leased Premises. Thereafter, commencing on the first day of the second month after the Completion Date, monthly payments in an amount sufficient to amortize the outstanding principal balance of this Note as of the Completion Date, including interest at the rate of 3.0% per annum, by the first day of the month which is eight years after the Completion Date (the "Maturity Date"), with such monthly payments continuing on the first day of each month thereafter until the first day of the month five years after the Completion Date (the "Reamortization Date"); and thereafter, commencing on the first day of the month after the Reamortization Date, monthly payments in an amount sufficient to amortize the remaining principal balance of this Note as of the Reamortization Date, including interest at the rate of 5.0% per annum, by the Maturity Date, at which time all unpaid principal and interest shall be due and payable in full.

Each payment made on this Note shall be first applied in payment of interest due on the unpaid principal and the remainder in reduction of the principal.

3. Collateral and Security. Unused.

4. Mandatory and Optional Prepayment.

- (i) Company shall prepay, without penalty or premium, all obligations due and owing hereunder, immediately upon any consensual early termination of the Lease.
- (ii) Company may prepay Company's obligations hereunder at any time, in whole or in part, without penalty or premium. Prepayment amounts shall be applied first to payment of any reimbursable costs or expenses, then to interest on the unpaid principal balance through the date of prepayment, and then to the payment of principal.

- (iii) Any prepayments shall not reduce the amount of any amortized monthly or other scheduled payments due under this Note until such time as the principal balance has been paid in full. Company agrees not to send Holder payments marked "paid in full," "without recourse", or similar language. If Company sends such a payment, Holder may accept it without losing any of his rights under this Note, and Company will remain obligated to pay any further amount owed to Holder.

5. Events of Default / Acceleration and Remedies. Any of the following shall constitute an "Event of Default," in which case all amounts payable hereunder shall automatically, or at the option of Holder (as provided herein), become immediately due and payable:

- (i) The failure of Company to pay any payment due under this Note when due; or
- (ii) Company fails to perform or observe any material term, covenant, or agreement or breach any material representation or warranty contained herein or in the Lease and such failure, to the extent it is capable of cure, is not remedied or corrected within fifteen (15) calendar days after written notice thereof shall have been received by Company.
- (iii) Default by Company shall occur with respect to any agreement, obligation, or indebtedness of Company to its primary institutional lender and such default shall continue for more than a period of grace, if any, specified therein and shall have a material adverse effect on the ability of Company, in the reasonable judgment of Holder, to perform hereunder.
- (iv) Company applies for, consents to, or acquiesces in the appointment of a trustee, receiver or other custodian for Company or any property thereof, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for Company or for a substantial part of the property of either of them and is not discharged within sixty (60) days; or a case under any proceeding under bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is commenced in respect of Company, and if such case or proceeding is not commenced by Company, it is consented to or acquiesced in by Company, or remains undismissed for sixty (60) days; or Company takes any action to authorize, or in furtherance of, any of the foregoing.

Upon the occurrence of and during the continuance of an Event of Default, other than an Event of Default specified in Section 5(iv), Holder may declare the entire remaining indebtedness of Company to Holder hereunder and the Note to be forthwith due and payable, both as to principal and interest, without presentment, demand, protest or other notice of any kind to Company, all of which are expressly waived, anything contained herein or in any other agreement, document or instrument to be issued or contemplated hereunder to the contrary notwithstanding. Upon the occurrence of an Event of Default specified in

Section 5(iv) there shall be an automatic acceleration of all obligations of Company to Holder with the same force and effect as a declaration by Holder as above provided.

6. Waiver of Defaults. Holder may, by written notice to Company, at any time and from time to time, waive in whole or in part, absolutely or conditionally, any Event of Default which shall have occurred hereunder. Any such waiver shall be for such period and subject to such conditions or limitations as shall be specified in any such notice, In the case of any such waiver, the rights and obligations of Company and Holder under the Note shall be otherwise unaffected, and any Event of Default so waived shall be deemed to be cured and not continuing to the extent and on the conditions or

limitations set forth in such waiver, but no such waiver shall extend to any subsequent or other Event of Default, or impair any right, remedy or power consequent upon any such other Event of Default.

7. Default Interest Rate. Payments of the principal and interest not made when due (whether prior to or upon demand, by reason of default, upon acceleration or otherwise), shall accrue interest at the rate of eight percent (8%) per annum, or at the highest rate allowable under applicable law, whichever is less, from the date due of such payment until paid.

8. Attorneys' Fees and Costs. Company agrees to pay all reasonable attorneys' fees and all costs and expenses, including court costs, incurred by Holder in connection with any efforts to collect, enforce or otherwise protect or realize upon the Note.

9. Miscellaneous Provisions. This Note shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of Iowa. The parties hereby submit to the exclusive jurisdiction of the Iowa District Court for Story County in any action or proceeding arising out of or relating to this Note or any agreement, document, or instrument contemplated hereby and each party hereby agrees that all claims and counterclaims in respect of such action or proceeding may be heard and determined in any such court. The parties irrevocably waive any objection, including without limitation any objection to laying of venue or based on ground of forum non-conveniens, which it may now or hereafter have to the bringing of any action or proceeding in such respective jurisdiction. Each of the parties consents to the service of any and all process in any such action or proceeding by said party sending or delivering a copy of the process to the party to be served at the address in the manner provided for the giving of notice herein.

In the event any provision of this Note is held to be invalid, illegal or unenforceable, in whole or in part, the remaining provisions of this Note shall not be affected thereby and shall continue to be valid and enforceable. In the event any provision of this Note is held to be invalid, illegal or enforceable as written, but valid, legal and enforceable if modified, then such provisions shall be deemed to be amended to such extent as shall be necessary for such provision to be valid, legal and enforceable and it shall be enforced to that extent.

The remedies provided for in this Note and any other documents and instruments contemplated hereby are cumulative and not exclusive to any remedies that may be available to Holder or any subsequent holder at law or equity or otherwise.

Company waives presentation, demand, protest, notice of protest or other notice of dishonor. No amendment, modification, supplement, termination or waiver of or to any provisions of this Promissory Note or any agreement, document or instrument contemplated hereby, or consent to any departure therefrom, shall be effective unless the same shall be in writing and signed by or on behalf of the appropriate parties to this Note or to any other particular agreement, document or instrument in question, as the case may be. Any amendment, modification or supplement of or any provision of this Note or any agreement, document or instrument contemplated hereby, any waiver of any provision of this Note, or of any agreement, document or instrument contemplated hereby, and any consent to any departure from the terms of any provision of this Note or of any agreement, document or instrument contemplated hereby, shall be effective only in the specific instance and for the specific purpose for which any of the foregoing is made or given.

**IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS NOTE SHOULD BE READ, CAREFULLY BECAUSE ONLY THOSE TERMS IN THE WRITING ARE ENFORCEABLE. NO OTHER TERMS OR ORAL PROMISES NOT CONTAINED IN THIS NOTE MAY BE**

**LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS NOTE ONLY BY ANOTHER WRITTEN AGREEMENT.**

Company acknowledges the receipt of a copy of this fully executed Promissory Note at the time of the execution hereof and copies of all other documents executed by them in connection herewith.

NEWLINK GENETICS CORPORATION

Address: 2500 North Loop Drive  
Ames, Iowa 50010  
Phone; 515-296-8030

By: /s/ /Gordon Link  
Name: Gordon Link  
Title: CFO

**ECONOMIC DEVELOPMENT  
COMMUNITY INVESTMENT FUND PROGRAM  
FORGIVABLE LOAN AGREEMENT  
(NewLink Genetics Corporation)**

**ARTICLE 1.0 — GENERAL**

1.1 **Identification of Parties.** This Agreement is entered into by and between the City of Ames, Iowa and the Ames Chamber of Commerce, jointly, as Lenders (hereafter referred to as the “Lenders”) and NewLink Genetics Corporation (hereinafter referred to as the “Borrower”).

1.2 **Statement of Purpose.** WHEREAS, as part of its policy to foster economic development, the Lenders have adopted a program of financial assistance to selected business enterprises by means of loans made in accordance with an adopted loan policy known as THE COMMUNITY INVESTMENT FUND; and,

WHEREAS, the Lenders have agreed to loan up to the amount of four-hundred thousand dollars (\$400,000.00) to the Borrower to assist in a certain project; and,

WHEREAS, the Borrower has made application to the City of Ames, Iowa, for this loan; and

WHEREAS, the Borrower has qualified and been approved for such a loan and has agreed to the conditions of the receipt of such a loan;

NOW, THEREFORE, the parties hereto, in consideration of the premises, do agree as follows:

1.3 **The Forgivable Loan.** The Lenders agree, upon the terms and conditions hereinafter set forth, to make a forgivable loan of money to the Borrower in a total amount not to exceed \$400,000.00 in order to assist in the financing of the project described in Article 2.2 of this Agreement. The obligation of the Borrower to repay the loan shall be evidenced by a Promissory Note of the Borrower to the Lenders in the amount of \$400,000, setting forth an obligation to repay the said amount in one lump sum plus interest if the loan is not forgiven as herein provided. In the event the Borrower fails to receive and/or spend the full face amount of any loan as set out herein and in said Promissory Note, then the amount of the loan shall be reduced accordingly.

1.4 **Reports.** The Borrower shall submit the following reports:

<b>Report</b>	<b>Due Date</b>
Expenditure Report	Monthly
Quarterly Finance & Progress Report	10 <sup>th</sup> of month following the end of each quarter
Final Progress Report	Within 30 days of project completion

1.5 **Assurances.** The representations appearing in the Borrower’s application to the

Lenders for the loan are incorporated herein and made a part of this agreement.

**ARTICLE 2.0 — BORROWER’S PROJECT**

2.1 **Statement of Work and Services.** The Borrower shall perform in a satisfactory and proper manner, as determined by the Lenders, the activities described in the approved application, Attachment “B” to this Agreement. This Attachment is hereby made a part of this Agreement by reference. In addition, Borrower’s activities shall conform to the approved Project Budget found in Attachment “B” to this Agreement, and the approved Project Schedule in Attachment “B” to this Agreement.

2.2 **Project Description.** As more specifically described in Borrower’s approved application to the Lenders, the Project shall be the development, manufacture, and marketing of pharmaceutical products for the diagnosis and treatment of human disease. The Project shall include the following:

Enter into a five-year building lease with option for extension for an additional five years of not less than Twenty thousand (20,000) square feet within the corporate limits of the City of Ames.

Create or retain a total of one hundred fifty (150) full-time positions located in Ames, Iowa in the course of the funded project.

2.3 **Conveyance or Disposition of Project.** The Borrower shall not sell, transfer, convey, lease or otherwise dispose of the Project or of any part thereof, without the consent of the Lenders until the date on which this loan has been fully repaid.

2.4 **Cost Sufficiency.** The Lenders do not make any warranty, either expressed or implied, that the proceeds of the loan available for payment of the costs of the Project will be sufficient to pay all the costs which will be incurred in that connection. The Lenders are under no obligation to advance funds in addition to those specified in this Agreement.

**ARTICLE 3.0 — BORROWER’S CONTRIBUTION TO THE PROJECT**

3.1 **Source(s) of Other Contributions** (as stated in Borrowers’ Loan Application).

3.2 The obligation of the Borrower to pay the principal and interest on this loan and to perform its other obligations as described within this loan agreement will be secured by a security interest in and to certain property now owned or hereafter acquired by Borrower, together with the proceeds, products, increase, issue, accessions, attachments, accessories, parts, additions, repairs, replacements and substitutes of, to any or all of the foregoing.

#### **ARTICLE 4.0 — TERMS OF THE LOAN**

4.1 Maximum Amount of Loan. It is expressly understood and agreed that the maximum amount to be loaned to the Borrower by the Lenders shall be \$400,000.00.

4.2 Loan Rate. The Lenders and Borrower agree that all funds loaned to Borrower shall be at an interest rate of 6.50%, with a principal and interest payment due per the terms of this agreement. No amount will be due if the Borrower meets all the terms of the forgivable loan.

4.3 Loan Term. The Lenders and Borrower agree that the term of the loan shall be five years from the 10<sup>TH</sup> day of MARCH, 2009.10

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4.4 At the end of two years from the initial disbursement of loan proceeds, the borrower shall provide documentation of job retention and creation in the City of Ames relate to the project described in section in section 2.2 above. If the Borrower has created/retained a total of seventy (70), full-time jobs, no amount will be due. If the Borrower has not created/retained a total seventy (70), full-time jobs, the Borrower shall pay the Lenders \$3,130.58 in principal and interest for each full-time position below the target of seventy (70).

4.5 Loan Repayment. If, at the end of five years following initial disbursement of the loan proceeds, a total of one-hundred fifty (150) full-time equivalent positions of employment have not been created as stated in 2.2 above, Borrower shall pay \$3,130.58 in principal and interest for each promised job not created. The Lenders shall deduct any principal and interest paid under section 4.4, total repayment of principal and interest paid by the borrower shall not exceed \$469,587.

#### **ARTICLE 5.0 — CONDITIONS OF PAYMENT OF LOAN FUNDS TO BORROWER**

5.1 Requisition for Payment.

a. Payments to the Borrower. All payments to the Borrower shall be subject to the receipt by the Lenders of a requisition for payment. The requisition shall be made according to the format specified by the Lenders. Loan proceeds shall be disbursed to the Borrower when certain Project components are completed by the Borrower.

The Lenders will fund \$200,000 of the loan when the Borrower provides documentation of a five-year lease agreement with option for a five-year extension for a minimum of 20,000 square feet within the corporate limits of the City of Ames.

The Lenders will fund \$100,000 of the loan when the Borrower occupies the leased building described in the preceding paragraph;

The Lenders will fund \$100,000 of the loan when the Borrower provides documentation of 70 qualified full-time employment positions at the building described in this project.

b. Supporting Evidence to Accompany Requisition. The Borrower shall submit to the Lenders such supporting evidence as may be reasonably required by the Lenders to substantiate all payments which are requested and to substantiate all payments then made with respect to the project. In addition, the Lenders may require the Borrower to secure and provide evidence to the Lenders of lien waivers from any contractor or subcontractor for all work done and for all materials furnished by them for the project.

5.2 Time of Requisitions. Borrower shall requisition loan funds per the provisions of paragraph 5.1.

5.3 Use of Loan Proceeds. Borrower understands and agrees that loan proceeds shall not be spent on any other purpose(s) or projects(s) than that described in Article 2.2.

5.4 Suspension of Payments. The Lenders shall have the right to suspend, withhold, or delay loan payments to the Borrower if it is determined that the Borrower's project has been changed, interrupted, or significantly delayed or if the Borrower is found to be not in compliance with any provision of this Agreement.

5.5 Promissory Note Required. The Lenders shall not provide loan funds to the Borrower prior to the completion and execution of the promissory note, Attachment "A" to this Agreement.

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#### **ARTICLE 6.0 — LOAN REPAYMENT**

6.1 Repayment Schedule. Repayment of the loan shall be made by the Borrower to the Lenders as specified in the terms of this agreement.

6.2 Default. If any of the following events ("Event of Default") shall occur and be continuing, the Lenders may declare the Borrower to be in default:

a. Any representation or warranty made by the Borrower under or in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

b. The Borrower shall fail to perform or observe any other term or condition contained in this Agreement and any such failure shall remain unremedied for thirty (30) days after written notice thereof shall have been given to the Borrower by the Lenders; or

c. Execution shall have been levied against the project or any lien creditors sued to enforce a judgment against the project, or such other proceeding shall have been brought and shall continue unstayed and in effect for a period of more than thirty (30) consecutive calendar days; or

d. The Borrower not shall sell, transfer, lease or convey the project, or any part thereof, except as herein provided, without the prior written consent of the Lenders.

e. If Borrower's Project related business leaves Ames, Iowa before five years from the date of this agreement, then liquidated damages in the amount of \$200,000 are due and payable to the Lenders along with the balance of principal and interest due on the loan. Said damages pertain to lost economic development.

6.3 Actions Upon a Declaration of Default. Upon declaration of default by the Lenders, the Lenders may:

a. By notice to the Borrower, declare the loan payable under the Promissory Note and this Agreement to be forthwith due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by the Borrower.

b. Take whatever action at law or in equity may appear necessary or desirable to collect the payments and other amounts including principal, interest and liquidated damages then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement. No remedy herein conferred upon or reserved to the Lenders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

6.4 Form of Payments. All payments of principal, interest, or penalty, hereunder, or under the promissory note, shall be checks made payable to the City of Ames.

#### **ARTICLE 7.0 — ADMINISTRATIVE REQUIREMENTS**

7.1 Accounts and Records. The Borrower shall maintain books, records, documents and other evidence pertaining to all costs and expenses incurred and revenues acquired under this Agreement to the extent and in such detail as will properly reflect all costs, direct and indirect, of labor, materials, equipment, supplies, services, and other costs and expenses of whatever nature, for which payment is made with the proceeds of this loan.

7.2 Inspection of Records. Any time during normal business hours and as frequently as is deemed necessary, the Borrower shall make available to the Lenders, for their examination,

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all of its records, contracts, invoices, payrolls, personnel records, conditions of employment, and all other matters covered by this Agreement.

7.3 Monitoring by Lenders. The Lenders shall have the right to make scheduled and unscheduled visits to the Borrower in order to monitor project performance and compliance with this Agreement.

7.4 Audit Requirements. Borrower shall have an audit of the project conducted by a certified public accountant, to include all income and expenditures of loan proceeds and local cash, if and when called for by the Lenders.

#### **ARTICLE 8.0 — OTHER CONDITIONS**

8.1 This agreement is, and the Promissory Note, other documents and agreements required by the Agreement when delivered hereunder or pursuant thereto shall be, legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms.

8.2 Neither the execution, delivery or performance of this Loan Agreement or the Promissory Note, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Loan Agreement conflicts with or results in a breach of any of the terms, conditions or provisions of any restriction in any organizational document or any agreement or instrument to which the Borrower is now a party or by which the Borrower is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Borrower under the terms of any instrument or agreement, other than as provided in this Loan Agreement.

8.3 There is no litigation or proceeding pending, or to the knowledge of the Borrower threatened, against the Borrower affecting in any manner whatsoever the right of the Borrower to execute this Agreement or the other agreements required to be executed by the Borrower under the Agreement or the ability of the Borrower to pay the payments required hereunder or to otherwise comply with the Borrower's obligations contained herein or therein.

8.4 The Borrower will comply in all material respects with all applicable laws, rules, ordinances, regulations and orders, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon the Borrower or upon the Borrower's property except to the extent contested in good faith.

8.5 The Borrower agrees that the Lenders shall have no responsibility nor incur any expense for maintenance or preservation of the Project or for the payment of any taxes, assessments or other governmental charges assessed or levied with respect to the Project.

#### **ARTICLE 9.0 — MISCELLANEOUS**

9.1 Agreement Coverage.

a. This instrument, and any referenced attachments hereto or documents referred to herein, contains the entire agreement between the parties and any statements, inducements or promises not contained herein shall not be binding upon said parties. This Agreement shall be binding upon the successors in interest of the respective parties.

b. If any of the provisions herein shall be in conflict with the laws of the State of Iowa, or shall be declared to be invalid by any court of record of this state, such

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invalidity shall be construed to affect only such portions as are declared invalid or in conflict with the law and such remaining portion or portions of the agreement shall remain in effect and shall be construed as if such invalid or conflicting portion of such agreement were not contained herein.

9.2 Term of the Agreement. This Agreement shall be in full force and effect from the effective date hereof and shall continue in effect so long as the loan is outstanding and unpaid or unforgiven.

9.3 Maintenance of the Project and Insurance. The Borrower covenants that, so long as the loan is outstanding and unpaid, the Borrower shall keep, or cause to be kept, the Project in as good repair and condition, as same may be, or may be hereafter placed upon completion, ordinary wear and tear only excepted; and shall not suffer or commit waste or damage upon the Project. In addition, the Borrower may be required to keep in force insurance, premiums therefore to be prepaid without notice or demand, against loss by fire, tornado, and other hazards, casualties, and contingencies as the Lenders may require on the Project, in an amount not less than the full insurable value of the Project, or not less than the unpaid balance of principal on the loan with such insurance payable to the Borrower and the Lenders as their interests may appear. The Borrower may be required to deposit such policies with proper riders with the Lenders.

9.4 Amendment of this Agreement. The Lenders or the Borrower may, during the duration of this Agreement, deem it necessary to make alterations to the provisions of this Agreement. Any changes to this Agreement, which are approved by the Lenders, shall be incorporated into this Agreement. The provisions of the amendment shall be in effect as of the date of the amendment unless otherwise specified within the amendment. A waiver of any condition of this Agreement must be in writing from the duly authorized official of the Lenders.

9.5 Indemnity, Fees and Expenses.

a. The Borrower will indemnify and save harmless the Lenders and their officers and employees from and against any and all losses, by it or them while it or they are acting in good faith to carry out the transactions contemplated by this Agreement or to safeguard its or their interests or ascertain, determine or carry out its or their obligations under this Agreement or any law or contract applicable to said transaction.

b. The Borrower shall, upon demand, pay to the Lenders the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Lenders may incur in connection with the exercise or enforcement of any of the rights of the Lenders hereunder, the failure by the Borrower to perform or observe any of the provisions hereof, the collection of payments due under this Agreement, and any other reasonable expenses of the Lenders related to the Project or this financing (including reasonable attorney's fees) which are not otherwise expressly required to be paid by the Borrower under the terms of this Agreement.

c. The Borrower agrees to pay all appraisal fees, survey fees, recording fees, license and permit fees and insurance premiums related to Borrower's Project.

d. It is the intention of the parties that the Lenders shall not incur pecuniary liability by reason of the terms of this Agreement and the Borrower shall indemnify and hold harmless the Lenders (including any person at any time serving as an officer or employee of the Lenders) against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon.

The obligation of the parties under this Section shall survive the termination of this

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Agreement.

9.6 Binding Effect: Governing Law. This Agreement shall be binding upon and inure to the benefit of the Borrower and the Lenders and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders. This Agreement shall also inure to the benefit of the Lenders. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Iowa.

9.7 Obligations of the Borrower Hereunder Unconditional. The obligations of the Borrower to make the payments required to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Lenders of any obligation to the Borrower, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing to the Borrower by the Lenders and until such time as the principal shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Agreement, the Borrower (i) shall not suspend or discontinue any payments agreed to, (ii) shall perform and observe all other agreements contained in this Agreement, and (iii) shall not terminate this Agreement for any cause, it being the intention of the parties that the payments required hereunder will be paid in full when due without any delay or diminution whatsoever.

9.8 Waivers. No waiver by the Lenders of any default hereunder shall operate as a waiver of any other default or of the same default on a future occasion. No delay on the part of the Lenders in exercising any right or remedy hereunder shall operate as a waiver thereof. No single or partial exercise of any right or remedy by the Lenders shall preclude future exercise thereof or the exercise of any other right or remedy.

9.9 Additional Provisions. The following items or requirements are also agreed to:

a. The Borrower represents that it will take all actions necessary, on a best effort basis, to secure the accomplishment of the following benefits to the Lenders:

To create and retain one-hundred fifty (150) permanent full-time jobs, in accordance with 2.2 above, before the end of the loan term, in the City of Ames, Iowa, in addition to the current employee total.

b. Agreement with Business. Loan proceeds shall not be advanced nor shall loan proceeds be used to reimburse project expenses prior to approval of a loan agreement between the Lenders and Borrower.

9.10 Suspension and Termination of This Agreement

a. Suspension. If the Borrower fails to comply with the conditions of this Agreement, the Lenders may, after notice to the Borrower, suspend the Agreement and withhold further payments or prohibit the Borrower from incurring additional obligations of funds, pending corrective action by the Borrower or a decision to terminate. The Lenders may determine to allow such necessary and proper costs which the Borrower could not reasonably avoid during the period of suspension.

b. Termination for Cause. The Lenders may terminate this Agreement in whole, or in part, at any time before the date of completion, whenever it is determined that the Borrower has failed to comply with the conditions of the Agreement after notice and reasonable opportunity to cure. The Lenders shall promptly notify the Borrower in writing of the determination and the reasons for the termination, together with the effective date. Payments made to Borrower or recoveries by the Lenders under Agreements terminated for cause shall be in accord with the legal rights and liabilities of the parties. Payments and recoveries may

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include, but are not limited to the following: Payments may be allowed for costs determined to be in compliance with this Agreement up to the date of termination, based on audits approved by Lenders. The Borrower shall return to the Lenders all unspent funds within one week of notice of termination. Further, any costs previously paid by the Lenders which are subsequently determined to be unallowable through audit shall be returned to the Lenders within thirty (30) days of such determination.

9.11 Litigation. The Borrower agrees to pay the costs of any litigation arising from the failure of the Borrower to comply with this Agreement or resulting from the negligence or incompetence of the Borrower. Furthermore, the Borrower shall indemnify and save harmless the Lenders from suits, actions or claims of any character brought for or on account of any injuries or damages received by any person or property resulting from operations of the Borrower or any persons working under him, carrying out the terms of this Agreement.

**IN WITNESS THEREOF**, the parties hereto have executed this Agreement on the day and year last specified below:

**CITY OF AMES, IOWA**

**AMES CHAMBER OF COMMERCE**

By: /s/ Ann H. Campbell

By: /s/[illegible]

Date: 12-08-09

Date: 12/16/09

Attest: /s/ Diane R. Voss  
Diane R. Voss, City Clerk

Attest: /s/ Cindy Doolittle

**NEWLINK GENETICS CORPORATION**

By: /s/ Gordon Link

Date: 3/10/10

Attest: /s/ Sandra Carroll

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**ECONOMIC DEVELOPMENT COMMUNITY INVESTMENT FUND**

**PROMISSORY NOTE**

FOR VALUE RECEIVED, NewLink Genetics Corporation (the MAKER), promises to pay to the order of the City of Ames, Story County, Iowa, and the Ames Chamber of Commerce d/b/a Ames Economic Development Commission, jointly (the LENDERS), at such place as may be designated from time to time by the holder of this Note, the principal sum of \$400,000 to be paid or forgiven pursuant to the terms of the Economic Development Community Investment Fund Program Forgivable Loan Agreement herein described.

In the event the MAKER fails to requisition and spend the full face amount of the loan as set out above and as set out in the Loan Agreement, then the amount of each installment payment shall be reduced accordingly in equal amounts.

If default is made in the payment of this Note, the entire principal shall at once become due and payable without notice at the option of the LENDERS, and thereupon the MAKER agrees to pay all costs of collection, including attorney fees. Failure to exercise this option shall not constitute a waiver of the right to declare the entire principal amount of this Note due and payable at once at any subsequent time.

If, based on the activity of the MAKER, the LENDERS determine that their position is insecure, LENDERS shall give notice to MAKER and MAKER shall then have up to ten days to provide evidence to LENDERS of their secure position. If MAKER fails to provide satisfactory evidence to LENDERS, the entire principal shall at once become due and payable at the option of the LENDERS, and thereupon the MAKER agrees to pay all costs of collection, including attorney fees. Failure to exercise this option shall not constitute a waiver of the right to declare the entire principal amount of this Note due and payable at once at any subsequent time. Activities of the MAKER that could lead the LENDERS to determine that their position is insecure include, but are not limited to, disposing of assets essential to continuing business operations, nonpayment of payroll taxes, receipt of notice of back wages owed to employees of the MAKER, or receipt of a statement by the company auditor expressing doubts about the MAKER'S ability to continue as a going concern.

MAKER represents and warrants that the extension of credit evidenced by this Note is for the purposes described in the Loan Agreement.

This Promissory Note is the Note referred to in, and is entitled to the benefits of, the Loan Agreement dated the 10TH day of MARCH, 200910, (the "Loan Agreement") between the MAKER and the LENDERS. The Loan Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified. This Note is secured by a UCC-1 Financing Statement.

NewLink Genetics Corporation

By: /s/ Gordon Link

Attachment A

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Attachment B  
MUST BE FILED IN PLANNING & HOUSING  
Effective Date: August 4, 2004

**Revolving Loan Fund Application**  
*Instructions for Financial Assistance*  
*from the City of Ames, Iowa*

1. **Application Packet.** *Be sure to complete and submit all the required materials that are part of this Application Packet. Failure to do so will result in a delay in accepting your application until it is complete. Only typed applications will be accepted and reviewed.*

The "Application Packet" for Financial Assistance from the City of Ames Revolving Loan Fund includes the following:

- Application Form (*This form must be filled out completely for all applications.*)
- Supporting Information (*Each listed item must be addressed.*)
- Checklist (*required submittals/attachments*)

2. **Filing.** All required information and materials must be filed with the:

Department of Planning and Housing  
Room 214, City Hall  
515 Clark Avenue  
Ames, Iowa 50010

**IF YOU HAVE ANY QUESTIONS WHILE COMPLETING THIS APPLICATION  
PLEASE CONTACT THE DEPARTMENT OF PLANNING AND HOUSING**

Phone: 515-239-5400  
FAX: 515-239-5404  
E-mail: [jpietruszynski@city.ames.ia.us](mailto:jpietruszynski@city.ames.ia.us)

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**Revolving Loan Fund Application**  
*Application for Financial Assistance*  
*from the City of Ames, Iowa*

(This form must be filled out completely before your application will be accepted.)

1. **Business Name:** NewLink Genetics

Address: 2901 South Loop Drive, Suite 3900 Ames, IA 50010

(Street) (City) (State) (Zip)

Telephone: 515-296-3530 (Business) 515-296-3556 (Fax)

Business Federal ID#: 42-1491350 www site: www.newlinkgenetics.com

2. Company Officer Authorized to Obligate Business: Dr. Charles Link

Address: same as above in answer #1 (Street) (City) (State) (Zip)

Telephone: same as above in answer #1 (Home) (Business) (Fax)

E-mail: clink@linkp.com

3. Amount of Funds Requested: \$200,000 forgivable loan

I certify that I have submitted all the required information to apply for the City of Ames Revolving Loan Fund and that the information is factual.

Signed by: /s/Charles Link (Obligator) Date:

Revolving Loan Fund Application Supporting Information for Financial Assistance from the City of Ames, Iowa

(This form must be filled out completely before your application will be accepted.)

1. Description of Business. Include history, if new, proposed markets, products or services provided, management structure. (The applicant's explanation may be attached on a separate sheet if sufficient space is not provided): NewLink Genetics Corporation is a biopharmaceutical company developing novel drugs and functional genomics solutions with a primary focus on cancer. The successful completion of the Human Genome Project signals a new age in medical discovery centered around protein research. The rapidly growing knowledge base of the human genome provides an unprecedented opportunity to launch a revolutionary paradigm for drug discovery based on protein analysis.

NewLink remains steadfast in its primary focus to take novel treatments and diagnostics through the clinical trials process and bringing products to market. The company is currently conducting Phase I/II clinical trials with its proprietary HyperAcute™ vaccine technology. The Food and Drug Administration has accepted NewLink's Investigational New Drug applications for the HyperAcute™ vaccine technology allowing us to proceed with clinical trials treating patients with advanced lung cancer, breast cancer, prostate cancer, pancreatic cancer, and malignant melanoma. The company's lung, breast, and prostate vaccine trials are currently enrolling patients at various trial centers.

2. Project Description. Explain the need for the Revolving Loan Fund Assistance being requested. (The applicant's explanation may be attached on a separate sheet if sufficient space is not provided): The company plans to buy or have options on approximately 20 acres of land at the ISU Research Park. NewLink Genetics plans to develop a campus for its operations at the ISU Research Park. Over the next five years, the company plans to construction two facilities for its expanding manufacturing, office and R&D operations and for its affiliated companies. The company plans to begin construction in the fall/winter of 2005 a 25,000 to 28,000 sq. ft. building. Anticipated completion date is the fall of 2006. In 2010, the company anticipates to begin construction on an additional 25,000 sq. ft. building.

Has any part of this project been started? o Yes x No

Does the project involve relocation of economic activity from elsewhere? o Yes x No

If yes, please explain:

3. Job Creation/Retention (Full Time Equivalents):

- 150 Number of permanent jobs created as a result of this project.
11 Number of permanent jobs created within 12 months of loan award.
24 Number of permanent jobs created within 24 months of loan award.

(Cumulative includes 12 month figure)

36 Number of permanent jobs retained as a result of the project.

150 Number of permanent jobs with average wages of \$40,000.

What percentage of sales will be outside the State of Iowa? 95 to 99%

What percentage of sales will be within the City of Ames? 0 to 1%

**4. Description of the Proposed Financial Package:**

	Amount	Type	Rate	Term
Business Contribution	30,780,000	Equity/Internal Cash flow		
State Assistance*				
Conventional Assistance				
Business Contributions				
Local Participation - City	200,000	Forgivable Loan		
Other - AEDC	200,000	Forgivable Loan		
Other				

\*State has awarded the company a \$6 million forgivable loan from the Iowa Values Fund. The company has reached several milestones and has received \$4 million.

**5. List the Names of the Business Owners and the percent of ownership held by each:**

Names are contained in the business plan

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**7. In What Form is the Business Contribution to the Project? Please explain clearly (i.e. Sale of Stock, Equity Investments, Subordinated Debt, etc.):**  
Equity Investments

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**Revolving Loan Fund Application**  
*Checklist for Financial Assistance*  
*from the City of Ames, Iowa*  
**Required Submittals/Attachments**

- o Business Plan
- o Profit and Loss Statements — 3 year historical and 2 year projections
- o Balance Sheets — 3 year historical and 2 year projections
- o Spread Sheet.
- o Letter from Business Committing to Project and Job Creation.
- o Commitment Letter, letter of Credit from Lender.
- o Business Federal Tax Returns (Past 3 years).
- o Individual Federal Tax Returns of Principal Owners if required.
- o Resumes of Principal Owners and Key Management Personnel.
- o Verification of loans or grants from private lenders, federal, and state programs.
- o Letter of commitment from borrower indicating amount of equity into project and documentation.
- o Corporate resolution authorizing the application for Revolving Loan Funds.
- o Corporate signatory authorization naming an officer to execute the Application and Loan Documents, if approved.
- o Others (Please specify):

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\$6,000,000

## IOWA VALUES FUND (IVF) CONTRACT

BY AND BETWEEN

NEWLINK GENETICS CORPORATION

AND THE

IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT

DATED AS OF MARCH 18, 2005

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**CONTRACT**

BUSINESS: NEWLINK GENETICS CORPORATION

CONTRACT NUMBER: 04-IVF-19

AWARD DATE: February 19, 2004

CONTRACT EFFECTIVE DATE: March 18, 2005

This IOWA VALUES FUND CONTRACT (“Contract”) is made this 18<sup>th</sup> day of March, 2005 ( the “Contract Effective Date”) by and between the Iowa Department of Economic Development (“IDED”) and NewLink Genetics Corporation an Iowa corporation (“Business”).

WHEREAS, the Iowa Values Fund, pursuant to 2003 Iowa Acts, House File 692, was established by the Iowa Legislature and the Governor of Iowa to expand and stimulate the economy of Iowa, increase the population of Iowa, and increase the wealth of Iowans; and

WHEREAS, the Business submitted an application to the Iowa Values Board (“IVB”) requesting assistance in the financing of its Project as more fully described in Exhibit D (“Project”); and

WHEREAS, the IVB found the Project to meet the requirements established to receive Iowa Values Fund financial assistance; and

WHEREAS, the Iowa Values Board, on February 19, 2004 (the “Award Date”) voted to award to Business a Six Million Dollar (\$6,000,000) forgivable loan (the “Forgivable Loan” or “Award”), subject to the terms and conditions set forth herein;

WHEREAS, the Business signed an IVF Financing Commitment Term Sheet (Exhibit C to this Contract) acknowledging acceptance of the terms and conditions of the Award; and

WHEREAS, on June 16, 2004, as a result of a ruling by the Iowa Supreme Court (Rants v. Vilsack, 684 N.W. 2d 193 (Iowa, 2004)), House File 692 was nullified; and

WHEREAS, pursuant to 2004 Iowa Acts, First Extraordinary Session, Senate File 2311 (the “Act”), the state legislature appropriated funds to IDED for financial assistance and incentives to businesses under programs currently existing which are administered by IDED; and

WHEREAS, the legislature directed IDED to expend a portion of the appropriated funds for awards made by the IVB;

NOW THEREFORE, in consideration of the mutual promises contained herein

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and intending to be legally bound, the Business and IDED agree to the following terms:

#### ARTICLE 1 IDENTITY OF THE PARTIES

1.1 Iowa Values Board. Prior to June 16, 2004, the Iowa Values Board was a public instrumentality of the State established by 2003 Iowa Acts, House File 692, section 78. The Board was charged with the responsibility of managing, overseeing and approving all awards of financial assistance from the Iowa Values Fund. The Board’s address was 200 East Grand Avenue, Des Moines, IA 50309.

1.2 Iowa Department of Economic Development. The IDED is a state department created by Iowa Code Chapter 15. Prior to June 16, 2004 and pursuant to 2003 Iowa Acts, House File 692, section 78 IDED provided administrative support to the Iowa Values Board. Effective September 7, 2004, IDED was authorized by 2004 Iowa Acts, First Extraordinary Session, Senate File 2311, to enter into this Contract. The IDED’s address is 200 East Grand Avenue, Des Moines, IA 50309.

1.3 NewLink Genetics Corporation. NewLink Genetics Corporation is an Iowa corporation. The company’s address is 2901 South Loop Drive, Building 3, Suite 3900, Ames, Iowa 50010.

#### ARTICLE 2 CONTRACT DURATION

This Contract shall be in effect until all of Business’s liabilities hereunder have been satisfied in full by forgiveness or repayment as provided in this Contract.

#### ARTICLE 3 FUNDING

3.1 Funding Source. The source of funding for this Award is 2004 Iowa Acts, First Extraordinary Session, Senate File 2311.

3.2 Reduction, Discontinuance or Alteration of Funding. Any termination, reduction, or delay of funds available due, in whole or in part, to (i) lack of, reduction in, or deappropriation of revenues previously appropriated by the legislature, or (ii) any other reason beyond the IDED’s control may, in the IDED’s discretion, result in the termination, reduction or delay of funds to the Business.

3.3 Reliance Upon Availability of Funding. The IDED acknowledges and agrees that **Four Million Dollars (\$4,000,000)** of the funding for the **Six Million Dollars (\$6,000,000)** Award is currently available, as of the Contract Effective Date, in the amounts specified and for

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the state fiscal years described in Article 5.2. The source of funding for the **Two Million Dollars (\$2,000,000)** available in state fiscal years 2006 and 2007 is not identified in the Act and has not yet been received. The Business represents that it has negotiated this Contract in good faith and has been induced to enter into the Contract in full reliance upon the availability of such funding, subject to the limitations stated in this Article, applicable statutes and terms and provisions imposed by this Contract.

**ARTICLE 4**  
**DOCUMENTS INCORPORATED BY REFERENCE; ORDER OF PRIORITY**

4.1 Documents Incorporated by Reference. The following documents are incorporated by reference and considered an integral part of this Contract:

Exhibit A - - Business's IVF Application, as approved by the Iowa Values Board.

Exhibit B - - Promissory Note.

Exhibit C - - IVF Financing Commitment Term Sheet.

Exhibit D - - The Project (Detailed Description of the Project and Budget)

4.2 IVF Application on File. Due to its size, Exhibit A will not be attached to this Contract, but will be kept on file at the Iowa Department of Economic Development. It shall, nevertheless, be considered an incorporated element of this Contract.

4.3 Order of Priority. In the case of any inconsistency or conflict between the specific provisions of this document and the exhibits, the following order of priority shall control:

- (a) Contract, Articles 1-12
- (b) Exhibit C - - IVF Financing Commitment Term Sheet.
- (c) Exhibit D - - The Project (Detailed Description of the Project and Budget)
- (d) Exhibit A - - Business's IVF Application, as approved by the Iowa Values Board.

**ARTICLE 5**  
**AWARD TERMS**

The Board's award of Six Million Dollars (\$6,000,000) consists of a Forgivable Loan as detailed below:

5.1 IVF Forgivable Loan. The IDED agrees to make a Forgivable Loan in the amount of Six Million Dollars (\$6,000,000) on the terms and conditions set forth in this Contract with interest at a rate of zero percent to the Business to assist in the financing of the Project as described in Exhibit D.

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5.2 Limitation on Amounts Available. Subject to the availability of funds as described in Article 3.2 and 3.3:

(a) \$2,000,000 of the Forgivable Loan available to the Business during state fiscal year 2004 (July 1, 2003-June 30, 2004) remains available to the Business during state fiscal year 2005.

(b) An additional \$2,000,000 of the Forgivable Loan is available to the Business during state fiscal year 2005 (July 1, 2004 - June 30, 2005) and remains available to the Business until the end of the fifth (5<sup>th</sup>) year from the Contract Effective Date, plus any additional extension periods that may be granted by IDED pursuant to Article 10.2.

(c) An additional \$1,000,000 of the Forgivable Loan is available to the Business during state fiscal year 2006 (July 1, 2005 - June 30, 2006) and remains available to the Business until the end of the fifth (5<sup>th</sup>) year from the Contract Effective Date, plus any additional extension periods that may be granted by IDED pursuant to Article 10.2.

(d) An additional \$1,000,000 of the Forgivable Loan is available to the Business during state fiscal year 2007 (July 1, 2006 - June 30, 2007) and remains available to the Business until the end of the fifth (5<sup>th</sup>) year from the Contract Effective Date, plus any additional extension periods that may be granted by IDED pursuant to Article 10.2.

5.3 Milestones. Subject to verification by IDED that milestones detailed below have been satisfactorily met, IVF funds will be released as the Business meets product development and financial obligations described below:

(a) The first \$2,000,000 is available for disbursement once the following milestones are met:

- Receive Investigational New Drug (IND) approval from the Food and Drug Administration (FDA) to initiate Phase I/II trials on two cancer drugs.
- Submit IND applications to FDA for two additional cancer drugs.
- Raise \$2 million in additional equity (total of \$2 million from the Award Date).

(b) The second \$2,000,000 is available for disbursement once the following additional milestones are met:

- Commencement of patient enrollment in phase II clinical trials for one of two cancer drugs approved.
- Obtain IND approval from FDA to commence clinical trials for a third cancer drug.
- Initiate collaboration with a pharmaceutical/biotech company for co-product development.

- Raise an additional \$3 million of equity investment (total of \$5 million from the Award Date).

(c) An additional \$1,000,000 in each of FY 2006 and FY 2007 for a total of \$2,000,000 is available for disbursement once the following additional milestones are met:

- Enter into research collaboration with a second pharmaceutical company.
- Initiate building construction of pharmaceutical research and development facility.

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- Raise an additional \$3 million of equity investment (total of \$8 million from the Award Date).
- NewLink demonstrates revenue generation of at least \$1 million from product sales calculated on a three-year average using the Business' three immediately preceding years.

#### 5.4 Terms of Forgiveness of the Forgivable Loan.

(a) *Contract Terms Satisfied.* This Forgivable Loan will be forgiven if the Business satisfies the terms of this Contract specified in Article 10.2 and 10.3, without limiting the remedies which may be available to the IDEED upon an Event of Default (as hereinafter defined in Article 11.1). IDEED will, in its sole reasonable discretion, determine if the Business has satisfied the terms specified in Article 10.2 and 10.3 of this Contract.

(b) *Forgiveness or Repayment.* If the IDEED determines that the Business has satisfied the terms of this Contract specified in Article 10.2 and 10.3, then repayment of the Forgivable Loan shall be waived. Should the IDEED determine that the Business has not satisfied the terms of this Contract specified in Article 10.2 and 10.3, the Business shall be required to repay the outstanding balance of this Forgivable Loan as provided in this Contract. Royalty payments submitted pursuant to Article 8.2 of this Contract shall be credited against any amounts owed under the Forgivable Loan.

(i) *Repayment due to shortfall in Job Creation/Retention Obligation of Article 10.2.* If the Business does not meet its Job Creation/Retention Obligation, the outstanding balance of the Forgivable Loan shall be repaid as provided in this Contract. Repayment of any amounts due will be at the rate of \$17,142 per unfilled job plus interest at the default interest rate stated in Article 11.3. This per job rate is calculated as follows: \$6,000,000 Award divided by 350 jobs (the "Job Creation/Retention Obligation").

(ii) *Repayment due to noncompliance with Performance Obligations of Article 10.3.* Repayment due to noncompliance with the Performance Obligations of Article 10.3 will be based on the same percentage as the failure to comply with the Performance Obligations. For example, if the Project investment is 10% less than pledged, 10% of the outstanding balance of the Forgivable Loan must be repaid.

(iii) *Repayment amount if shortfall in Job Creation/Retention Obligation of Article 10.2 and noncompliance with Performance Obligations of Article 10.3.*

If the Business experiences a shortfall in its Job Creation/Retention Obligation and does not meet its Performance Obligations, IDEED will calculate the amount owing for the job shortfall and for the nonperformance. The higher of these two amounts shall be the amount due. However, this repayment amount may be adjusted downward by IDEED. In determining the total amount due, IDEED will consider the following factors and make adjustments as appropriate to establish the amount to be repaid: wages paid for the created/retained jobs; the number of jobs created; length of time the jobs were maintained; the total amount of investment in the Project; the quality of jobs (e.g., benefits).

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(c) *Method for Determining Amount of Forgiveness or Amount Owed.* For purposes of ensuring compliance with the **Job Creation/Retention Obligation**, and the **Performance Obligations**, IDEED will review the Business's progress toward meeting these Obligations at two times:

First, when 100% of the pledged jobs have been created, which shall be by the end of the 5<sup>th</sup> year from the Contract Effective Date. IDEED will confirm that the jobs have been created and the 5-year **Job Maintenance Period** shall begin. The combined Job Creation Period time frame and the Job Maintenance Period shall be a minimum of 10 years from the Contract Effective Date plus any additional extension periods that may be granted by IDEED pursuant to Article 10.2.

Second, at the end of the Job Maintenance Period which goes through the end of the 10<sup>th</sup> year from the Contract Effective Date plus any additional extension periods that may be granted by IDEED pursuant to Article 10.2.

The following examples are provided to illustrate how these provisions will be applied:

#### Example 1 (100% of the Pledged Jobs Created by the End of Year 5):

The Business creates/retains 100% of the pledged jobs by the end of the 5<sup>th</sup> year. The Job Maintenance Period begins and the pledged jobs are retained for an additional 5 years; resulting in a total Contract period of 10 years. At the end of the 10<sup>th</sup> year the IDEED will verify that the created jobs have been maintained for the required time period. Provided the Job Performance Obligations have also been met, the Forgivable Loan will be forgiven by IDEED. Royalty payments in the amount of \$3,200,000 remain due and payable pursuant to Article 8.2(c) of the Contract.

#### Example 2 (Less than 100% of the Job Creation/Retention Obligations are Met)

At the end of the 5<sup>th</sup> year, the Business has created/retained 300 of the 350 pledged new jobs. The Business must repay \$857,100 of the Forgivable Loan. This amount is calculated by multiplying the \$17,142 per job rate by the job shortfall (50 jobs). Because the Business has made royalty payments in the amount of \$500,000, the \$857,100 owed will be offset by the amount of royalty payments received. The total amount due at this point is reduced to \$357,100. The 5-year Job Maintenance Period begins.

At the end of the 10<sup>th</sup> year, the Business has 275 jobs. An additional \$428,550 (25 jobs at \$17,142 each) must be repaid due to the loss of 25 jobs during the Job Maintenance Period. Because the Business has made additional royalty payments in the amount of \$200,000, the \$428,550 owed will be offset by the amount of royalty payments received. The total additional amount due is \$228,550. The remaining balance of the Forgivable Loan (assuming \$6,000,000 was advanced: \$6,000,000-\$857,100-\$428,550=\$5,171,480) will be forgiven by IDED. The Business continues to make royalty payments to IDED until the total amount owed (\$3,200,000) is received by IDED.

5.5 Repayment Obligation. The obligation to repay this Contract shall be evidenced by a

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Promissory Note in the form attached hereto as Exhibit B.

5.6 Total Amount. It is further understood and agreed that the total of all payments to the Business by the IDED for Project activities shall not exceed this Six Million Dollars (\$6,000,000). It is expressly understood and agreed that the maximum amounts to be paid to the Business for Project activities shall conform to the budget as presented in Exhibit D.

## ARTICLE 6 CONDITIONS TO DISBURSEMENT OF FUNDS

The obligation of IDED to make, continue or disburse funds under this Contract shall be subject to the following conditions precedent:

6.1 Satisfaction of Conditions in IVF Financing Commitment Term Sheet. The Business shall meet the terms and conditions of this Award as outlined in Exhibit C.

6.2 Documents Submitted. IDED shall have received each of the following documents, properly executed and completed, and approved by IDED as to form and substance:

- (a) The Promissory Note in the form attached hereto as Exhibit B.
- (b) Fully executed Contract.
- (c) Copies of the articles of incorporation of the Business, certified in each instance by its secretary or assistant secretary.
- (d) A certificate of existence for the Business from the Office of the Secretary of State of Iowa.
- (e) Financing statement, tax and judgment lien search results against the Business and Secured Property.
- (f) The UCC financing statements to be filed against the Business.
- (g) A certificate by the Business that the milestones detailed in Article 5.3 are satisfied.
- (h) IDED shall have received such other Contracts, instruments, documents, certificates and opinions as the IDED may reasonably request.
- (i) Hazardous waste audit. To comply with Iowa Code section 15A.1(3)"b," if the Business generates solid or hazardous waste, it must either: a) submit a copy of the Business's existing in-house plan to reduce the amount of waste and safely dispose of the waste based on an in-house audit conducted within the past 3 years; or b) submit an outline of a plan to be developed in-house, or 3) submit documentation that the Business has authorized the Iowa Department of Natural Resources or Iowa Waste Reduction Center to conduct the audit.
- (j) Pursuant to Article 10.7(d) of this Contract, a signed Authorization for Release of

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Confidential State Tax Information form, to permit IDED to receive the Business's state tax information directly from the Iowa Department of Revenue for purposes of annually updating the Iowa Public Return on Investment Analysis.

- (k) A detailed list and valuation of the Secured Property.

## ARTICLE 7 MANNER AND DISBURSEMENT OF AWARD

7.1 Prior Costs. No expenditures made prior to the Award Date may be included as Project costs.

7.2 Cost Variation. Without duplicating the repayment required by Article 5.4(b)(ii), in the event that the total Project cost is less than the amount specified in the Exhibit D, the Award shall be reduced at the same ratio as the total actual Project cost reduction is to the total Project Budget as shown in Exhibit D. Any disbursed excess above the reduced IVF participation amount shall be returned immediately to IDED.

7.3 Requests for Disbursement. All disbursements of Award proceeds shall be subject to receipt by the IDED of requests for disbursement submitted by the Business.

7.4 Suspension of Disbursement. Upon the occurrence of an Event of Default (as defined in this Contract) by the Business, the IDED may suspend payments to the Business until such time as the default has been cured to IDED's satisfaction. Notwithstanding anything to the contrary in this Contract, upon a termination of this Contract on account of an Event of Default by the Business, Business will no longer have the right to receive any disbursements after the effective date of default.

7.5 Investment of Award Proceeds. In the event that the Award proceeds are not immediately utilized, temporarily idle Award proceeds held by the Business may be invested provided such investments shall be in accordance with State law, including but not limited to the provisions of Iowa Code chapter 12C concerning the deposit of public funds. Interest accrued on temporarily idle Award proceeds held by the Business shall be credited to and expended on the Project prior to the expenditure of other Award proceeds.

All proceeds remaining, including accrued interest, after all allowable Project costs have been paid or obligated shall be returned to the IDED within thirty (30) days after the Project Completion Date for the Project. Within ten (10) days of receipt of a written request from IDED, Business shall inform the IDED in writing of the amount of unexpended Award funds in the Business's possession or under the Business's control, whether in the form of cash on hand, investments, or otherwise.

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## ARTICLE 8 SECURITY; SUBORDINATION; AND ROYALTIES

### 8.1 Security and Subordination.

(a) This Award will be secured by a Blanket UCC-1 security interest granting the IDED a valid, perfected and enforceable first priority security interest and Lien in all Property now or hereafter owned by the Business and its Related Businesses associated with the Project (including, but not limited to, intellectual property and licenses, all accounts, chattel paper, documents, instruments, investment property, inventory, deposit accounts, equipment, fixtures, leasehold interests in leased Property, general intangibles and all proceeds thereof), (the "Secured Property").

(b) IDED agrees to subordinate its interest in the intellectual property (which includes patents and licenses) covered by the blanket UCC-1 filing, provided the following conditions are met:

- (i) The subordination is necessary for the Business to obtain debt or equity financing, or to secure a purchase money security interest; and
- (ii) The Business provides IDED with a detailed list and valuation of the Secured Property that will secure the Award after the subordination; and
- (iii) IDED reviews the list and determines that the collateral value is sufficient to secure the amount of Award funds disbursed, or to be disbursed.

(c) If DAD determines that the Award would remain adequately secured after subordination, IDED will execute any subordination document, in form and content acceptable to IDED, reasonably requested by Business.

### 8.2 Royalties.

(a) The Business shall pay a royalty equal to a minimum of zero point twenty-five hundredths of a percent (0.25%) of prior-year total Gross Revenues of the Sponsored Product(s), as defined herein. Royalty payments shall continue until a total payment of \$3,200,000 has been received by IDED. Royalty payments shall first be applied to reduce any outstanding balance of the Forgivable Loan and then credited towards the total payment of \$3,200,000 required under this Article 8.2.

(b) "Gross Revenues" means gross sales price actually received by the Business less trade discounts and returns.

(c) "Sponsored Products" means all products developed, marketed or sold by Business.

(d) Royalty payments shall be submitted to IDED annually within 45 days after each calendar year end.

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## ARTICLE 9 REPRESENTATIONS AND WARRANTIES.

The Business represents and warrants to IDED as follows:

9.1 Organization and Qualifications. The Business is duly organized, validly existing and in good standing as a corporation under the state of its incorporation. The Business has full and adequate power to own its property and conduct its business as now conducted, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the property owned or leased by it requires such licensing or qualifying, except where the failure to so qualify would not have a material adverse effect on the Business's ability to perform its obligations hereunder.

9.2 Authority and Validity of Obligations. The Business has full right and authority to enter into this Contract and the other documents required by this Contract, to make the borrowings herein provided for, to issue its Promissory Note in evidence thereof, to secure its obligations under this Contract, and to perform each and all of the obligations herein. The Contract documents delivered by the Business have been duly authorized, executed and delivered by the Business and constitute the valid and binding obligations of the Business and enforceable against it in accordance with their terms. This Contract and

its related documents do not contravene any provision of law or any judgment, injunction, order or decree binding upon the Business or any provision of the articles of organization or operating agreement of the Business, contravene or constitute a default under any covenant, indenture or contract of or affecting the Business or any of its properties.

9.3 Use of Proceeds. The Business hereby agrees to use Award proceeds for the Project described in Exhibit D. Use of Award proceeds shall conform to the Budget for the Project as detailed in Exhibit D. The Business represents that there are legally enforceable commitments in place from the funding sources identified for the Project in Exhibit D.

9.4 Subsidiaries. The Business has no Subsidiaries on the Contract Effective Date.

9.5 Financial Reports. The balance sheet of the Business furnished to IDED as of the Contract Effective Date, fairly present its financial condition as at said date in conformity with GAAP applied on a consistent basis. The Business has no contingent liabilities which are material to it, other than as indicated on such financial statements or, with respect to future periods, on the financial statements furnished to IDED.

9.6 No Material Adverse Change. Since the Award Date, there has been no change in the condition (financial or otherwise) or business prospects of the Business, except those occurring in the ordinary course of business, none of which individually or in the aggregate have

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been materially adverse. To the knowledge of the Business, there is no material adverse change in the condition of the Business (financial or otherwise) or the business prospects of the Business which is imminent or threatened.

9.7 Full Disclosure; IVF Application. The statements and other information furnished to the IDED by Business in its IVF Application and in connection with the negotiation of this Contract do not contain any untrue statements of a material fact or omit a material fact necessary to make the material statements contained herein or therein not misleading. The IDED acknowledges that as to any projections furnished to the IDED, the Business only represents that the same were prepared on the basis of information and estimates it believed to be reasonable.

9.8 Trademarks, Franchises and Licenses. The Business owns, possesses, or has the right to use all necessary patents, licenses, franchises, trademarks, trade names, trade styles, copyrights, trade secrets, know how and confidential commercial and proprietary information to conduct its businesses as now conducted, without known conflict with any patent, license, franchise, trademark, trade name, trade style, copyright or other proprietary right of any other Person. As used in this Article, "Person" means an individual, partnership, corporation, association, trust, unincorporated organization or any other entity or organization, including a government or agency or political subdivision thereof.

9.9 Governmental Authority and Licensing. The Business has received all licenses, permits, and approvals of all Federal, state, local, and foreign governmental authorities, if any, necessary to conduct its businesses as presently conducted, in each case where the failure to obtain or maintain the same could reasonably be expected to have a material adverse effect except as relating to governmental approvals of products of the Business which are or will be in development. No investigation or proceeding which, if adversely determined, could reasonably be expected to result in revocation or denial of any material license, permit, or approval is pending or, to the knowledge of the Business threatened except as relating to governmental approvals of products of the Business which are or will be in development.

9.10 Litigation and Other Controversies. There is no litigation or governmental proceeding pending, nor to the knowledge of the Business threatened, against the Business which if adversely determined would result in any material adverse change in the financial condition, Properties, business or operations of the Business, nor is the Business aware of any existing basis for any such litigation or governmental proceeding.

9.11 Good Title. The Business has good and defensible title (or valid leasehold interests) to all of its property (including, without limitation, the Secured Property securing this Contract) reflected on the most recent balance sheets furnished to the IDED (except for sales of assets in the ordinary course business).

9.12 Taxes. All tax returns required to be filed by the Business in any jurisdiction have, in fact, been filed, and all taxes, assessments, fees and other governmental charges upon the Business or upon any of its property, income or franchises, which are shown to be due and payable in such returns, have been paid, except such taxes, assessments, fees and governmental

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charges, if any, as are being contested in good faith and by appropriate proceedings which prevent enforcement of the matter under contest and as to which adequate reserves established in accordance with GAAP have been provided. The Business knows of no proposed additional tax assessment against it for which adequate provisions in accordance with GAAP have not been made on its accounts. Adequate provisions in accordance with GAAP for taxes on the books of the Business have been made for all open years, and for their current fiscal period.

9.13 Other Contracts. The Business is not in default under the terms or any covenant, indenture or contract of or affecting either the Business or any of its properties, which default, if uncured, would have a material adverse effect on its financial condition, properties, business or operations.

9.14 No Default. No Default or Event of Default has occurred or is continuing

9.15 Compliance with Laws. The Business is in compliance with the requirements of all federal, state and local laws, rules and regulations applicable to or pertaining to the business operations of the Business and laws and regulations establishing quality criteria and standards for air, water, land and toxic or hazardous wastes or substances, non-compliance with which could have a material adverse effect on the financial condition, properties, business or operations of the Business. The Business has not received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental or health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a material adverse effect on the financial condition, properties, business or operations of the Business.

9.16 Effective Date of Representations and Warranties. The warranties and representations of this Article are made as of the date of this Contract and shall be deemed to be renewed and restated by the Business at the time each request for disbursement of funds is submitted to the IDED.

## ARTICLE 10 COVENANTS

The Business agrees that, for the duration of this Contract

10.1 Maintain Existence in Iowa. The Business shall at all times preserve and maintain its existence as a corporation in good standing and maintain the Project in Iowa. The Business will preserve and keep in force and effect all licenses, permits, franchises, approvals, patents, trademarks, trade names, trade styles, copyrights and other proprietary rights necessary to the proper conduct of its business.

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### 10.2 Creation and Maintenance of Jobs in Iowa.

(a) By the end of the 5<sup>th</sup> year from the Contract Effective Date plus any additional extension periods that may be granted by IDED pursuant to this Article 10.2, the Business shall create 315 jobs and retain 35 jobs for a total of 350 jobs (the “**Job Creation/Retention Obligation**”). One, hundred percent (100%) of the pledged jobs shall be created by the end of the 5<sup>th</sup> year from the Contract Effective Date. At that time, the 5-year **Job Maintenance Period** shall begin. The combined Job Creation Period time frame and the Job Maintenance Period shall be the end of the 10<sup>th</sup> year from the Contract Effective Date plus any additional extension periods that may be granted by IDED pursuant to this Article 10.2. All Project jobs shall be created and maintained in the State of Iowa.

(b) Related Businesses, approved by IDED pursuant to Article 10.4 herein, can be used by the Business to satisfy the Business’s Job Creation/Retention Obligation.

(c) If the Business and its Related Businesses have achieved 75% of the Job Creation/Retention Obligation and Performance Obligations by the end of the fifth (5<sup>th</sup>) year from the Contract Effective Date, the Business shall be entitled to a one (1) year time extension to permit the Business time to meet its Job Creation/Retention Obligation and Performance Obligations. If at the end of this one (1) time extension the Business and its Related Businesses have achieved 85% of the Job Creation/Retention Obligation and Performance Obligations, this Contract can be extended for an additional one (1) year time period. If at the end of this second time extension the Business and its Related Businesses have achieved 95% of the Job Creation/Retention Obligation and Performance Obligations, this Contract can be extended for a final one (1) year time period to allow the Business and its Related Businesses to satisfy 100% of the Job Creation/Retention Obligation and Performance Obligations. All time extensions shall be considered Contract amendments and submitted in writing in conformance with the Contract amendment provisions detailed in Article 12.5.

10.3 Performance Obligations. The Business and its approved Related Businesses shall complete the Project by the Project Completion Date, meet its **Job Creation/Retention Obligation**, make the total investment pledged for the Project, and comply with all performance requirements described in this Contract and its incorporated Exhibits (collectively referred to as the Business’s “**Performance Obligations**”).

### 10.4 Related Businesses.

(a) Defined. “**Related Businesses**” means any businesses approved in writing by IDED, in its reasonable discretion, in which New Link Genetics Corporation has an investment interest and/or with which New Link Genetics Corporation has a contractual relationship and which Related Businesses are engaged in activities that provide jobs and investments in Iowa directly related to the Project described in this Contract. Examples of Related Businesses include subsidiaries and affiliates.

(b) IDED Prior Approval Required. If the Business intends to use a Related Business to meet all or a portion of its **Job Creation/Retention or Performance Obligations** under this Contract, the Related Business must receive IDED approval. To request approval, the Business shall submit

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the following information about a Related Business to IDED: (i) Copies of the organizational documents (e.g., articles of incorporation, articles of organization, operating agreement) of the Related Business, certified in each instance by its secretary or assistant secretary; (ii) a certificate of existence for Related Business from the Office of the Secretary of State of Iowa or any other applicable State, along with an Authorization to Conduct Business in the State of Iowa; and (iii) a detailed description of the how the Related Business will meet all or a portion of its **Job Creation/Retention or Performance Obligations** under this Contract.

10.5 Maintenance of Properties. The Business shall maintain, preserve and keep its Properties in good repair, working order and condition (ordinary wear and tear and insured casualty excepted) and will from time to time make all needful and proper repairs, renewals, replacements, additions and betterments thereto so that at all times the efficiency thereof shall be fully preserved and maintained in accordance with prudent business practices.

10.6 Taxes and Assessments. The Business shall duly pay and discharge all taxes, rates, assessments, fees and other governmental charges upon or against it or against its properties, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith and by appropriate proceedings and adequate reserves are provided therefor.

10.7 Insurance. The Business shall insure and keep insured in good and responsible insurance companies, all insurable property owned by it which is of a character usually insured by Persons similarly situated and operating like properties against loss or damage from such hazards or risks as are insured by Persons similarly situated and operating like properties; and the Business shall insure such other hazards and risks (including employers’ and public liability risks) in good and responsible insurance companies as and to the extent usually insured by Persons similarly situated and conducting similar businesses. The Business will upon request of the IDED furnish a certificate setting forth in summary form the nature and extent of the insurance maintained pursuant to this Article.

10.8 Reports.

- (a) The Business shall prepare, sign and submit disbursement requests and reports as specified in this Contract in the form and content required by IDEED. The Business shall review all reimbursement requests and verify that claimed expenditures are allowable costs. The Business shall maintain documentation adequate to support the claimed costs.
- (b) Business shall submit its annual financial statements with an audit completed by an independent CPA. If required by the IDEED, Business shall submit more frequent unaudited financial statements such as an income, expense, and retained earnings statement covering the period having elapsed from the date of the last prior submission and a balance sheet which is not more than thirty (30) days old. Year-end statements must be accompanied by an audit report by a Certified Public Accountant (CPA) and must be received by IDEED within ninety (90) days following the Business's fiscal year end.
- (c) Business shall submit to IDEED Final Performance and Audit Reports within sixty (60)

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days after the Project Completion Date for each Project.

- (d) Business shall execute an Authorization for Release of Confidential State Tax Information form, to permit IDEED to receive the Business's state tax information directly from the Iowa Department of Revenue for purposes of annually updating the Iowa Public Return on Investment Analysis for this Project. Business shall submit to IDEED any other information requested by IDEED to update the Iowa Public Return on Investment Analysis for this Project.
- (e) The IDEED reserves the right to require more frequent submission of any of the above reports if, in the opinion of the IDEED, more frequent submissions would help improve the Business's Project performance.

10.9 Inspection and Audit. The Business will permit the IDEED and its duly authorized representatives to visit and inspect any of the Business's properties, corporate books and financial records of the Business related to the Project, to examine and make copies of the books of accounts and other financial records of the Business, and to discuss the affairs, finances and accounts of the Business with, and to be advised as to the same by, its officers, and independent public accountants (and by this provision the Business authorizes such accountants to discuss with the IDEED and the IDEED's duly authorized representatives the finances and affairs of the Business) at such reasonable time and reasonable intervals as the IDEED may designate, but at least annually.

10.10 Mergers, Consolidations and Sales. Without the written consent of the IDEED, which shall not be unreasonably withheld, the Business shall not be a party to any merger or consolidation if it would materially adversely affect the Project, or sell, transfer, lease or otherwise dispose of all or any of the Secured Property, other than in the ordinary course of business, if it would materially adversely affect the Project or reduce the value of the Secured Property that is securing this Award.

10.11 Formation and Maintenance of Subsidiaries. The Business will not form or acquire any subsidiary or transfer the Secured Property to any Related Business if it would materially adversely affect the Project, without the written consent of the IDEED, which shall not be unreasonably withheld; provided, however, the Business may form or acquire a subsidiary or affiliate or transfer all or any part of the Secured Property to a Related Business if the security interest of the IDEED continues in the Secured Property of the Related Business and the value of the Secured Property is not reduced.

10.12 Compliance with Laws.

- (a) The Business will comply in all material respects with the requirements of all federal, state and local laws, rules, regulations and orders applicable to or pertaining to its properties or business operations non-compliance with which would have a material adverse effect on the Business or the Project including, but not limited to, all applicable environmental, hazardous waste or substance, toxic substance and underground storage laws and regulations, and the Business will obtain any permits, licenses, buildings, improvements, fixtures, equipment or its property required by reason of any applicable environmental, hazardous waste or substance, toxic

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substance or underground storage laws or regulations, the absence of which would have a material adverse effect on the Business or the Project.

- (b) The Business shall comply in all material respects with all applicable federal, state, and local laws, rules, ordinances, regulations and orders applicable to the prevention of discrimination, in employment, including the administrative rules of the Iowa Department of Management and the Iowa Civil Rights Commission which pertain to equal employment opportunity and affirmative action.
- (c) The Business shall comply in all material respects with all applicable federal, state and local laws, rules, ordinances, regulations and orders applicable to worker rights and worker safety.

10.13 Use of Award Proceeds. The Business will use the Award proceeds extended under this Contract solely for the purposes set forth in Exhibit D.

10.14 Changes in Business Ownership, Structure and Control. Without the written consent of the IDEED, which shall not be unreasonably withheld, the Business shall not materially change the ownership, structure, or control of the Business if it would materially adversely affect the Project. This includes, but is not limited to, entering into any merger or consolidation with any person, firm or corporation if it would materially adversely affect the Project or permitting substantial distribution, liquidation or other disposal of Business assets directly associated with the Project if it would materially adversely affect the Project. Business shall provide IDEED with advance notice of any proposed changes in ownership, structure or control which may be considered to have a material adverse effect on the Project. The materiality of the change and whether or not the change affects the Project shall be as reasonably determined by IDEED. Notwithstanding anything to the contrary in this Article 10.14, the Business shall be entitled to issue any shares of its common or preferred stock for cash and engage in any public or private offering of its shares for cash as determined by the Board of Directors of the Business to be in the best interests of the Business and its shareholders.

10.15 Notice of Meetings. The Business shall notify IDED at least two (2) working days in advance of all meetings of the board of directors at which the subject matter of this Contract or Project is proposed to be discussed. The Business shall provide IDED with copies if the agenda and minutes of such meetings and expressly agrees that a representative of IDED has a right to attend a portion of any and all such meetings for the purposes of the discussion of the Project and this Contract.

10.16 Notice of Proceedings. The Business shall promptly notify IDED of the initiation of any claims, lawsuits, bankruptcy proceedings or other proceedings brought against the Business which would materially adversely impact the Project.

10.17 Accounting Records. The Business is required to maintain its books, records and all other evidence pertaining to this Contract in accordance with generally accepted accounting principles and such other procedures specified by IDED. These records shall be available to IDED, its internal or external auditors, the Auditor of the State of Iowa, the Attorney General of

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the State of Iowa and the Iowa Division of Criminal Investigations at all times during the Contract's duration and any extension thereof, and for three (3) full years from the expiration date.

10.18 Restrictions. The Business shall not, without prior written disclosure to IDED and prior written consent of IDED, which shall not be unreasonably withheld, directly or indirectly:

- (a) Assign, waive or transfer any of Business's rights, powers, duties or obligations under this Contract.
- (b) Except as permitted in Articles 10.10 and 10.11, sell, transfer, convey, assign, encumber or otherwise dispose of the Secured Property.
- (c) Except as permitted in Articles 10.10 and 10.11, remove from the Project site or the State all or substantially all of the Secured Property.
- (d) Except for purchase money security interests and as permitted in Article 8.1, create, incur or permit to exist any prior Lien of any kind on the Secured Property.

10.19 No Changes in Business Operations. The Business shall not materially change the Project or the nature of the Business and activities being conducted, or proposed to be conducted by Business, as described in the Business's approved application for funding, Exhibit A of this Contract, unless approved in writing by IDED prior to the change.

10.20 Indemnification. The Business shall indemnify, defend and hold harmless the IDED, the State of Iowa, its departments, divisions, agencies, sections, commissions, officers, employees and agents from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), arising from or in connection with any of the following:

- a) Any claim, demand, action, citation or legal proceeding arising out of or resulting from the Project;
- b) Any claim, demand, action, citation or legal proceeding arising out of or resulting from a breach by the Business of any representation or warranty made by the Business in the Contract;
- c) Any claim, demand, action, citation or legal proceeding arising out of or related to occurrences that the Business is required to insure against as provided for in this Contract; and
- d) Any claim, demand, action, citation or legal proceeding which results from an act or omission of the Business or any of their agents in its or their capacity as an employer of a person.

## ARTICLE 11 EVENTS OF DEFAULT AND REMEDIES

11.1 Events of Default. Any one or more of the following shall constitute an "Event of Default" hereunder:

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(a) Nonpayment. In the event the Forgivable Loan is not forgiven and all or a portion of the Forgivable Loan must be repaid by the Business, a default in the payment when due (whether by lapse of time, acceleration or otherwise) of any principal on the Promissory Note(s), or default in payment for more than ten (10) Business Days of the due date thereof of any interest on the Promissory Note(s) or any fee or other obligation payable by the Business shall be an Event of Default; or

(b) Noncompliance with Covenants or Other Contract Provision. Default in the observance or performance of any covenant or other Contract provision, for more than five (5) Business Days; Or

(c) Noncompliance with Security Documents. Default in the observance or performance of any term of any security documents beyond any applicable grace period set forth therein; or

(d) Noncompliance with Contract. Default in the observance or performance of any other provision of this Contract; or

(e) Material Misrepresentation. Any representation or warranty made by the Business in this Contract, or in any statement or certificate furnished by it pursuant to this Contract, or made in its IVF Application, or in connection with proves untrue in any material respect as of the date of the issuance or making thereof; or

(f) Lien Deficiencies. Any of the Security Documents shall for any reason fail to create a valid and perfected priority Lien in favor of the IDED in any Security Property pledged by Business to secure this Contract; or

(g) Judgment Over \$100,000. Any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of \$100,000 shall be entered or filed against the Business or against any of its property and remains unvacated, unbonded or unstayed for a period of 30 days; or

(h) Adverse Change in Financial Condition. Any change shall occur in the financial condition of the Business which would have a material adverse effect on the ability of the Business to perform under this Contract; or

(i) Bankruptcy or Similar Proceedings Initiated. Either the Business shall (1) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (2) not pay, or admit in writing its inability to pay, its debts generally as they become due, (3) make an assignment for the benefit of creditors, (4) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (5) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, or (6) fail to contest in good faith any

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appointments or proceeding described in Article 11.1(j) below; or

(j) Appointment of Officials. A custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for either the Business or any substantial part of any of its respective property, or a proceeding described in Article 11.1(i) shall be instituted against either the Business and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) days.

11.2 Default Remedies. When an Event of Default has occurred and is continuing, the IDED may, by written notice to the Business:

(a) terminate this Contract and all of the obligations of IDED under this Contract on the date stated in such notice, and

(b) declare the principal and any accrued interest on the outstanding Promissory Notes to be forthwith due and payable, including both principal and interest and all fees, charges and other amounts payable under this Contract, shall be and become immediately due and payable without further demand, presentment, protest or notice of any kind.

11.3 Default Interest Rate. If an Event of Default occurs and remains uncured, a default rate of 6% per annum shall apply to repayment of amounts due under this Contract. Interest shall accrue from the date of a Notice of Default issued pursuant to Article 11.5.

11.4 Expenses. The Business agrees to pay to the IDED all expenses reasonably incurred or paid by IDED including reasonable attorneys' fees and court costs, in connection with any Default or Event of Default by the Business or in connection with the enforcement of any of the terms of this Contract.

11.5 Notice and Cure. If IDED has reasonable cause to believe that an Event of Default has occurred, IDED shall issue a written Notice of Default to the Business, setting forth the nature of the alleged Event of Default in reasonable specificity, and providing therein a reasonable period time, which shall not be fewer than thirty (30) days from the date of the Notice of Default, in which the Business shall have an opportunity to cure, provided that cure is possible and feasible.

## ARTICLE 12 MISCELLANEOUS

12.1 Timely Performance. The parties agree that the dates and time periods specified in this Contract, including the timelines established for the Project and more fully described in Exhibit D, are of the essence to the satisfactory performance of this Contract.

12.2 State of Iowa Recognition. The Project shall permanently recognize, in a manner acceptable to IDED, the financial contribution to the Project made by the State of Iowa. For example, a sign or plaque acknowledging that the Project was funded in part by a loan from the

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State of Iowa.

12.3 Choice of Law and Forum.

(a) In the event any proceeding of a quasi-judicial or judicial nature is commenced in connection with this Contract, the proceeding shall be brought in Des Moines, Iowa, in Polk County District Court for the State of Iowa, if such court has jurisdiction. If however, such court lacks jurisdiction and jurisdiction lies only in a United States District Court, the matter shall be commenced in the United States District Court for the Southern District of Iowa, Central Division.

(b) This provision shall not be construed as waiving any immunity to suit or liability, in state or federal court, which may be available to the IDED, the State of Iowa or its members, officers, employees or agents.

12.4 Governing Law. This Contract and the rights and duties of the parties hereto shall be governed by, and construed in accordance with the internal laws of the State of Iowa without regard to principles of conflicts of laws.

12.5 Contract Amendments. Neither this Contract nor any documents incorporated by reference in connection with this Contract may be changed, waived, discharged or terminated orally, but only as provided below:

(a) Writing required. The Contract may only be amended through written prior approval of IDEDED. Examples of situations where amendments are required include contract time extensions, budget revisions, significant alterations of existing activities or beneficiaries, extensions for completion of Project activities, changes to the Project including, but not limited to, alteration of existing approved activities or inclusion of new activities. No amendment will be valid until approved by IDEDED.

(b) IDED review. IDEDED will consider whether an amendment request is so substantial as to necessitate reevaluating the Iowa Values Board's original funding decision. An amendment will, be denied by IDEDED if it substantially alters the circumstances under which the Project funding was originally approved.

12.6 Notices. Except as otherwise specified herein, all notices hereunder shall be in writing (including, without limitation by fax) and shall be given to the relevant party at its address, e-mail address, or fax number set forth below, or such other address, e-mail address, or fax number as such party may hereafter specify by notice to the other given by United States mail, by fax or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices hereunder shall be addressed:

To the Business:

NewLink Genetics Corporation  
Attention: Charles Link, M.D., President  
2901 South Loop Drive, Building 3, Suite 3900  
Ames, IA 50010

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E-mail:               clink@newlinkgenetics.com  
Telephone:         (515) 296-5555  
Facsimile:         (515) 296-5557

To the IDEDED at:

Iowa Department of Economic Development  
Attention: Mike Fastenau, Business Services Team Manager  
200 East Grand Avenue  
Des Moines, Iowa 50309  
E-mail:               mike.fastenau@iowalifechanging.com  
Telephone:         515/ 542-4831  
Facsimile:         515/ 242- 4776

Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Article and a confirmation of such facsimile has been received by the sender, (ii) if given by e-mail, when such e-mail is transmitted to the e-mail address specified in this Article and a confirmation of such e-mail has been received by the sender, (iii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iv) if given by any other means, when delivered at the addresses specified in this Article.

12.7 Headings. Article headings used in this Contract are for convenience of reference only and are not a part of this Contract for any other purpose.

12.8 Dissolution of Iowa Values Board. Business hereby acknowledges that the Iowa Values Board (IVB) is a public instrumentality of the State of Iowa and that, in the event that the IVB is dissolved for any reason, the State of Iowa is entitled to enforce any right, title or interest held by the IVB and that all Business's obligations hereunder are also owed to the State of Iowa.

12.9 Final Authority. The IDEDED shall have the authority to reasonably assess whether the Business has complied with the terms of this Contract. Any IDEDED determinations with respect to compliance with the provisions of this Contract shall be deemed to be final determinations pursuant to Section 17A of the Code of Iowa (2005).

12.10 Waivers. No waiver by IDEDED of any default hereunder shall operate as a waiver of any other default or of the same default on any future occasion. No delay on the part of the IDEDED in exercising any right or remedy hereunder shall operate as a waiver thereof. No single or partial exercise of any right or remedy by IDEDED shall preclude future exercise thereof or the exercise of any other right or remedy.

12.11 Counterparts. This Contract may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

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12.12 Survival of Representations. All representations and warranties made herein or in any other Contract documents or in certificates given pursuant hereto or thereto shall survive the execution and delivery of this Contract and the other Contract documents and shall continue in full force and effect with respect to the date as of which they were made until all of Business's liabilities hereunder have been forgiven in full or repaid in full.

12.13 Severability of Provisions. Any provision of this Contract, which is unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such

provision in any other jurisdiction. All rights, remedies and powers provided, in this Contract and any other Contract document may be exercised only to the extent that the exercise thereof does not violate any applicable mandatory provisions of law, and all the provisions of this Contract and any other Contract document are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Contract or any other Contract document invalid or unenforceable.

12.14 Successors and Assigns. This Contract shall be binding upon the Business and its respective successors and assigns, and shall inure to the benefit of the IDED and the benefit of their respective successors and assigns. The Business may not assign its rights hereunder without the written consent of the IDED, which consent will not be unreasonably withheld.

12.15 Integration. This Contract contains the entire understanding between the Business and IDED relating to the Project and any representations that may have been made before or after the signing of this Contract, which are not contained herein, are nonbinding, void and of no effect. None of the Parties have relied on any such prior representation in entering into this Contract.

IN WITNESS WHEREOF in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Contract and have caused their duly authorized representatives to execute this Contract, effective as of the Contract Effective Date.

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SIGNATURES ON NEXT PAGE**

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**FOR THE IDED:**

BY: /s/ Michael T. Blouin  
Michael T. Blouin, Director

**FOR THE BUSINESS:**

BY: /s/ Charles Link  
Charles Link, M.D., President

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**LIST OF EXHIBITS**

- Exhibit A - Business's IVF Application, as approved by the Iowa Values Board (on file with IDED).
- Exhibit B - Forgivable Loan Promissory Note.
- Exhibit C - IVF Financing Commitment Term Sheet.
- Exhibit D - The Project (Detailed Description of Project and Budget).

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Exhibit A

Business's IVF Application, as approved by the

**IOWA VALUES FUND APPLICATION**

**SECTION A: PROJECT INFORMATION**

**1. Provide a brief description and history of the Business including current products/services and markets served.**

NewLink is a biopharmaceutical company applying innovative techniques in cancer biology to produce new diagnostic and therapeutic agents for cancer patients. NewLink Genetics Corporation is privately held and was incorporated in June 1999. Since then it has grown to nearly 35 employees (close to half holding doctoral degrees: M.D., Ph.D., or both).

The Company's main technology platforms are the HyperAcute™ family of cancer vaccines and the Genomavir™ proteomic drug and diagnostic discovery platform.

The first two drugs based on the HyperAcute™ technology are expected to enter human clinical trials in 2003 for breast cancer and late stage non-small cell lung cancer. HyperAcute™ exploits one of the strongest known naturally acquired human immune responses, which represents an enormous advantage over other immunostimulatory cancer drugs in development. The approach is well supported by animal models and human clinical trials showing anti-tumor

activity and survival benefit for similar compounds. The pharmacological mechanism in HyperAcute™ vaccine technology is believed to activate both the humoral and cellular branches of the immune system to produce a response that enables a patient's immune system to destroy established tumors. The Company believes that HyperAcute™ will show clinical benefits that are superior to similar drugs in development. HyperAcute™ is the only drug in development capable of triggering a strong cell mediated immune response exploiting pre-existing naturally acquired immunity. While cellular immunity is one proven way to destroy patient's malignancies, recognition of antigen by the naturally acquired immunity may be a critical step for inducing such effective cellular immune responses.

Genomavir™ utilizes exon donation and DNA sequencing to quantitate cellular protein expression with high-throughput capability. Genomavir™ provides an integrated picture of cellular protein and gene expression and is capable of detecting a wider range of proteins than other techniques in widespread use today. NewLink is using Genomavir™ for the identification of potential therapeutic targets and/or diagnostic markers by detailed comparative proteomic analysis of epithelial carcinomas relative to normal tissues from which they derive. Its unique capabilities make it likely that NewLink will find disease-related proteins that other researchers cannot detect.

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NewLink will take HyperAcute™ cancer vaccines from drug target to clinic in less than three years and has developed Genomavir™ from concept to industrial scale technology in two years. This rapid pace of development is indicative of the talent and motivation of NewLink's staff.

**2. Describe the proposed project for which assistance is being sought including any proposed products/services, any new markets, and the project address (if different than the address listed on page 3)**

Four inter-connected projects have crystallized through the formulation of our corporate strategy that require appropriate additional financing for effective growth of Company businesses and for meeting milestones outlined in our business plan. Furthermore, we propose an additional investment component in biotechnology cluster creation. We currently occupy nearly 7,000sq/ft of space that is dedicated to research, drug-manufacturing and administrative offices. The following projects are intended to assure that adequate capital is provided for NewLink Genetics' expansion plans in all phases of corporate development such as laboratory space for research, drug manufacturing and testing as well as conducting clinical trials. Total cost for this project is 76 million dollars. NewLink is dedicated to contribute 48 million dollars towards the successful execution and we are asking 28 million dollars from the State of Iowa.

NewLink has raised 11 million dollars to date and we are currently in the process to raise additional 8 million dollars through our series BB round of financing. Furthermore, 15 million dollars will be raised through a private offering prepared by the Mesirow Financial Investment Banking Group out of Chicago to complete the mezzanine round.

The creation of a human pharmaceutical sector in the State of Iowa.

***Why should the State of Iowa invest in NewLink Genetics Corporation's future?***

1. The pharmaceutical industry has the highest rate of return of any industrial sector.
2. NewLink can provide a superior direct rate of return on Iowa's investment over the term of the collaboration
3. The company is located in Ames for the direct benefit to Iowa State University. Thereby providing educational opportunities, allowing leverage from plant and animal science into human beings, and provide an example of knowledge-based, large company formation.
4. Iowa's investment would go to perceived core strength in life sciences within the State.
5. New Link is already in Iowa, but is at risk to relocate.

***Key Strengths of this Collaborative Proposal***

1. Strong track record of NewLink Genetic's clinical teams in conducting early stage clinical trials for new cancer compounds.
2. Strong management and business support with entrepreneurs experienced in new company formation and growth (e.g., James Linfield, J.D. has shepherded more than ten companies through the growth stage to become public traded knowledge-based companies, Dr. Tom Refill has aided three companies to become NASDAQ traded

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companies most recently Rigel Pharmaceuticals.) See complete Business Plan for personnel details.

3. Major leverage of investment with the project. NewLink has an established track record of attracting large amounts of high quality investment (even during the worst economic downturn in the last fifty years). NewLink will invest \$48,000,000 over the period of the collaboration with the State.

***Risks***

1. The single largest risk to the State is missing the opportunity to establish the human pharmaceutical industry within the State.
2. Technology is novel. The core anti-cancer technology now entering human trials has been reviewed by an expert panel at the national Institute's of Health and given a unanimous green-light to proceed. Animal models have firmly established the effectiveness of the therapy for cancer treatment. Many key patents have already issued or received favorable statement's of allowance form the U.S. Patent and Trademark Office. Several large corporate customers have already made commitments to buy (or have already bought) the Bioinformatics discovery software, GeneSeeqer (e.g., Pioneer Hybrid, BASF Corporation).

3. Talent recruitment concerns. NewLink has been very successful at finding, recruiting and maintaining very talented people. To date NewLink has recruited five scientists from the National Institutes of Health in Bethesda, Maryland. No difficulty in filling any positions once the opportunities are presented. Each time job has been posted there have been many more applicants than positions.
4. Making investments on too small of an economy of scale is a significant risk. Companies must be capitalized in a manner so that they can compete within the U.S. Biotechnology sector. Small investments often have greater risk than substantial investments.

***Key Assumptions in Support of this Collaboration between NewLink and the State of Iowa.***

1. Knowledge based companies driven by intellectual property will be the core basis of the U.S. economy in the coming decade.
2. Diversification of the Iowa economy is key to providing a solid future for the people of the State of Iowa.
3. Diversification into the Biotechnology and Pharmaceutical sector of the economy is highly desirable. This sector is the fastest growing sector with the greatest return on investment.
4. The State of Iowa needs to demonstrate several successful biotechnology companies to attract future investment from large scale, high quality venture capital investors.

***Summary of Project Goals***

1. Creation of knowledge based industry in Iowa.
2. Provide high value jobs to Iowans and recruit top level knowledge based workers to the State. These jobs will also allow the best and the brightest young Iowans to superior opportunities to remain in Iowa.

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3. Provide superior rate of return to State of Iowa on it's investment through expansion of the taxes returned to the State's treasury, NewLink Genetics Corporation will be providing investment of greater than \$50,000,000 over the period of the project and establish firm roots in Iowa.
4. Demonstrate that Iowa provides an environment for a high value, knowledge-based company to grow into a strong public company.
5. Establish an independent human pharmaceutical firm with expertise in the manufacture, testing and marketing of human biotechnology medicines.
6. Provide greater opportunities to maintain intellectual property created in Iowa to be developed and exploited in Iowa.
7. Contribute to humanity by improving the lives of cancer patients and their families.

***Expansion of research and pharmaceutical grade manufacturing facilities***

As we approach to clinical applications of our HyperAcute Cancer Vaccine technology we are faced with the limitations of our space and manufacturing capabilities. This project is particularly designed to address all the space and manufacturing concerns as the company continues to grow and fulfill its mission of becoming a vertically integrated pharmaceutical company. We recognize the significance of proper construction and maintenance of a cGMP facility as a key factor for our growth. Successful completion of any clinical trial signals an achievement of significant milestone for most biopharmaceutical companies. However, success in clinic must be coupled with adequate manufacturing and testing capacity to translate into proper growth and expansion. Accordingly, we propose to increase our current cGMP manufacturing capabilities and position ourselves to undertake large-scale pharmaceutical grade drug manufacturing. Please refer to the appropriate tables for costs associated with this particular project.

***Expansion of research and development facilities***

All Biotechnology experts agree that sequencing of the human genome will lead to an explosive growth in development of new intellectual property rights regarding novel pharmaceutical agents. It is absolutely crucial to develop a deep pipeline of novel drug candidates to sustain growth in the pharmaceutical industry. We intend to generate such rich pipeline of novel drug candidates through our patent pending, *Proteomics* technology, Genomavir®. In order to maintain a high degree of growth in the pharmaceutical industry it is absolutely necessary to continue to invest in research and development through hiring of new scientists, facility expansion, as well as laboratory equipment. Please refer to the appropriate tables for costs associated with this project.

***Execution and Administration of clinical trials for HyperAcute™ Cancer Vaccine.***

One of the most important factors for a long-term success of Biotechnology Company is its ability to conduct clinical trials and bring products to market. It is NewLink's primary mission to bring novel therapeutics and diagnostics to patients. We have a unique advantage for a rapidly developing biotechnology company by having the ability to produce the drugs in our own facilities, do all the necessary testing and handle all the regulatory issues related to FDA. We have submitted our first two IND (Investigational New Drug Application) to the FDA (Food and

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Drug Administration) to treat refractory or recurrent Non Small Cell Lung Cancer. We anticipate enrolling patients to this trial in the very near future. We have also submitted a pre-IND application for the treatment of refractory or recurrent Breast cancer and we anticipate filing an IND with the FDA for this trial in October. Furthermore, we plan to initiate two additional trials in the upcoming year for Prostate and Pancreatic cancers as well.

Although it is tremendously stimulating to have several key drugs in clinical trials, it is equally important to secure proper funding to successfully complete these trials and bring them to markets. Therefore, we have placed great emphasis to adequately capitalize our clinical trials and increase the overall likelihood of long-term success as a pharmaceutical company.

**Bioinformatics Database & Software Sales**

Gene Seeger: We have recently completed licensing this software technology from Iowa State University. This software program was originally written for plant genomic analysis. We intend to continue marketing this product and expand sales in the plant sciences. However our main intention is to convert this product to a tool that can analyze human genomes. We anticipate making this conversion completed by the year-end and expand to human pharmaceutical markets.

V-match: is a particularly exciting software program with tremendous market potential. This program enables massive amounts of data to be compressed into smaller components. Since Human Genome is a massive amount so biological information we view V-match is an extremely valuable tool in manipulation of human genomes. It was originally written and developed by a German Scientist, computational Biologist Dr. Stefan Kurtz. We are in final stages of negotiations with Dr. Kurtz to get exclusive marketing rights for this exciting program.

Furthermore, we are in the process of building a comparative database for all major cancer types. We intend to utilize this database internally to identify novel drug targets. We anticipate completing the Breast cancer proteome project by year-end and expand to other cancer types in the future. We believe this database will not only be a significant revenue source but also facilitate NewLink’s efforts to develop major pharmaceutical company collaboration. We believe continued investment in this project will ensure its eventual success.

**Cluster Creation**

NewLink proposes to contribute it resources and expertise in Human Pharmaceutical for the purpose of global industrialization of this industry across Iowa. Our staff, equipment and expertise would provide an easy entry point or market penetration for a smaller biotechnology companies. This would attract other companies to the State and contribute towards the development of Biotechnology Cluster in Iowa. See page 8 of the proposal for further details of Cluster formation.

3. **Has any part of the project started? x Yes o No If yes, explain.**

*Yes, refer to the complete business plan for additional information.*

4. **Attachment A1: A business plan, which at a minimum, include: marketing study, feasibility study, projected profit and loss statements for three years into the future, project budget, production operations, management structure, personnel needs, description of product or process, status of product/process development and patent status (if applicable). (Any information outlined above not included in the business plan should be submitted as supplemental information via a separate attachment.)**

*Refer to the Business Plan submitted.*

5. **Identify the Business’ competitors and explain what impact the proposed project will have on Iowa competitors.**

*One of the principal objectives of this proposal is to support and create a human pharmaceutical industry in Iowa. NewLink has already taken very crucial steps towards this goal such as raising the necessary capital, recruiting the talent and manufacturing of the drugs. Since this project involves supporting creation of a new industry in Iowa there are not any previous competitors. For additional information please refer to the Business Plan for analysis of competitive technologies section.*

6. **Attachment A2: Copies of Business Quarterly Employer’s Contribution Payroll Report for the past year and a copy of the most recent payroll for one pay period.**

*See attached documents.*

7. **Will any of the current employees lose their jobs if the project does not proceed? o Yes x No if yes, attach an explanation regarding the total number of employees that could be affected, their location(s), and why.**

*We anticipate an aggressive growth pattern for the next several years. We expect to generate high paying jobs as a result of this aggressive growth pattern. We do not anticipate any job loss if this grant was not rewarded. Rather the key loss would be the demise of future job growth that otherwise would be achievable.*

8. **Attachment A3: List of jobs that will be created and/or retained as the results of this project. For retained jobs include the current wage rate. For jobs created, include the starting wage rate.**

*Please, refer to the financial review of the Business Plan for additional information.*

NewLink Yearly Growth & Number & Type of Employees	2003	2004	2005	2006	2007	2008	Salary Ranges
	40	70	120	200	350	500	
Professional	25	35	50	100	180	250	30-200K
Administrative	5	18	30	40	50	70	25-50K
Skilled	7	12	35	50	100	150	25-50K
Semi Killed	3	5	5	10	20	30	18-30K

Cluster Yearly Growth & Number of Employees	2003 0	2004 30	2005 85	2006 160	2007 270	2008 460	Salary Ranges
Company 1	0	25	40	70	120	210	30-200K
Company 2	0	5	25	40	70	130	25-50K
Company 3	0	0	10	25	40	80	25-50K
Company 4	0	0	10	25	40	80	18-30K

\* Average job would provide annual salary of \$55,000 with an additional \$12,000 in benefits

**9. What is the estimated annual payroll for the created or retained jobs resulting form the project?**

See Table below. For additional information please refer to the business plan.

Cash Flow Projections (in 000s)							
	2003	2004	2005	2006	2007	2008	
<b>Revenues</b>							
Grants and Contracts	\$ 225	\$ 400	\$ 600	\$ 1,000	\$ 2,000	\$ 3,000	
Drug Licensing/Royalties/Revenues	\$ 0	\$ 200	\$ 1,500	\$ 5,000	\$ 15,000	\$ 50,000	
Milestone payments	\$ 0	\$ 800	\$ 5,000	\$ 7,500	\$ 25,000	\$ 35,000	
Bioinformatics and Software Development	\$ 25	\$ 250	\$ 330	\$ 490	\$ 645	\$ 800	
Proteomics Database	\$ 0	\$ 0	\$ 1,000	\$ 2,000	\$ 3,000	\$ 5,000	
Diagnostics	\$ 0	\$ 0	\$ 0	\$ 750	\$ 1,000	\$ 2,000	
Total Revenues	\$ 250	\$ 1,650	\$ 8,430	\$ 15,990	\$ 45,645	\$ 93,800	
<b>Operating Expenses</b>							
Salaries	\$ 2,289	\$ 4,086	\$ 7,144	\$ 12,145	\$ 21,679	\$ 31,589	
Payroll taxes, benefits	\$ 515	\$ 919	\$ 1,607	\$ 2,733	\$ 4,878	\$ 7,107	
Laboratory supplies	\$ 384	\$ 672	\$ 1,152	\$ 1,920	\$ 3,360	\$ 4,800	
Intellectual property legal/license fees	\$ 533	\$ 933	\$ 1,600	\$ 2,667	\$ 5,833	\$ 8,333	
Clinical Trial Costs	\$ 400	\$ 3,000	\$ 5,000	\$ 7,000	\$ 12,000	\$ 25,000	
Lease — Laboratory or Manufacturing	\$ 100	\$ 180	\$ 180	\$ 550	\$ 1,100	\$ 1,100	
Capital equipment	\$ 250	\$ 450	\$ 600	\$ 1,600	\$ 2,800	\$ 2,800	
Total Expenses	\$ 4,471	\$ 10,240	\$ 17,283	\$ 28,614	\$ 51,650	\$ 80,730	
<b>Net cash from operations</b>	<b>\$ (4,221)</b>	<b>\$ (8,590)</b>	<b>\$ (8,853)</b>	<b>\$ (12,624)</b>	<b>\$ (6,005)</b>	<b>\$ 13,070</b>	
<b>Number of Employees</b>	<b>40</b>	<b>70</b>	<b>120</b>	<b>200</b>	<b>350</b>	<b>500</b>	

**10. Does the business operate any other facilities in Iowa? o Yes x No.**  
If yes, complete the following: *Not applicable.*

**11. Attachment A4: Employee benefits provided by the company.**

All full time employees are eligible to receive the following benefits:

Health Insurance with Optional Dental, life and Disability Insurance Retirement Savings Plan with a company match up to 3%, Paid Time Off 26 days, and Employee Stock Option Plan.

**12. During the last five years, has the Business been cited or convicted for violations of any laws, including environmental or safety regulations? o Yes x No.**

**13. Summary of Proposed Costs and Proposed Financing Sources**

Refer to the Business Plan for any additional information. Total investment in State of Iowa for this project is 76 million dollars. NewLink will invest 48 million dollars. The sate of Iowa will contribute 23 million dollars as a direct investment into NewLink and 5 million dollars for the biotechnology cluster.

Investment Component	State of Iowa Participation (000's)					
Expansion Of Clinical Trials	\$ 2,000	\$ 4,000	\$ 0	\$ 0	\$ 0	\$ 6,000
Expansion Of R&D Operations	\$ 1,000	\$ 2,000	\$ 0	\$ 0	\$ 0	\$ 3,000
Expansion Of Space/Building/Equipment	\$ 8,000	\$ 2,000	\$ 1,000	\$ 0	\$ 0	\$ 11,000
Bioinformatics/Database	\$ 1,000	\$ 2,000	\$ 0	\$ 0	\$ 0	\$ 3,000
<b>Total Investment in NewLink</b>	<b>\$ 12,000</b>	<b>\$ 10,000</b>	<b>\$ 1,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 23,000</b>
<b>Cluster Creation*</b>	<b>\$ 0</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ 2,000</b>	<b>\$ 5,000</b>

\*Investment goes directly to recruited company

Investment Component	NewLink Participation (000's)					
Expansion Of Clinical Trials	\$ 4,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 28,000
Expansion Of R&D Operations	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 5,000
Expansion Of Space/Building/Equipment	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 10,000
Bioinformatics/Database	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 5,000
<b>Total NewLink Investment in Iowa</b>	<b>\$ 8,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 48,000</b>

<b>Total Investment in Iowa Human Pharmaceutical Cluster</b>	\$ 20,000	\$ 21,000	\$ 12,000	\$ 11,000	\$ 12,000	\$ 76,000
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<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Totals</b>
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**Clinical Trials & Drug Development 2003-2008**

Clinical Trial Stage	Phase I/II	Phase II	Phase III
Number of Trials	10	7	4
Number of Patients/Trial	50	200	400
Total Number of Patients	500	1,400	1,600
Cost/Patient	\$ 8,000	\$ 10,000	\$ 10,000
Sub Total	\$ 4,000,000	\$ 14,000,000	\$ 16,000,000
<b>Total Cost</b>			<b>\$ 34,000,000</b>

**Expansion of Facilities and Equipment: 2003-2008**

	Sq ft	Cost/Sq/ft	Total Cost
Clinical Grade Good Manufacturing c-GMP	20,000	\$ 500	\$ 10,000,000
Wet Laboratories	23,000	\$ 300	\$ 6,900,000
Office and General Space	7,000	\$ 200	\$ 1,400,000
Research & Laboratory Equipment	NA	NA	\$ 2,700,000
<b>TOTALS</b>			<b>\$ 21,000,000</b>

**14. Discuss each of the following items with respect to the proposed project:**

- a) The current employment conditions in the community, including any business closures, unemployment rates, etc. and if applicable, the community's need for assistance in attracting the Business.

*Ames, Iowa is where Iowa State University is located. A great need exists to develop a job base that can retain highly trained biotechnology scientists within the community and the State of Iowa. Currently, the vast majority graduates with Ph.D. and Masters Degrees are unable to find suitable employment within the State. This is secondary to the limited scope of the biotechnology and almost non-existent pharmaceutical industry within Iowa. This results in a net immigration of scientific and technical talent from Iowa to other States.*

- b) Impact of the proposed project on the community and the state, include projections that reflect the impact on local and state tax revenue and any additional costs the community will incur as a result of the project;

*See the proposal document.*

- c) Impact the proposed project will have on current employees, including the potential for increased skills and wages;

*Current employees will obtain very significant opportunities for advancement as the company grows and expands. See Business Plan for additional details.*

- d) Impact the investment will have on the ability of the business to expand, upgrade, or modernize its capabilities;

*See detailed description in proposal and Business Plan.*

- e) The extent to which the investment will increase the Business' productivity and competitiveness; and

*See detailed description in proposal and Business Plan.*

- f) The potential for future growth in the industry

*See Business Plan.*

**15. Is the business actively considering locations outside of Iowa? x Yes o No  
If yes, where:**

*California, Michigan, Arizona*

**16. Indicate the amount of financial assistance being requested from the State of Iowa: \$28,000,000 What type/form of financial assistance is preferred (e.g, loans, forgivable loans, tax incentives, etc.)**

*Preference is for 50% direct grants and 50% forgivable loans with repayment in the event the company relocates its major operations outside of Iowa.*

**17. There are three general justifiable reasons for assistance. Check which reason financial assistance is being sought to overcome and indicate what measures were analyzed in determining the amount and form of assistance needed:**

- x Financing Gap — The Business can only raise a portion of the debt and equity necessary to complete the project. A gap between sources and uses exists and state and/or CDBG funds are needed to fill the gap.
- o Rate of Return Gap — The Business can raise sufficient debt and equity to complete the project, but the returns are inadequate to motivate an “economic person” to proceed with the project. Project risks outweigh the rewards.
- o Locational Disadvantage (Incentive) — The Business is deciding between a site in Iowa (site A) and a site in another state (site B) for its project. The Business argues that the project will cost less at site B and will require subsidy to equalize costs in order to locate at site A. The objective here is to quantify the cost differential between site A and site B.

*The amount of assistance needed is delineated in detail in the proposal with exact projected costs and revenues. Further details of the entire growth plan are provided in the Business Plan as well.*

**18. Identify which targeted industry cluster(s) this project fits into and explain why it fits into that cluster.**

- x **Advanced Manufacturing**
- x **Information Solutions**
- x **Life Sciences**
- o **Other:**

*NewLink Genetics Corporation is a human pharmaceutical company using advanced biotechnology manufacturing technology to provide novel drugs for patients with cancer, NewLink first sales agreements have been for Bioinformatics Software that provides genome analysis (customers include BASF Corporation and Biogemma, Inc.) The chief sector is Life Sciences. The business plan provided explains the market sector in detail.*

10

**19. Please indicate what financial assistance program(s) the Business is applying to:**

- o CEBA (Complete Section B)
- o Enterprise Zone Program (Complete Section C)
- o New Capital Investment Program (Complete Section D)
- o New Jobs and Income Program (Complete Section E)
- x Iowa Values Fund (Complete Section F)
- o Entrepreneurial Ventures Assistance Program (Complete Section G)
- o Value Added agricultural Products & Processes Financial Assistance Program (Complete Section H)
- o Economic Development Set-Aside Program (Complete Section I)

11

Exhibit B

Form of Promissory Note — Forgivable Loan

EXHIBIT B - IVF Forgivable Loan

PROMISSORY NOTE

\$6,000,000 March 18, 2005

FOR VALUE RECEIVED, the undersigned promises, in the event this Forgivable Loan is not forgiven, to pay to the order of the **IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT**, at its office at 200 East Grand, Des Moines, Iowa 50309, the sum of **SIX MILLION DOLLARS (\$6,000,000)** without interest thereon except upon default at the default rate set forth in IVF Contract number 04-IVF-19 (“Contract”). The terms and conditions by which advances, repayment and forgiveness of this Promissory Note may occur are as specified in the Contract. This Promissory Note may be prepaid in whole or in part at any time without penalty.

Interest shall first be deducted from the payment and any balance shall be applied on principal. Upon default in payment of any interest, or any installment of principal, the whole amount then unpaid shall become immediately due and payable at the option of the holder.

The undersigned, in case of suit on this note, agrees to pay on demand all costs of collection, maintenance of collateral, legal expenses, and attorneys’ fees incurred or paid by the holder in collecting and/or enforcing this Note on default.

This note shall be secured by the Security specified in the Contract.

Makers, endorsers and sureties waive demand of payment, notice of non-payment, protest and notice, Sureties, endorsers and guarantors agree to all of the provisions of this note, and consent that the time or times of payment of all or any part hereof may be extended after maturity, from time to time, without notice.

**NEWLINK GENETICS CORPORATION**

By: Charles Link, M.D., President

Address: 2901 South Loop Drive, Building 3, Suite 3900  
Ames, IA 50010

Exhibit C

IVF Financing Commitment Term Sheet

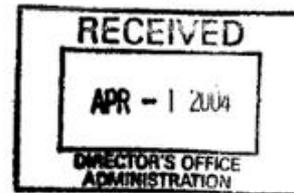
**COPY**

**IVF FINANCING COMMITMENT TERM SHEET**

Business: **NewLink Genetics, Inc.** (# 04-IVF-19)  
2901 South Loop Drive, Building 3, Suite 3900  
Ames, Iowa 50010

At its meeting on February 19, 2004 the **Iowa Values Board** approved a financing commitment to Business on the terms and conditions detailed herein. The following is a summary of the principal terms and conditions for the proposed financial assistance ("Investment"). To acknowledge acceptance of these terms and conditions please sign and return this document no later than **March 29, 2004** to the Iowa Department of Economic Development ("IDED") to the contact person at the address stated in the cover letter transmitting this Term Sheet. Following receipt, IDED will prepare and send a contract to the Business for this IVF Investment Award.

THE PARTIES:  
**Business:** NewLink Genetics, Inc.  
**Lender:** State of Iowa, Iowa Values Board



THE PROJECT:  
**Total Project Cost:** \$185,650,000  
**Project Type:** Life Sciences/Pharmaceutical Cluster  
**Number of Jobs Pledged:** 350 jobs to be retained/created over five (5) years and maintained for an additional five (5) years  
**Average Annual Wage:** \$51,890

THE INVESTMENT:  
**Principal Amount:** \$6.0 million  
**Interest Rate:** 0% unless the Business is in default. In that event, the interest rate will increase to the default rate stated in the IVF Investment Contract.  
**Form of Investment:** \$6.0 million Forgivable Loan, with a \$3.2 million royalty repayment over 10 years.  
**Term:** Funds will be disbursed according to Special Conditions described below. \$3.2 million royalty repayment terms shall be established to provide payment to be complete within 10 years of award.  
**Availability of Funds:** Up to \$ 2,000,000 in FY '04  
Up to \$ 2,000,000 in FY '05  
Up to \$ 1,000,000 in FY '06  
Up to \$ 1,000,000 in FY '07

**Terms of Loan Forgiveness:** This Forgivable Loan will be forgiven if the company completes the construction of a research and development facility and pharmaceutical manufacturing plant in the state, employs at least 350 individuals within 5 years of the award, maintains the positions 10 years from the award date, and satisfies the terms and conditions detailed in the IVF Investment Contract.

**Security:** This Investment will be secured by a Priority position on Intellectual property and licenses.

**General Conditions:**

No funds will be disbursed until the following general conditions have been met to the satisfaction of the Due Diligence Committee:

- 1) The Business has signed and returned this Term Sheet to IDED within the time period stated.
- 2) The IDED staff prepares and submits to the Due Diligence Committee, for its prior approval, a contract for negotiation with the Business that conforms to this Term Sheet and includes enforceable repayment provisions in the event the project does not go forward, the project is not completed within the time frame established, or the Business is in default of the IVF Investment Contract.
- 4) The Business and IDED execute a final contract. The extension of this financial assistance is subject to the execution of a contract and all related documents deemed advisable and acceptable to IDED and its legal counsel.

**Special Conditions:**

The following special conditions must be met by the Business as a condition of Lender entering into an IVF Investment Contract with Business. Release of IVF funds to be staged as NewLink Genetics, Inc. meets product development and financial obligations cited below:

**\$2,000,000 — released to NewLink once the following are met:**

- a) Receive Investigational New Drug (IND) approval from the Food and Drug Administrative (FDA) to initiate Phase I/II trials on two cancer drugs.
- b) Submit IND applications to FDA for two additional cancer drugs.
- c) Raise \$2 million in additional equity.

**\$2,000,000 — released to NewLink upon meeting these additional obligations:**

- a) Complete enrollment in phase II clinical trials for one of two cancer drugs approved.
- b) Obtain IND approval from FDA to commence clinical trials for a third cancer drug.
- c) Initiate collaboration with a pharmaceutical/biotech company for co-product development.
- d) Raise an additional \$3 million of equity investment.

**\$2,000,000 — release to NewLink upon demonstration of the accomplishment of following:**

- a) Enter into research collaboration with a second pharmaceutical company.
- b) Initiate building construction of pharmaceutical research and development facility.
- c) Raise an additional \$3 million of equity investment.
- d) NewLink demonstrates revenue generation at least \$1 million per year from product sales.

**Royalties.**

Royalty repayment not to exceed \$3,200,000. Royalty repayments will apply to any disallowance/default repayments.

**Rule Waiver:**

The Iowa Values Board approved the Business’s rule waiver request. A copy of the Waiver Order is attached.

If you agree to the above terms and conditions, please acknowledge your agreement as provided below.

**NEWLINK GENETICS INC.**

By /s/ Charles Link  
Signature

Charles Link, M.D., President and Chairman  
Print name, title

Date 3/31/04

Exhibit D

**THE PROJECT  
(DETAILED DESCRIPTIONS OF THE PROJECT AND BUDGET)**

**PROJECT DESCRIPTION AND BUDGET  
(EXHIBIT D)**

To be filled in by DED:

**Name of Recipient:** NewLink Genetics

Original

**Contract #:** 04-IVF-19

Amendment #

**PROJECT DESCRIPTION**

NewLink Genetics, Inc. will develop and bring to market cancer drugs, diagnostic applications and software databases. The project involves bringing at least 3 cancer drugs to clinical trials, initiating collaborative product development with another pharmaceutical/biotech companies, building a pharmaceutical research and development facility, and constructing a pharmaceutical manufacturing plant.

**PERFORMANCE TARGETS**

NewLink Genetics will invest at least \$189,862,500 in research and development of cancer drugs; acquisition of equipment; construction of a R & D facility and product manufacturing facility. NewLink Genetics will retain 35 employees and create 315 positions within 5 years of the Contract Effective Date.

PROJECT COMPLETION DATE: 5 Years from Contract Effective Dale

PROJECT MAINTENANCE DATE: 10 Years From Contract Effective Date

**AMOUNT BUDGETED**

USE OF FUNDS ACTIVITY	Cost	Source A	Source B	Source C	Source D	Source E	Source F
Clinical Trials	\$ 55,300,000		\$ 55,300,000				
Product Devel./Testing	\$ 2,500,000	\$ 1,507,500			\$ 992,500		
Research & Development	\$ 78,750,000	\$ 2,000,000	\$ 76,250,000		\$ 500,000		
Capital Equipment Acq.	\$ 12,100,000	\$ 1,600,000	\$ 10,500,000				
Building Construction	\$ 20,300,000	\$ 492,500	\$ 19,300,000			\$ 507,500	
Bioinformation Equipment/ Database Development	\$ 5,750,000 \$ 0	\$ 400,000	\$ 5,350,000				
Employee Training (260E)	\$ 1,930,000			\$ 1,930,000			
Other Capital Investment	\$ 13,232,500		\$ 8,950,000		\$ 4,282,500		
	\$ 0						
	\$ 0						
<b>SUB TOTAL</b>	<b>\$ 189,862,600</b>	<b>\$ 6,000,000</b>	<b>\$ 175,650,000</b>	<b>\$ 1,930,000</b>	<b>\$ 5,775,000</b>	<b>\$ 507,500</b>	<b>\$ 0</b>
<b>SUB TOTAL</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>TOTAL ALL FUNDS</b>	<b>\$ 189,862,500</b>	<b>\$ 6,000,000</b>	<b>\$ 175,650,000</b>	<b>\$ 1,930,000</b>	<b>\$ 5,775,000</b>	<b>\$ 507,500</b>	<b>\$ 0</b>

**TERMS OF PROPOSED FINANCING**

Source of Funds	Amount	Type	Rate	Term	Collateral
Source A: Iowa Values Fund	\$ 6,000,000	Fgl/Royalty			1st position on Intellectual property, \$3.2 million royally repayment to be paid back within ten years.
Source B: NewLink Genetics Inv/Equity	\$ 175,650,000	Tax Refund			
Source C: New Jobs Training Fund	\$ 1,930,000	Grant			
Source D: NCIP/NJIP	\$ 5,775,000	Tax Credits			
Source E: NCIP/NJIP	\$ 507,500	Sales Tax Refund			
Source F:	\$ 0				
<b>TOTAL</b>	<b>\$ 189,862,500</b>				

**ADDITIONAL PERFORMANCE TARGETS**

Number of Jobs to be Created:	315	Total of other Funds in Project:	\$183,862,500
Number Jobs to be Retained:	35		
Total GIVF for Project:	\$6,000,000	Total GIVF for Project:	\$6,000,000
<b>GIVF per Job Affected:</b>	<b>\$17,142.86</b>	<b>Ratio of \$1.00 of GIVF to:</b>	<b>\$30.64 of "Other" Funds</b>

CONTRACT AMENDMENT

BUSINESS: NewLink Genetics Corporation
MASTER CONTRACT #: 04-IVF-019
AMENDMENT #: One
EFFECTIVE DATE: August 19, 2010

THIS CONTRACT AMENDMENT is made by and between the IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT, (hereafter "Department" or "IDED"), 200 East Grand Avenue, Des Moines, Iowa 50309, an agency of the State of Iowa and NewLink Genetics Corporation (hereafter "Business"), a Delaware corporation, 2901 South Loop Drive, Suite 3900, Ames, Iowa 50010.

WHEREAS, Business requested an extension of the Project Completion Date, and

WHEREAS, the IDED Board approved a one (1) year extension, effective as of the Effective Date stated above, and

NOW, THEREFORE, the Contract referenced above is amended as follows:

1. REVISION OF ARTICLE 10.2, "COVENANTS." Article 10.2 is amended as follows:

10.2 Creation and Maintenance of Jobs in Iowa.

(a) By March 18, 2011 the end of the 5th year from the Contract Effective Date plus any additional extension periods that may be granted by IDED pursuant to this Article 10.2, the Business shall create 315 jobs and retain 35 jobs for a total of 350 jobs (the "Job Creation/Retention Obligation"). One hundred percent (100%) of the pledged jobs shall be created by March 18, 2011 the end of the 5th year from the Contract Effective Date. At that time, the 5-year Job Maintenance Period shall begin, ending March 18, 2016. The combined Job Creation Period time frame and the Job Maintenance Period shall be the end of the 10th year from the Contract Effective Date plus any additional extension periods that may be granted by IDED pursuant to this Article 10.2. All Project jobs shall be created and maintained in the State of Iowa.

2. REVISION OF EXHIBIT D, "DESCRIPTION OF THE PROJECT AND AWARD BUDGET." Exhibit D is amended to revise the Project Completion Date. Details of this change are reflected in the attached Revised Exhibit C which is hereby incorporated by this reference and made a part of this Contract Amendment.

This section left blank intentionally; signature page follows.

Except as otherwise revised above, the terms, provisions, and conditions of Contract Number 04-IVF-019 remain unchanged and are in full force and effect:

FOR BUSINESS:

FOR IDED:

SIGNATURE

Brett Mills, Director DATE

PRINT/TYPE NAME, TITLE

FOR COMMUNITY:

SIGNATURE

PRINT/TYPE NAME, TITLE

GROW IOWA VALUE FUNDS PROGRAM
PROJECT DESCRIPTION AND BUDGET
(EXHIBIT D)

To be filled in by DED:

Original

Name of Recipient: NewLink Genetics

Amendment #

Contract #: 04-IVF-19

**PROJECT DESCRIPTION**

NewLink Genetics, Inc. will develop and bring to market cancer drugs, diagnostic applications and software databases. The project involves bringing at least 3 cancer drugs to clinical trials, initiating collaborative product development with another pharmaceutical/biotech companies, building a pharmaceutical research and development facility, and constructing a pharmaceutical manufacturing plant.

**PERFORMANCE TARGETS**

NewLink Genetics will invest at least \$189,862,500 in research and development of cancer drugs; acquisition of equipment; construction of a R & D facility and product manufacturing facility. NewLink Genetics will retain 35 employees and create 315 positions ~~within 5 years of the Contract Effective Date~~ by the Project Completion Date.

PROJECT COMPLETION DATE: ~~5 Years from Contract Effective Date~~ March 18, 2011

PROJECT MAINTENANCE DATE: ~~10 Years From Contract Effective Date~~ March 18, 2016

**AMOUNT BUDGETED**

<b>USE OF FUNDS ACTIVITY</b>	<b>Cost</b>	<b>Source A</b>	<b>Source B</b>	<b>Source C</b>	<b>Source D</b>	<b>Source E</b>	<b>Source F</b>
Clinical Trials	\$ 55,300,000		\$ 55,300,000				
Product Devel/Testing	\$ 2,500,000	\$ 1,507,500			\$ 992,500		
Research & Development	\$ 78,750,000	\$ 2,000,000	\$ 76,250,000		\$ 500,000		
Capital Equipment Acq.	\$ 12,100,000	\$ 1,600,000	\$ 10,500,000				
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Bioinformatics Equipment/ Database Equipment	\$ 5,750,000	\$ 400,000	\$ 5,350,000				
Employee Training (260E)	\$ 1,930,000			\$ 1,930,000			
Other Capital Investment	\$ 13,232,000		\$ 8,950,000		\$ 4,282,500		
	\$ 0						
	\$ 0						
<b>SUBTOTAL</b>	<b>\$ 189,862,500</b>	<b>\$ 6,000,000</b>	<b>\$ 175,650,000</b>	<b>\$ 1,930,000</b>	<b>\$ 5,775,000</b>	<b>\$ 507,500</b>	<b>\$ 0</b>
<b>SUBTOTAL</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>TOTAL ALL FUNDS</b>	<b>\$ 189,862,500</b>	<b>\$ 6,000,000</b>	<b>\$ 175,650,000</b>	<b>\$ 1,930,000</b>	<b>\$ 5,775,000</b>	<b>\$ 507,500</b>	<b>\$ 0</b>

**TERMS OF PROPOSED FINANCING**

<b>Source of Funds</b>	<b>Amount</b>	<b>Type</b>	<b>Rate</b>	<b>Term</b>	<b>Collateral</b>
Source A: Iowa Values Fund	\$ 6,000,000	Egl/Royalty			1st position on Intellectual Property, \$3.2 million royalty repayment to be paid back within ten years.
Source B: NewLink Genetics Inv/Equity	\$ 175,650,000	Tax Refund			
Source C: New Jobs Training Fund	\$ 1,930,000	Grant			
Source D: NCIP/NJIP	\$ 5,775,000	Tax Credits			
Source E: NCIP/NJIP	\$ 507,500	Sales Tax Refund			
Source F:	\$ 0				
<b>TOTAL:</b>	<b>\$ 189,862,500</b>				

**ADDITIONAL PERFORMANCE TARGETS**

Number of Jobs to be Created:	315	Total of other Funds in Project:	\$183,862,500
Number of Jobs to be Retained:	35		
Total GIVF for Project:	\$6,000,000	Total GIVF for Project:	\$6,000,000
<b>GIVF per Job Affected:</b>	<b>\$17,142.86</b>	<b>Ratio of \$1.00 of GIVF to:</b>	<b>\$30.64 of "Other" Funds</b>

**MASTER CONTRACT**  
**BY AND BETWEEN**  
**NEWLINK GENETICS CORPORATION**  
**AND THE**  
**IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT**  
**CONTRACT NUMBER: 06-54**

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**MASTER CONTRACT**

BUSINESS: NewLink Genetics Corporation  
MASTER CONTRACT NUMBER: 06-54  
AWARD DATE: December 29, 2005

This FINANCIAL ASSISTANCE CONTRACT (the “**Master Contract**”) is made by and between the **Iowa Department of Economic Development (“IDED”)**, 200 East Grand Avenue, Des Moines, IA 50309 and **NewLink Genetics Corporation a Delaware Corporation (“Business”)**, 2901 South Loop Drive, Suite 3900, Ames, Iowa 50010.

WHEREAS, the Business submitted an application to IDED requesting financial assistance in the financing of its Project as more fully described in Exhibit C, Description of the Project and Award Budget, (the “**Project**”); and

WHEREAS, the IDED found the Project to meet the requirements established to receive financial assistance; and

WHEREAS, the IDED and/or the Iowa Department of Economic Development Board (“IDED Board”) have awarded the Business financial assistance from one or more IDED-administered programs for the Project, all of which are subject to the terms and conditions set forth herein and collectively referred to as the “Award”; and

NOW THEREFORE, in consideration of the mutual promises contained herein and intending to be legally bound, the Business and IDED agree to the following terms:

**ARTICLE 1  
MASTER CONTRACT DURATION; FUNDING AGREEMENTS DURATION**

This Master Contract shall be in effect until all of Business’s obligations and liabilities under this Master Contract and all of the Funding Agreements executed in connection with this Master Contract have been satisfied. The duration of each Funding Agreement will be as described in the Funding Agreement.

**ARTICLE 2  
FUNDING**

2.1 Funding Sources. The sources of funding for this Award are appropriations to IDED for financial assistance programs administered by the IDED and tax credit programs that IDED is authorized to administer.

2.2 Reduction, Discontinuance or Alteration of Funding. Any termination, reduction, or delay of funds available due, in whole or in part, to (i) lack of, reduction in, or a deappropriation of revenues previously appropriated by the legislature for this Award, or (ii) any other reason beyond the IDED’s control may, in the IDED’s discretion, result in the termination, reduction or delay of funds to the Business.

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**ARTICLE 3  
CONTRACT STRUCTURE AND DEFINITIONS;  
DOCUMENTS INCORPORATED BY REFERENCE; AND ORDER OF PRIORITY**

3.1 Contract Structure and Definitions.

(a) This Award shall be governed by this Master Agreement and the individual funding agreements (the “**Funding Agreements**”) for each source of program assistance for this Award. This Award has been provided to the Business to fund the Project described in Exhibit C, Description of the Project and Award Budget. The Articles of this Master Contract apply to each Funding Agreement unless a Funding Agreement specifically states otherwise.

(b) The following terms apply to this Master Contract and each of the Funding Agreements, unless otherwise specified in a Funding Agreement:

“**Award Date**” means the date first stated in this Master Contract and is the date the IDED and/or the IDED Board approved the awarding of financial assistance to the Business for the Project.

“**Business’ Employment Base**” means the number of jobs as stated in Exhibit D, Job Obligations that the Business and IDED have established as the job base for this Project. The number of jobs the Business has pledged to create/retain shall be in addition to the Business’s Employment Base.

“**Created Jobs**” means the number of new FTE Jobs the Business will add over and above the Business’s Employment Base and, if applicable, Statewide Employment Base.

“**Forgivable Loan**” means a form of an award made by the IDED to the Business under a Funding Agreement(s) for which repayment is eliminated in part or entirely if the Business satisfies the terms of this Contract and the Funding Agreement(s).

“**Full-time Equivalent (FTE) Job**” means the employment of one person:

- (a) For 8 hours per day for a 5-day, 40-hour workweek for 52 weeks per year, including paid holidays, vacations and other paid leave, or
- (b) For the number of hours or days per week, including paid holidays, vacations and other paid leave, currently established by schedule, custom, or otherwise, as constituting a week of full-time work for the kind of service an individual performs for an employing unit.

“**Job Maintenance Period**” means the date two (2) years from the Project Completion Date as stated in Exhibit C, Description of the Project and Award Budget. The Business shall maintain the Project, and the created/retained jobs through the Job Maintenance Period.

“**Job Obligations**” means the Created Jobs, Retained Jobs, Qualifying Jobs and Non-qualifying Jobs associated with the Project that pay the wages and benefits, all as outlined in Exhibit D, Job Obligations.

“**Loan**” means form of an award made by the IDED to the Business under a Funding Agreement(s) for which full repayment is expected.

“**Non-qualifying jobs**” are those jobs created or retained by the project that do not qualify for funding, but would not be created or retained if the Project did not proceed.

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“**Project**” means the description of the work and activities to be completed by the Business as outlined in Exhibit C, Description of the Project and Award Budget, and Exhibit A, Business’s Financial Assistance Application:

**“Project Completion Date”** means the date three (3) years from the Award Date as stated in Exhibit C, Description of the Project and Award Budget. The Project Completion Date is the date by which all Project activities shall be satisfactorily completed.

**“Statewide Employment Base”** means the number of jobs as stated in Exhibit D, Job Obligations that the Business and IDED have determined as those jobs that will be retained at other facilities in the state. The number of jobs the Business has pledged to create/retain shall be in addition to the Statewide Employment Base.

**“Qualifying jobs”** are those created or retained jobs that qualify for program funding.

3.2 **Documents Incorporated by Reference.** The following documents are incorporated by reference and considered an integral part of this Master Contract:

- Exhibit A - - Business’s Financial Assistance Application, Application # 06-HQJC-017
- Exhibit B - - Funding Agreements:
  - B5- HQJCP Funding Agreement
- Exhibit C - - Description of the Project and Award Budget
- Exhibit D - - Job Obligations

**“Retained Job”** means an existing job that would be eliminated or moved to another state if the project did not proceed in Iowa.

3.3 **Business’s Financial Assistance Application on File.** Due to its size, Exhibit A will not be attached to this Master Contract, but will be kept on file at the Iowa Department of Economic Development. It shall, nevertheless, be considered an incorporated element of this Master Contract and the Funding Agreements.

3.4 **Order of Priority.** In the case of any inconsistency or conflict between the specific provisions of this document and the exhibits, the following order of priority shall control:

- (a) Master Contract, Articles 1-10
- (b) Exhibit B - - Funding Agreements
- (c) Exhibit C - - Description of the Project and Award Budget
- (d) Exhibit D - - Job Obligations
- (e) Exhibit A - - Business’s Financial Assistance Application

#### **ARTICLE 4 AWARD**

4.1 **Description of the Project and Award Budget.** The IDED and/or the IDED Board have approved an Award to the Business from the programs and in the amounts identified in Exhibit C,

Description of the Project and Award Budget. The Project Budget for this Award is as detailed in Exhibit C.

4.2 **Job Obligations.** The IDED and/or the IDED Board have approved an Award to the Business and the Business’ obligations for FTE Created Jobs, Retained Jobs, Qualifying Jobs and Non-qualifying Jobs are outlined in Exhibit D, Job Obligations.

4.3 **Repayment Obligation.** The obligation to repay the direct financial assistance components of this Award shall be evidenced by Promissory Notes executed in connection with the Funding Agreements.

#### **ARTICLE 5 CONDITIONS TO DISBURSEMENT OF FUNDS; DISBURSEMENT TERMS**

The obligation of IDED to make, continue or disburse funds under this Master Contract and the Funding Agreements shall be subject to the following conditions precedent:

5.1 **Documents Submitted.** IDED shall have received each of the following documents, properly executed and completed, and approved by IDED as to form and substance:

- (a) **Master Contract.** Fully executed Master Contract.
- (b) **Funding Agreements.** Fully executed Funding Agreements.
- (c) **Promissory Notes.** The Promissory Notes required by the Funding Agreements.
- (d) **Articles of Incorporation.** Copies of the articles of incorporation of the Business, certified in each instance by its secretary or assistant secretary.
- (e) **Certificate of Corporate Existence.** A certificate of existence for the Business from the Office of the Secretary of State of Iowa.

(f) Results of Lien and Tax Search. Financing statement, tax and judgment lien search results, in the Business's state of incorporation/organization, against the Business and Secured Property.

(g) Security Documents. The fully executed Security Documents required in Article 6.0.

(h) Other Required Documents. IDEDED shall have received such other contracts, instruments, documents, certificates and opinions as the IDEDED may reasonably request.

(i) Hazardous Waste Audit. To comply with Iowa Code section 15A.1(3)"b," if the Business generates solid or hazardous waste, it must either: a) submit a copy of the Business's existing in-house plan to reduce the amount of waste and safely dispose of the waste based on an in-house audit conducted within the past 3 years; or b) submit an outline of a plan to be developed in-house, or 3) submit documentation that the Business has authorized the Iowa Department of Natural Resources or Iowa Waste Reduction Center to conduct the audit.

(j) Release Form — Confidential Tax Information. A signed Authorization for Release of Confidential State Tax Information form to permit IDEDED to receive the Business's state tax information directly from the Iowa Department of Revenue for purposes of annually updating the Iowa Public Return on Investment Analysis.

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(k) Satisfactory Credit History. Documentation of satisfactory credit history of the Business and guarantors, as applicable, with no judgments or unsatisfied liens or similar adverse credit actions.

(l) Project Financial Commitments. The Business shall have submitted a letter from the funding sources identified in Exhibit C committing to the specified financial involvement in the Project and received the IDEDED's approval of the letters of commitment. Each letter shall include the amount, terms and conditions of the financial commitment, as well as any applicable schedules.

(m) Requests for Disbursement. All disbursements of Award proceeds shall be subject to receipt by the IDEDED of requests for disbursement, in form and content acceptable to IDEDED, submitted by the Business. All requests shall include documentation of costs that have been paid or costs to be paid immediately upon receipt of Award proceeds.

(n) Funding Agreements Disbursement Requirements. Satisfaction of all disbursement requirements outlined in the specific program Funding Agreements.

5.2 Prior Costs. No expenditures made prior to the Award Date may be included as Project costs. This restriction applies to the direct financial assistance portions of this Award, not the tax credit benefits included in this Award.

5.3 Cost Variation. In the event that the total Project cost is less than the amount specified in the Exhibit C, the Funding Agreements shall be reduced at the same ratio to the total Project cost reduction as the ratio of the Funding Agreement amount to the total amount of funds provided by the Business and all funding sources requiring a proportional reduction of their financial contribution to the Project. Any disbursed excess above the reduced IDEDED participation amount shall be returned immediately to IDEDED.

5.4 Suspension of Disbursement. Upon the occurrence of an Event of Default (as defined in this Master Contract or any of the Funding Agreements) by the Business, the IDEDED may suspend payments and tax credit program benefits to the Business until such time as the default has been cured to IDEDED's satisfaction. Notwithstanding anything to the contrary in this Master Contract or the Funding Agreements, upon a termination of this Master Contract on account of an Event of Default by the Business, Business will no longer have the right to receive any disbursements or any tax credit program benefits after the effective date of default. All Award funds may also be suspended, in IDEDED's sole discretion, in the event the Business experiences a layoff within the state of Iowa or closes any of its Iowa facilities.

5.5 Investment of Award Proceeds.

(a) In the event that the Award proceeds are not immediately utilized, temporarily idle Award proceeds held by the Business may be invested provided such investments shall be in accordance with State law, including but not limited to the provisions of Iowa Code chapter 12C concerning the deposit of public funds. Interest accrued on temporarily idle Award proceeds held by the Business shall be credited to and expended on the Project prior to the expenditure of other Award proceeds.

(b) All proceeds remaining, including accrued interest, after all allowable Project costs have been paid or obligated shall be returned to the IDEDED within thirty (30) days after the Project Completion Date. Within ten (10) days of receipt of a written request from IDEDED Business shall inform the IDEDED in writing of the amount of unexpended Award funds in the Business's possession or under the Business's control, whether in the form of cash on hand, investments, or otherwise.

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## ARTICLE 6 SECURITY; CROSS-COLLATERALIZATION

The Business shall execute in favor of the IDEDED all security agreements, financing statements, mortgages, personal and/or corporate guarantees (the "Security Document") as required by the IDEDED.

6.1 Security. This Award shall be secured by: None required (the "Secured Property")]

6.2 Value of Collateral. The value, as reasonably determined by IDEDED, of the Secured Property shall meet or exceed the amount of Award funds disbursed.

6.3 Additional or Substitute Collateral. In case of a decline in the market value of the Secured Property, or any part thereof, IDED may require that additional or substitute collateral of quality and value satisfactory to IDED be pledged as Secured Property for this Award. The Business shall provide such additional or substitute collateral Secured Property within 20 days of the date of the request for additional or substitute collateral to secure this Award in an amount equal to or greater than the amount of outstanding Award funds.

## ARTICLE 7 REPRESENTATIONS AND WARRANTIES

The Business represents and warrants to IDED as follows:

7.1 Organization and Qualifications. The Business is duly organized, validly existing and in good standing as a corporation under the state of its incorporation. The Business has full and adequate power to own its property and conduct its business as now conducted, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the property owned or leased by it requires such licensing or qualifying, except where the failure to so qualify would not have a material adverse effect on the Business's ability to perform its obligations hereunder.

7.2 Authority and Validity of Obligations. The Business has full right and authority to enter into this Master Contract and the Funding Agreement and to make the borrowings herein provided for. The person signing this Master Contract and the Funding Agreements has full authority to:

- (a) sign this Master Contract and the Funding Agreements, and
- (b) issue Promissory Notes on behalf of the Business, and
- (c) secure Business's obligations under this Master Contract and the Funding Agreements, and
- (d) perform each and all of the obligations under the Master Contract and its Funding Agreement.

The Master Contract and Funding Agreement documents delivered by the Business have been duly authorized, executed and delivered by the Business and constitute the valid and binding obligations of the Business and enforceable against it in accordance with their terms. This Master Contract, the Funding Agreements and related documents do not contravene any provision of law or any judgment, injunction, order or decree binding upon the Business or any provision of the articles of organization or operating agreement of the Business, contravene or constitute a default under any covenant, indenture or contract of

or effecting the Business or any of its properties.

7.3 Use of Proceeds. The Business hereby agrees to use Award proceeds only for the Project and for the activities described in Exhibit C, Description of the Project and Award Budget, this Master Contract and the Funding Agreements. Use of Award proceeds shall conform to the Budget for the Project as detailed in Exhibit C. The Business represents that there are legally enforceable commitments in place from the funding sources identified for the Project in Exhibit C.

7.4 Subsidiaries. The Business has no Subsidiaries on the Contract Effective Date.

7.5 Financial Reports. The balance sheet of the Business furnished to IDED as of the Contract Effective Date, fairly presents its financial condition as at said date in conformity with GAAP applied on a consistent basis. The Business has no contingent liabilities which are material to it, other than as indicated on such financial statements or, with respect to future periods, on the financial statements furnished to IDED.

7.6 No Material Adverse Change. Since the Award Date, there has been no change in the condition (financial or otherwise) or business prospects of the Business, except those occurring in the ordinary course of business, none of which individually or in the aggregate have been materially adverse. To the knowledge of the Business, there has been no material adverse change in the condition of the Business (financial or otherwise) or the business prospects of the Business.

7.7 Full Disclosure; Business's Financial Assistance Application. The statements and other information furnished to the IDED by Business in its Financial Assistance Application and in connection with, the negotiation of this Master Contract and the Funding Agreements do not contain any untrue statements of a material fact or omit a material fact necessary to make the material statements contained herein or therein not misleading. The IDED acknowledges that as to any projections furnished to the IDED, the Business only represents that the same were prepared on the basis of information and estimates it believed to be reasonable.

7.8 Trademarks, Franchises and Licenses. The Business owns, possesses, or has the right to use all necessary patents, licenses, franchises, trademarks, trade names, trade styles, copyrights, trade secrets, know how and confidential commercial and proprietary information to conduct its businesses as now conducted, without known conflict with any patent, license, franchise, trademark, trade name, trade style, copyright or other proprietary right of any other Person. As used in this Master Contract, "Person" means an individual, partnership, corporation, association, trust, unincorporated organization or any other entity or organization, including a government or agency or political subdivision thereof.

7.9 Governmental Authority and Licensing. The Business has received all licenses, permits, and approvals of all Federal, state, local, and foreign governmental authorities, if any, necessary to conduct its businesses, in each case where the failure to obtain or maintain the same could reasonably be expected to have a material adverse effect. No investigation or proceeding which, if adversely determined, could reasonably be expected to result in revocation or denial of any material license, permit, or approval is pending or, to the knowledge of the Business threatened.

7.10 Litigation and Other Controversies. There is no litigation or governmental proceeding pending, nor to the knowledge of the Business threatened, against the Business which if adversely determined would result in any material adverse change in the financial condition, Properties, business or operations of the Business, nor is the Business aware of any existing basis for any such litigation or governmental proceeding.

7.11 Good Title. The Business has good and defensible title (or valid leasehold interests) to all of its Property (including, without limitation, the Secured Property) reflected on the most recent balance sheets furnished to the IDED (except for sales of assets in the ordinary course business).

7.12 Taxes. All tax returns required to be filed by the Business in any jurisdiction have, in fact, been filed, and all taxes, assessments, fees and other governmental charges upon the Business or upon any of its property, income or franchises, which are shown to be due and payable in such returns, have been paid, except such taxes, assessments, fees and governmental charges, if any, as are being contested in good faith and by appropriate proceedings which prevent enforcement of the matter under contest and as to which adequate reserves established in accordance with GAAP have been provided. The Business knows of no proposed additional tax assessment against it for which adequate provisions in accordance with GAAP have not been made on its accounts. Adequate provisions in accordance with GAAP for taxes on the books of the Business have been made for all open years, and for their current fiscal period.

7.13 Other Contracts. The Business is not in default under the terms or any covenant, indenture or contract of or affecting either the Business or any of its properties, which default, if uncured, would have a material adverse effect on its financial condition, properties, business or operations.

7.14 No Default. No Default or Event of Default has occurred or is continuing.

7.15 Compliance with Laws. The Business is in compliance with the requirements of all federal, state and local laws, rules and regulations applicable to or pertaining to the business operations of the Business and laws and regulations establishing quality criteria and standards for air, water, land and toxic or hazardous wastes or substances, non-compliance with which could have a material adverse effect on the financial condition, properties, business or operations of the Business. The Business has not received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental or health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a material adverse effect on the financial condition, properties, business or operations of the Business.

7.16 Effective Date of Representations and Warranties. The warranties and representations of this Article are made as of the Contract Effective Date and shall be deemed to be renewed and restated by the Business at the time each request for disbursement of funds is submitted to the IDED.

## ARTICLE 8 COVENANTS

The Business agrees that, for the duration of this Master Contract and the Funding Agreements:

8.1 Maintain Existence in Iowa. The Business shall at all times preserve and maintain its existence as a corporation in good standing and maintain the Project in Iowa. The Business will preserve and keep in force and affect all licenses, permits, franchises, approvals, patents, trademarks, trade names, trade styles, copyrights and other proprietary rights necessary to the proper conduct of its respective business.

8.2 Job Obligations.

(a) Jobs and Wages. By the Project Completion Date, the Business shall create/retain the number of FTE Created Jobs, Retained Jobs, Qualifying Jobs and Non-qualifying Jobs above the **Business' Employment Base** and, if applicable, the **Statewide Employment Base**, and maintain the jobs through the **Job Maintenance Period**, all as detailed in Exhibit D. The Business shall pay the wage rates identified in Exhibit D.

(b) Benefits. The Business shall provide and pay for the eligible benefits described in Exhibit A, Business's Financial Assistance Application, with an **Average Benefit Value** calculated by IDED and shown in Exhibit D. During the Contract period the Business may adjust the benefit package provided the Average Benefit Value is not decreased and provided the benefit package includes eligible benefits. For purposes of this Contract, "**Eligible benefits**" means, medical and dental insurance plans, pension and profit-sharing plans, child care services, life insurance coverage, vision insurance plan, and disability coverage.

8.3 Performance Obligations. By the Project Completion Date, Business shall complete the Project, make the total investment pledged for the Project, and comply with all other performance requirements described in this Master Contract and the Funding Agreements. The Business shall promptly provide IDED with written notice of any major changes that would impact the success of the Project.

8.4 Maintenance of Properties. The Business shall maintain, preserve and keep its properties in good repair, working order and condition (ordinary wear and tear excepted) and will from time to time make all needful and proper repairs, renewals, replacements, additions and betterments thereto so that at all time the efficiency thereof shall be fully preserved and maintained in accordance with prudent business practices.

8.5 Taxes and Assessments. The Business shall duly pay and discharge all taxes, rates, assessments, fees and governmental charges upon or against it against its properties, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith and by appropriate proceedings and adequate reserves are provided therefore.

8.6 Insurance. The Business shall insure and keep insured in good and responsible insurance companies, all insurable property owned by it which is of a character usually insured by Persons similarly situated and operating like properties against loss or damage from such hazards or risks as are insured by Persons similarly situated and operating like properties; and the Business shall insure such other hazards and risks (including employers' and public liability risks) in good and responsible insurance companies as and to the extent usually insured by Persons similarly situated and conducting similar businesses. The Business will upon request of the IDED furnish a certificate setting forth in summary form the nature and extent of the insurance maintained pursuant to this Article.

8.7 Required Reports.

(a) Review of Disbursement Requests and Reports. The Business shall prepare, sign and submit disbursement requests and reports as specified in this Master Contract in the form and content required by IDED. The Business shall review all reimbursement requests and verify that claimed expenditures are allowable costs. The Business shall maintain documentation adequate to support the claimed costs.

(b) Reports. The Business shall prepare, sign and submit the following reports to the IDED throughout the Contract period:

Report	Due Date
<u>Mid-Year Status Report</u>	July 10 <sup>th</sup> for the period ending June 30 <sup>th</sup>
<u>End-of-Year Status Report Includes.</u> <ul style="list-style-type: none"><li>Public Return on Investment (ROI) Update</li><li>Payroll Register with all created and/or retained jobs highlighted and indicate the Project Jobs paying the required wage</li><li>“Employer’s Contribution and Payroll Report”</li><li>For Enterprise Zone awards, annual certification of compliance with the requirements of Iowa Code 15E.193, as required by 15E.195(6),</li></ul>	January 31 <sup>st</sup> for the period ending Dec. 31 <sup>st</sup>
<u>End of Project Report</u> Report content: same items as End-of-Year Report	Within 30 days of Project Completion Date
<u>End of Job Maintenance Period Report</u> Report Content: same items as End-of-Year Report	Within 30 days of the end of the Job Maintenance Period

(c) Additional Reports, Financials as Requested by IDED. The IDED reserves the right to require more frequent submission of any of the above reports if, in the opinion of the IDED, more frequent submissions would help improve the Business’s Project performance, or if necessary in order to meet requests from the Iowa General Assembly, the Department of Management or the Governor’s office. At the request of IDED, Business shall submit its annual financial statements completed by an independent CPA, or other financial statements including, but not limited to, income, expense, and retained earnings statements.

8.8 Inspection and Audit. The Business will permit the IDED and its duly authorized representatives to visit and-inspect any of the Business’s properties, corporate books and financial records of the Business related to the Project, to examine and make copies of the books of accounts and other financial records of the Business, and to discuss the affairs, finances and accounts of the Business with, and to be advised as to the same by, its officers, and independent public accountants (and by this provision the Business authorizes such accountants to discuss with the IDED and the IDED’s duly authorized representatives the finances and affairs of the Business) at such reasonable time and reasonable intervals as the IDED may designate, but at least annually.

8.9 Mergers, Consolidations and Sales. Without the written consent of the IDED, which shall not be unreasonably withheld, the Business shall not be a party to any merger or consolidation, or sell, transfer, lease or otherwise dispose of all or any part of the Secured Property.

8.10 Formation and Maintenance of Subsidiaries. The Business will not form or acquire any Subsidiary or transfer assets pledged as security for this Master Contract to any subsidiary or affiliate without the written consent of the IDED, which shall not be unreasonably withheld.

8.11 Compliance with Laws.

(a) The Business will comply in all material respects with the requirements of all federal, state and local laws, rules, regulations and orders applicable to or pertaining to its properties or business operations including, but not limited to, all applicable environmental, hazardous waste or substance, toxic substance and underground storage laws and regulations, and the Business will obtain any permits, licenses, buildings, improvements, fixtures, equipment or its property required by reason of any applicable environmental, hazardous waste or substance, toxic substance or underground storage laws or regulations.

(b) The Business shall comply in all material respects with all applicable federal, state, and local laws, rules, ordinances, regulations and orders applicable to the prevention of discrimination in employment, including the administrative rules of the Iowa Department of Management and the Iowa Civil Rights Commission which pertain to equal employment opportunity and affirmative action.

(c) The Business shall comply in all material respects with all applicable federal, state and local laws, rules, ordinances, regulations and orders applicable to worker rights and worker safety.

(d) The Business shall comply with IDED’s administrative rules for each program funding source, as identified in the Funding Agreements.

8.12 Use of Award Proceeds. The Business will use the Award proceeds extended under this Master Contract and the Funding Agreements solely for the purposes set forth in Exhibit C.

8.13 Changes in Business Ownership, Structure and Control. The Business shall not materially change the ownership, structure, or control of the Business if it would adversely affect the Project. This includes, but is not limited to, entering into any merger or consolidation with any person, firm or corporation or permitting substantial distribution, liquidation or other disposal of Business assets directly associated with the Project. Business shall provide IDED with advance notice of any proposed changes in ownership, structure or control. The materiality of the change and whether or not the change affects the Project shall be as reasonably determined by IDED.

8.14 Notice of Meetings. The Business shall notify IDEED at least two (2) working days in advance of all meetings of the board of directors at which the subject matter of this Master Contract, the Funding Agreements, or the Project is proposed to be discussed. The Business shall provide IDEED with copies of the agenda and minutes of such meetings and expressly agrees that a representative of IDEED has a right to attend those portions of any and all such meetings where the Project; this Master Contract or the Funding Agreements are discussed.

8.15 Notice of Proceedings. The Business shall promptly notify IDEED of the initiation of any claims, lawsuits, bankruptcy proceedings or other proceedings brought against the Business which would adversely impact the Project.

8.16 Accounting Records. The Business is required to maintain its books, records and all other evidence pertaining to this Master Contract and its Funding Agreements in accordance with generally accepted accounting principles and such other procedures specified by IDEED. These records shall be available to IDEED, its internal or external auditors, the Auditor of the State of Iowa, the Attorney General of the State of Iowa and the Iowa Division of Criminal Investigations at all times during the Master Contract's and the Funding Agreements' duration and any extensions thereof, and for three (3) full years from the Agreement Expiration Date.

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8.17 Restrictions. The Business shall not, without prior written disclosure to IDEED and prior written consent of IDEED, which shall not be unreasonably withheld, directly or indirectly:

- (a) Assign, waive or transfer any of Business's rights, powers, duties or obligations under this Master Contract or the Funding Agreements.
- (b) Sell, transfer, convey, assign, encumber or otherwise dispose of any of the Secured Property or the Project.
- (c) Place or permit any restrictions, covenants or any similar limitations on the Secured Property or the Project.
- (d) Remove from the Project site or the State all or substantially all of the Secured Property.
- (e) Create, incur or permit to exist any Lien of any kind on the Secured Property.

8.18 No Changes in Business Operations. The Business shall not materially change the Project or the nature of the Business and activities being conducted, or proposed to be conducted by Business, as described in the Business's approved application for funding, Exhibit A of this Master Contract, unless approved in writing by IDEED prior to the change.

8.19 Indemnification. The Business shall indemnify, defend and hold harmless the IDEED, the State of Iowa, its departments, divisions, agencies, sections, commissions, officers, employees and agents from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), arising from or in connection with any of the following:

- (a) Any claim, demand, action, citation or legal proceeding arising out of or resulting from the Project;
- (b) Any claim, demand, action, citation or legal proceeding arising out of or resulting from a breach by the Business of any representation or warranty made by the Business in this Master Contract or the Funding Agreements;
- (c) Any claim, demand, action, citation or legal proceeding arising out of or related to occurrences that the Business is required to insure against as provided for in this Master Contract or the Funding Agreements; and
- (d) Any claim, demand, action, citation or legal proceeding which results from an act or omission of the Business or any of their agents in its or their capacity as an employer of a person.

## ARTICLE 9 EVENTS OF DEFAULT AND REMEDIES

9.1 Events of Default. Any one or more of the following shall constitute an "Event of Default" hereunder.

(a) Nonpayment. In the event of a missed payment under a Loan or in the event a Forgivable Loan is not forgiven and all or a portion of the Forgivable Loan must be repaid by the Business, a default in the payment when due (whether by lapse of time, acceleration or otherwise) of any principal on the

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Promissory Note(s), or default in payment for more than ten (10) Business Days of the due date thereof of any interest on the Promissory Note(s) or any fee or other obligation payable by the Business shall be an Event of Default; or

(b) Noncompliance with Covenants. Default in the observance or performance of any covenant set forth in Article 8, for more than five (5) Business Days; or

(c) Noncompliance with Security Documents. Default in the observance or performance of any term of any Security Documents beyond any applicable grace period set forth therein; or

(d) Noncompliance with Master Contract. Default in the observance or performance of any other provision of this Master Contract; or

(e) Noncompliance with Funding Agreements, Cross-Default. Default in the observance or performance of any other provision of any of the Funding Agreements, including Events of Default identified in any of the Funding Agreements; IDED may elect to declare the Business in default of this Master Contract and any or all of the Funding Agreements if there is a default under any one of the Funding Agreements; or

(f) Material Misrepresentation. Any representation or warranty made by the Business in this Master Contract or the Funding Agreements or in any statement or certificate furnished by it pursuant to this Master Contract or the Funding Agreements, or made in its Financial Assistance Application, or in connection with any of the above, proves untrue in any material respect as of the date of the issuance or making thereof; or

(g) Lien Deficiencies. Any of the Security Documents shall for any reason fail to create a valid and perfected priority Lien in favor of the IDED in any Secured Property pledged by Business; or

(h) Judgment Over \$100,000. Any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of \$100,000 shall be entered or filed against the Business or against any of its property and remains unvacated, unbonded or unstayed for a period of 30 days; or

(i) Adverse Change in Financial Condition. Any change shall occur in the financial condition of the Business which would have a material adverse effect on the ability of the Business to perform under this Master Contract or the Funding Agreements; or

(j) Bankruptcy or Similar Proceedings Initiated. Either the Business shall (1) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (2) not pay, or admit in writing its inability to pay, its debts generally as they become due, (3) make an assignment for the benefit of creditors, (4) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (5) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, or (6) fail to contest in good faith any appointments or proceeding described in Article 9.1(k) below; or

(k) Appointment of Officials. A custodian, receiver, trustee, examiner, liquidator, or similar official shall be appointed for either the Business or any substantial part of any of its respective property,

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or a proceeding described in Article 9.1(j) shall be instituted against either the Business and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) days; or

(l) Insecurity. IDED shall in good faith deem itself insecure and reasonably believes, after consideration of all the facts and circumstances then existing, that the prospect of payment and satisfaction of the obligations under this Master Contract and/or the Funding Agreements, or the performance of or observance of the covenants in this Master Contract and/or the Funding Agreements, is or will be materially impaired.

(m) Failure to Submit Required Reports. The Business fails to submit complete reports by the required due dates as outlined in Article 8.7.

(n) Layoffs, Relocation, or Closure. The Business experiences a substantial layoff, relocates a substantial portion of its business or its offices outside of Iowa, or closes its operations during the term of this Contract.

9.2 Default Remedies. When an Event of Default has occurred and is continuing, the IDED may, by written notice to the Business:

(a) terminate this Master Contract, the Funding Agreements and all of the obligations of IDED under this Master Contract and the Funding Agreements on the date stated in such notice, and

(b) declare the principal and any accrued interest on the outstanding Promissory Notes to be forthwith due and payable, including both principal and interest and all fees, charges and other amounts payable under this Master Contract and the Funding Agreements, shall be and become immediately due and payable without further demand, presentment, protest or notice of any kind.

9.3 Default Interest Rate. If an Event of Default occurs and remains uncured, a default rate of 6% shall apply to repayment of amounts due under this Master Contract and the Funding Agreements. The default interest rate shall accrue from the first date Award funds are disbursed,

9.4 Expenses. The Business agrees to pay to the IDED all expenses reasonably incurred or paid by IDED including reasonable attorneys' fees and court costs, in connection with any Default or Event of Default by the Business or in connection with the enforcement of any of the terms of this Master Contract and the Funding Agreements.

9.5 Notice of Default and Opportunity to Cure. If IDED has reasonable cause to believe that an Event of Default has occurred under this Master Contract and/or the Funding Agreements, IDED shall issue a written Notice of Default to the Business, setting forth the nature of the alleged default in reasonable specificity, and providing therein a reasonable period time, which shall not be fewer than thirty (30) days from the date of the Notice of Default, in which the Business shall have an opportunity to cure, provided that cure is possible and feasible.

## ARTICLE 10 MISCELLANEOUS.

10.1 Timely Performance. The parties agree that the dates and time periods specified in this Master Contract and the Funding Agreements, including the timelines established for the Project and more fully described in Exhibit C, are of the essence to the satisfactory performance of this Master Contract and the Funding Agreements.

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10.2 State of Iowa Recognition. The Project shall permanently recognize, in a manner acceptable to IDED, the financial contribution to the Project made by the State of Iowa. For example, a sign or plaque acknowledging that the Project was funded in part by an Award from the State of Iowa, Iowa Department of Economic Development.

10.3 Choice of Law and Forum.

(a) In the event any proceeding of a quasi-judicial or judicial nature is commenced in connection with this Master Contract or the Funding Agreements, the proceeding shall be brought in Des Moines, Iowa, in Polk County District Court for the State of Iowa, if such court has jurisdiction. If however, such court lacks jurisdiction and jurisdiction lies only in a United States District Court, the matter shall be commenced in the United States District Court for the Southern District of Iowa, Central Division.

(b) This provision shall not be construed as waiving any immunity to suit or liability, in state or federal court, which may be available to the IDED, the State of Iowa or its members, officers, employees or agents.

10.4 Governing Law. This Master Contract and the Funding Agreements and the rights and duties of the parties hereto shall be governed by, and construed in accordance with the internal laws of the State of Iowa without regard to principles of conflicts of laws.

10.5 Master Contract/Funding Agreement Amendments. Neither this Master Contract nor any documents incorporated by reference in connection with this Master Contract, including the Funding Agreements, may be changed, waived, discharged or terminated orally, but only as provided below:

(a) Writing required. The Master Contract and the Funding Agreements may only be amended if done so in writing and signed by the Business and IDED; and for those Funding Agreements in which the Community is a signatory, by the Community, the Business and IDED. Examples of situations requiring an amendment include, but are not limited to, time extensions, budget revisions, and significant alterations of existing activities or beneficiaries. No amendment will be valid until approved in writing by IDED.

(b) IDED review. IDED will consider whether an amendment request is so substantial as to necessitate reevaluating the IDED's or IDED Board's original funding decision. An amendment may be denied by IDED if it substantially alters the circumstances under which the Project funding was originally approved.

10.6 Notices. Except as otherwise specified herein, all notices hereunder shall be in writing (including, without limitation by fax) and shall be given to the relevant party at its address, e-mail address, or fax number set forth below, or such other address, e-mail address, or fax number as such party may hereafter specify by notice to the other given by United States mail, by fax or by other telecommunication device capable of creating a written record of such notice and its receipt, Notices hereunder shall be addressed:

To the Business:

NewLink Genetics Corporation  
Dr. Charles Link, President and CEO  
2901 South Loop Drive, Suite 3900  
Ames, IA 50010

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Telephone: 515-296-3530  
Facsimile: 515-296-3556

To the IDED at:

Iowa Department of Economic Development  
Business Services  
200 East Grand Avenue  
Des Moines, Iowa 50309  
Attention: Mike Johansen, Business Services Project Manager

E-mail: mike.johansen@iowalifechanging.com  
Telephone: 515/ 242-4870  
Facsimile: 515/ 242-4832

Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Article and a confirmation of such facsimile has been received by the sender, (ii) if given by e-mail, when such e-mail is transmitted to the e-mail address specified in this Article and a confirmation of such e-mail has been received by the sender, (iii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iv) if given by any other means, when delivered at the addresses specified in this Article.

10.7 Headings. Article headings used in this Master Contract and the Funding Agreements are for convenience of reference only and are not a part of this Master Contract or the Funding Agreements for any other purpose.

10.8 Final Authority. The IDED shall have the authority to reasonably assess whether the Business has complied with the terms of this Master Contract and the Funding Agreements. Any IDED determinations with respect to compliance with the provisions of this Master Contract and the Funding Agreements shall be deemed to be final determinations pursuant to Section 17A of the Code of Iowa (2005).

10.9 Waivers. No waiver by IDED of any default hereunder shall operate as a waiver of any other default or of the same default on any future occasion, No delay on the part of the IDED in exercising any right or remedy hereunder or under the Funding Agreements shall operate as a waiver thereof.

No single or partial exercise of any right or remedy by IDED shall preclude future exercise thereof or the exercise of any other right or remedy.

10.10 Counterparts. This Master Contract may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

10.11 Survival of Representations. All representations and warranties made herein or in any other Master Contract/Funding Agreement document or in certificates given pursuant hereto or thereto shall survive the execution and delivery of this Master Contract and the Funding Agreements and the other Master Contract/Funding Agreement documents and shall continue in full force and effect with respect to the date as of which they were made until all of Business's obligations or liabilities under this Master Contract and the Funding Agreements have been satisfied.

10.12 Severability of Provisions. Any provision of this Master Contract or the Funding Agreements, which is unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the

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extent of such unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. All rights, remedies and powers provided in this Master Contract and or the Funding Agreements or any other Master Contract document may be exercised only to the extent that the exercise thereof does not violate any applicable mandatory provisions of law, and all the provisions of this Master Contract and the Funding Agreements and any other Master Contract document are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Master Contract or the Funding Agreements or any other Master Contract document invalid or unenforceable.

10.13 Successors and Assigns. This Master Contract and the Funding Agreements shall be binding upon the Business and its respective successors and assigns, and shall inure to the benefit of the WED and the benefit of their respective successors and assigns. The Business may not assign its rights hereunder or under any of the Funding Agreements without the written consent of the IDED, which consent will not be unreasonably withheld.

10.14 Termination. This Master Contract and any of the Funding Agreements can be terminated upon mutual, written agreement of the Business and IDED and, for amendments to Funding Agreements to which the Community is a signatory, the Community.

10.15 Integration. This Master Contract and the Funding Agreements contains the entire understanding between the Business and IDED relating to the Project and any representations that may have been made before or after the signing of this Master Contract and the Funding Agreements, which are not contained herein, are nonbinding, void and of no effect. None of the Parties have relied on any such prior representation in entering into this Master Contract and its Funding Agreement.

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IN WITNESS WHEREOF in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties save entered into this Master Contract and have caused their duly authorized representatives to execute this Master Contract, effective as of the latest date stated below (the "**Contract Effective Date**").

**FOR THE IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT:**

BY: /s/ Vincent C. Lintz, Deputy Director  
Vincent C. Lintz, Deputy Director

/s/ 9/20/07  
Date

**FOR THE BUSINESS:**

BY: /s/ Nicholas N. Vahanian  
Signature

Nicholas Nuron Vahanian M.D., Chief Medical Operations Officer  
Typed name and Title

/s/ 9/24/07  
Date

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**LIST OF EXHIBITS**

- Exhibit A - Business's Financial Assistance Application (on file with IDED), Application # 06-HQJC-017
- Exhibit B - Funding Agreements B5-HQJCP Funding Agreement

ATTACHMENT B



Mary Lawyer, Acting Director  
Iowa Department of Economic Development

Application for Financial Assistance  
Section A — Applicant & Project Information

Business Development Division  
Iowa Department of Economic Development  
200 East Grand Avenue  
Des Moines, Iowa 50309  
www.iowalifechanging.com

7/20/2005

**Instructions**

- 1. All applicants shall complete Section A of the Application for Financial Assistance and attach only those section(s) for the program(s) to which the applicant is applying,

<u>Program</u>	<u>Download and Complete</u>
Community Economic Betterment Account (CEBA)	Section B
Enterprise Zone Program (EZ)	Section C
High Quality Job Creation Program (HQJC)	Section D
Entrepreneurial Ventures Assistance Program (EVA)	Section E
Value Added Agricultural Products & Processes Financial Assistance Program (VAAPFAP)	Section F
Economic Development Set-Aside Program (EDSA)	Section G

- 2. Please visit the IDED Web site, [http://www.iowalifechanging.com/applications/bus\\_dev/index.html](http://www.iowalifechanging.com/applications/bus_dev/index.html) or contact IDED at (515) 242-4819 to see if this version of the application is still current.
- 3. Before filling out this application form, please read all applicable sections of the 2005 Iowa Code and Iowa Administrative Code (rules). <http://www4.legis.state.ia.us/IAhtml/261.htm>
- 4. Only typed or computer-generated applications will be accepted and reviewed. *Any material change to the format, questions, or wording of questions presented in this application, will render the application invalid and it will not be accepted.*
- 5. Complete the applicable sections of the application fully; if questions are left unanswered or required attachments are not submitted, an explanation must be included.
- 6. Use clear and concise language. Attachments should only be used when requested or as supporting documentation.
- 7. Any inaccurate information of a significant nature may disqualify the application from consideration.
- 8. Upon completion of the application, please submit the following to the Business Finance Team at IDED:
  - The original, signed application form and all required attachments
  - One copy of the application form and all required attachments from which additional copies can easily be made.

If electronic copies of the application and required attachments are available, please e-mail these documents to [businessfinance@lowalifechanging.com](mailto:businessfinance@lowalifechanging.com) in addition to submitting the original plus one copy.

Business Finance Team  
Iowa Department of Economic Development  
200 East Grand Avenue  
Des Moines IA 50309

**Application Due Dates**

<b>IDED Board Meeting</b>	<b>Application Due Date</b>
July 21, 2005	June 27, 2005
August 18, 2005	July 25, 2005
September 15, 2005	August 22, 2005
October 20, 2005	September 26, 2005
November 17, 2005	October 24, 2005
December 15, 2005	November 21, 2005

\* EVA applications will be acted upon every other month starting in March.

**Public Records Policies**

**Information Submitted to IDED.** The Iowa Department of Economic Development (IDED) is subject to the Open Records law (Iowa Code, Chapter 22). Treatment of information submitted to IDED in this application is governed by the provisions of the Open Records law. All public records are available for public inspection. Some public records are considered confidential and will not be disclosed to the public unless ordered by a court, the lawful custodian of the record, or by another person duly authorized to release the information.

**Confidential Records.** IDED automatically treats the following records as confidential and they are withheld from public disclosure:

- Tax Records
- Quarterly Iowa *Employer's Contribution and Payroll Report* prepared for the Iowa Workforce Development Department
- Payroll Registers
- Business Financial Statements and Projections
- Personal Financial Statements

Other information supplied to IDED as part of this application may be treated as confidential under Iowa Code section 22.7. Following are the classifications of records which are recognized as confidential under Iowa law and which are most frequently applicable to business information submitted to IDED:

- Trade secrets [Iowa Code §22.7(3)]
- Reports to governmental agencies which, if released, would give advantage to competitors and serve no public purpose. [Iowa Code §22.7(6)]
- Information on an industrial prospect with which the IDED is currently negotiating. [Iowa Code §22.7(8)]
- Communications not required by law, rule or regulation made to IDED by persons outside the government to the extent that IDED could reasonably believe that those persons would be discouraged from making them to the Department if they were made available for general public examination. [Iowa Code §22.7(18)]

**Information supplied to IDED as part of this application that is material to the application and/or the state program to which the applicant is applying including, but not limited to the number and type of jobs to be created, wages for those jobs, employee benefit information, and project budget, are considered open records and will not be treated as confidential.**

**Additional Information Available.** Copies of Iowa's Open Record law and IDED's administrative rules relating to public records are available from the Department upon request or at <http://www.iowalifechanging.com/downloads/chap169openrecords.doc>.

**Applicant Information**

1. Name of Business: NewLink Genetics Corporation  
Address: 2901 South Loop Drive, Suite 3900  
City, State & Zip Code: Ames, IA, 50010  
Contact Person: Dr. Charles Link, Jr. Title: President and CEO  
Phone: (515) 296-3530 Fax: (515) 296-3556 Email: [clink@linkp.com](mailto:clink@linkp.com)
2. SIC or NAICS Code:
3. Federal ID Number:  
Does the Business file a consolidated tax return under a different tax ID number?  Yes  No  
If yes, please also provide that tax ID number:

4. Is the contact person listed above authorized to obligate the Business?  Yes  No  
If no, please provide the name and title of a company officer authorized to obligate the Business:

Dr. Charles Link, President and CEO

5. If the application was prepared by someone other than the contact person listed above, please complete the following:

Name: David Maahs Title: Executive Director  
Organization: Ames Economic Development Commission  
Address: 1601 Golden Aspen Drive, Suite 110  
City, State, & ZIP Code: Ames, IA 50010

Phone: 515.232.2310 Fax: 515.232.6716 Email: dmaahs@ameschamber.com

### **Sponsor Information**

Please review the following table to determine who needs to sponsor this application. Depending on the programs being applied for, more than one sponsor may be necessary.

<b>Program</b>	<b>Acceptable Sponsor</b>
CEBA	City or County or Community College in which the Project Site is Located
EZ	Local Enterprise Zone Commission
HQJC	City or County in which the Project Site is Located
EVA	City or County in which the Project Site is Located; Local Development Entity; John Pappajohn Entrepreneurial Center; a Small Business Development Center; Business Accelerator; <u>or</u> similar entity
VAAPFAP	City or County in which the Project Site is Located <u>or</u> Local Development Entity
EDSA	City or County in which the Project Site is Located

1. Sponsor Organization: City of Ames  
Official Contact (e.g. Mayor, Chairperson, etc.): Ted Tedesco Title: Mayor  
Address: 515 Clark Avenue  
City, State & ZIP Code: Ames, IA 50010  
Phone: 515.239.5105 Fax: E-mail:

2. If IDED needs to contact the sponsor organization with questions, should we contact the person listed above?  
 Yes  No, please contact the following person:

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Name: Duane Pitcher Title: Finance Director, City of Ames  
Address: 515 Clark Avenue  
City, State & ZIP Code: Ames, IA 50010  
Phone: 515.239.5114 Fax: E-mail: dpitcher@city.ames.ia.us

If necessary, please list information on additional sponsors in an attachment.

### **Certification & Release of Information**

I hereby give permission to the Iowa Department of Economic Development (IDED) to research the Business' history, make credit checks, contact the Business' financial institutions, insurance carriers, and perform other related activities necessary for reasonable evaluation of this application. I also hereby authorize the Iowa Department of Revenue to provide to IDEED state tax information pertinent to the Business' state income tax, sales and use tax, and state tax credits claimed.

I understand that all information submitted to IDEED related to this application is subject to Iowa's Open Record Law (Iowa Code, Chapter 22).

I understand this application is subject to final approval by IDEED and the Project may not be initiated until final approval is secured. (High Quality Job Creation Program applications may be submitted up to 12 months following the completion of the project.)

I understand that IDEED reserves the right to negotiate the financial assistance. Furthermore, I am aware that financial assistance is not available until an agreement is executed within a reasonable time period following approval.

I hereby certify that all representations, warranties, or statements made or furnished to IDEED in connection with this application are true and correct in all material respect. I understand that it is a criminal violation under Iowa law to engage in deception and knowingly make, or cause to be made, directly or indirectly, a false statement in writing for the purpose of procuring economic development assistance from a state agency or subdivision.

### **For the Business:**

/s/ Charles Link

Signature

Date

Dr. Charles Link, President and CEO

Name and Title (typed or printed)

### **For the Sponsor(s):**

Mayor Ted Tedesco, City of Ames

Name and Title (typed or printed)

Please use the following if more than one sponsor is required. (For example, use this if a signature from the local Enterprise Zone Commission is required in addition to the signature from the Mayor of the sponsoring city.)

Signature

Date

Name and Title (typed or printed)

IDED will not provide assistance in situations where it is determined that any representation, warranty, or statement made in connection with this application is incorrect, false, misleading or erroneous in any material respect. If assistance has already been provided prior to discovery of the incorrect, false, or misleading representation, IDEED may initiate legal action to recover incentives and assistance awarded to the Business.

**Protect Information**

1. Provide a brief description and history of the Business. Include information about the Business' products or services and its markets and/or customers.

NewLink Genetics Corporation is a biopharmaceutical company developing novel drugs and functional genomics solutions with a primary focus on cancer.

The successful completion of the Human Genome Project signals a new age in medical discovery centered around protein research. The rapidly growing knowledge base of the human genome provides an unprecedented opportunity to launch a revolutionary paradigm for drug discovery based on protein analysis.

NewLink remains steadfast in its primary focus to take novel treatments and diagnostics through the clinical trials process and bringing products to market. The company is currently conducting Phase I/II clinical trials with its proprietary HyperAcute™ vaccine technology. The Food and Drug Administration has accepted NewLink's investigational New Drug applications for the HyperAcute™ vaccine technology allowing us to proceed with clinical trials treating patients with advanced lung cancer, breast cancer, prostate cancer, pancreatic cancer, and malignant melanoma. The company's lung, breast, and prostate vaccine trials are currently enrolling patients at various trial centers.

2. Business Structure:
 

<input type="checkbox"/> Cooperative	<input checked="" type="checkbox"/> Corporation	<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Not for Profit
<input type="checkbox"/> Partnership	<input type="checkbox"/> S-Corporation	<input type="checkbox"/> Sole Proprietorship	

3. Identify the Business' owners.

More than 150 shareholders

4. List the Business' Iowa Locations and the Current Number of Employees at each Location.

34 employees in Ames, Iowa

5. What is the Business' worldwide employment? (Please include employees of parent company, subsidiaries, and other affiliated entities in this figure.)

41 employees worldwide, with employees located in Chicago, Maryland, Pennsylvania, and China.

6. Briefly describe the proposed project for which assistance is being sought. (Include project timeline with dates, facility size, infrastructure improvements, proposed products/services, any new markets, etc.)

The company plans to buy or have options on approximately 20 acres of land at the ISU Research Park. NewLink Genetics plans to develop a campus for its operations at the ISU Research Park. Over the next five years, the company plans to construction two facilities for its expanding manufacturing, office and R & D operations and for its affiliated companies. The company plans to begin construction in the fall/winter of 2005 a 25,000 to 28,000

sq. ft. building. Anticipated completion date is the fall of 2006. In 2010, the company anticipates to begin construction on an additional 25,000 sq. ft. building.

7. Project Address: Lot 4, Phase II Development of the ISU Research Park. The company plans to have an option to buy the two adjacent parcels (lots 5 and 6).

8. Type of Business Project: Pharmaceutical  
 Startup                      x Expansion of Iowa Company                       New Location in Iowa

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Relocation from another State

9. Please identify the management at the project location and his/her/their experience.

Check business plan for resumes of top personnel

10. Has any part of the project started?             Yes                      x No  
 If yes, please explain.

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11. Project Budget:

**AMOUNT BUDGETED**

Use of Funds	Cost	Source A	Source B	Source C	Source D	Source E	Source F	Source G	Source H
Land Acquisition	\$ 580,000	\$	\$	\$	\$ 580,000	\$	\$	\$	\$
Site Preparation	\$ 200,000	\$	\$	\$	\$ 200,000	\$	\$	\$	\$
Building Acquisition	\$	\$	\$	\$	\$	\$	\$	\$	\$
Building Construction	\$ 8,000,000	\$	\$	\$	\$ 8,000,000	\$	\$	\$	\$
Building Remodeling	\$	\$	\$	\$	\$	\$	\$	\$	\$
Mfg. Machinery & Equip.	\$ 2,000,000	\$	\$	\$ 200,000	\$ 1,600,000	\$ 200,000	\$	\$	\$
Other Machinery & Equip.	\$	\$	\$	\$	\$	\$	\$	\$	\$
Racking, Shelving, Etc.(1)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Computer Hardware	\$	\$	\$	\$	\$	\$	\$	\$	\$
Computer Software	\$	\$	\$	\$	\$	\$	\$	\$	\$
Furniture & Fixtures	\$	\$	\$	\$	\$	\$	\$	\$	\$
Working Capital	\$	\$	\$	\$	\$	\$	\$	\$	\$
Research & Development	\$ 20,000,000	\$	\$	\$	\$ 20,000,000	\$	\$	\$	\$
Job Training	\$	\$	\$	\$	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>TOTAL</b>	<b>\$ 30,780,000</b>			<b>\$ 200,000</b>	<b>\$ 30,380,000</b>	<b>\$ 200,000</b>			

(1) Racking, Shelving and Conveyor Equipment used in Warehouse or Distribution Center Projects

Does the Business plan to lease the facility? x Yes     No    If yes, please provide the Annual Base Rent Payment (lease payment minus property taxes, insurance, and operating/maintenance expenses) and the length of the lease agreement.

**PROPOSED FINANCING**

Source of Funds (List tax benefits separately; not as a source of funds)	Amount	Form of Funds (Loan, Grant, In-Kind Donation, etc.)	Rate	Term	Conditions / Additional Information Include when funds will be disbursed; if loan, whether payments are a level term, balloon, etc.
Source A: IDED	\$	Prior state funding from Iowa Values Fund			
Source B: Other State (e.g. Community College, DOT, etc.)					
Source C: Local Government	\$ 200,000	Forgivable loan			
Source D: Business	\$ 30,380,000				
Source E: Other - AEDC	\$ 200,000	Forgivable loan			
Source F:					

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Source G:	
Source H:	
<b>TOTAL</b>	<b>\$ 30,780,000</b>

Please list below any tax benefits (e.g. Investment Tax Credit, Sales Tax Refund, R&D Tax Credit, New Jobs Tax Credit, Property Tax Exemption/Abatement, etc.) that the Business expects to receive and included the estimated value of each tax benefit:

12. Employee Benefits: Please identify all employee benefits provided by and paid for (in full or in part) by the Business.

Employee Benefits Provided by the Business	Total Annual Cost (show on a per employee basis)		Portion of Total Annual Cost Paid by the Business*		Plan Provisions (Include deductibles, coinsurance %, office visit co-payments, annual out-of-pocket maximums, face amounts, etc.)
	Employee	Family	Employee	Family	
Medical/Health Insurance	\$ 3,000	\$ 9,840	92%	85%	
Dental Insurance					Voluntary, paid by employee
Vision Insurance					Part of Medial/Health Insurance Plan
Life Insurance					Voluntary, paid by employee
Short Term Disability (STD)					Voluntary, paid by employee
Long Term Disability (LTD)					Voluntary, paid by employee

\* If the business's plan is self-insured, please use the amount paid by the business for costs associated with employee and family coverage during the past three years and then, determine the business' average annual contribution per employee for that three year period.

Does the Business offer a pension plan, 401(k) plan, and/or retirement-plan?  Yes  No

If yes, please indicate the amount contributed on a per employee basis by the Business to the plan. For 401(k) plans, please provide information on the company match and indicate the average annual match per employee (show average as a percentage of salary).

Need amount contributed per employee

Does the Business offer a profit-sharing plan?  Yes  No

If yes, please indicate total amount paid out each year for the past three years and then, determine the average annual bonus or contribution per employee for that three year period.

Does the Business offer child care services?  Yes  No

Child care services include child care services on-site at the facility in which the project will occur or off-site child care subsidized by the business at the rate of 50% or more of the costs incurred by an employee.

13. Identify the Business' competitors. If any of these competitors have Iowa locations, please explain the nature of the competition (e.g. competitive business segment, estimated market share, etc.) and explain what impact the proposed, project may have on the Iowa competitor.

All of the company's competitors are located outside of Iowa. Competitors are Cellgenesys, Cancervax and Dendreon.

14. Will any of the current Iowa employees lose their jobs if this project does not proceed in Iowa?

Yes  No

If yes, please explain why and identify those jobs as "retained jobs" in the following question.

Company needs to construct facilities for the continued growth of its operations in Iowa and to continue its research and development activities, including clinical trials. The company currently has approximately 35 employees at its' offices in the ISU Research Park, with an average annual salary of \$40,000.

15. List the jobs that will be retained and/or created as the result of this project. (A retained job is an existing job that would be eliminated or moved to another state if the project does not proceed in Iowa.) For retained jobs, include the current hourly wage rate. For jobs to be created, including the starting hourly wage rate.

Job Title	Skills, Education, or Experience Required	Number of Jobs	Retained (R) or Created (C)	Starting or Current Hourly Wage Rate
<b>Year 1 of the Project</b>				
Laboratory Technician		5	C	\$25,000 to \$35,000
Senior Research Scientist		2	C	\$50,000 to \$80,000
Research Scientist		3	C	\$40,000 to \$50,000
Office Assistant		1	C	\$25,000 to \$35,000
Year 1 Subtotal		11		
<b>Year 2 of the Project</b>				
Laboratory Technician		8	C	\$25,000 to \$35,000
Senior Research Scientist		2	C	\$50,000 to \$80,000

Research Scientist	2	C	\$40,000 to \$50,000
Office Assistant	1	C	\$25,000 to \$35,000
Year 2 Subtotal		13	
<b>Year 3 of the Project</b>			
Laboratory Technician	15	C	\$25,000 to \$35,000
Senior Research Scientist	2	C	\$50,000 to \$80,000
Research Scientist	3	C	\$40,000 to \$50,000
Office Assistant	1	C	\$25,000 to \$35,000
Year 3 Subtotal		21	

Total Number of Retained jobs: 36

Total Number of Created jobs: 45

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16. Discuss each of the following items with respect to the proposed project:
- a) the current employment conditions in the community, include any business closures, unemployment rates, etc. and if applicable, the community's need for assistance in attracting the Business.
- One of the economic development goals for the community of Ames is to become a leading biotechnology center. The growth of NewLink Genetics in to a major pharmaceutical firm will greatly assist the community in achieving this goal.
- b) impact of the proposed project on the community and the state, include projections that reflect the impact on local and state tax revenue and any additional costs the community will incur as the result of the proposed project;
- The annual payroll of \$3.8 million from the jobs created and retained will provide a significant boost to the local economy. In addition, the Ames Community School District has been losing enrollment over the last few years. These new jobs will assist the community in stabilizing the school district's enrollment levels.
- c) impact the proposed project will have on current employees, including the potential for increased skills and wages; and
- Without additional manufacturing capacity, the company can not produce enough drugs for its phase II and phase III clinical trials.
- d) impact the investment will have on the ability of the business to expand, upgrade, or modernize its capabilities.
- The new facilities will provide a state of the art manufacturing setting for the company utilizing the latest and most efficient processes for drug manufacturing.
17. Is the Business actively considering locations outside of Iowa?  Yes  No  
If yes, where and what assistance is being offered?
18. There are three general justifiable reasons for assistance. Check the box next to the reason why assistance is needed to complete this project
- Financing Gap** - The Business can only raise a portion of the debt and equity necessary to complete the project. A gap between sources and uses exists and state and/or federal funds are needed to fill the gap.
- Rate of Return Gap** — The Business can raise sufficient debt and equity to complete the project, but the returns are inadequate to motivate an “economic person” to proceed with the project. Project risks outweigh the rewards.
- Locational Disadvantage** (Incentive) — The Business is deciding between a site in Iowa (site A) and a site in another state (site B) for its project. The Business argues that the project will cost less at site B and will require a subsidy to equalize costs in order to locate at site A. The objective here is to quantify the cost differential between site A and site B.

15

What measures were analyzed to determine the amount and form of assistance needed?

Estimated cost to bring a drug to market is over \$200 million, producing a significant financing gap for the company. The state and local assistance will enable the company to stretch its private equity as its drugs move through clinical trials.

19. What amount of state assistance is requested based on the above-identified need? \$

16

What type/form of assistance is preferred (e.g. loans, forgivable loans, tax incentives, etc.)?

The company previously received an Iowa Values grant of \$6 million. The company research and development activities have progressed far enough that the company has achieved the necessary milestones to draw down \$4 million of its Iowa Values fund award.

20. Please indicate what program(s) the Business is applying to and download and submit those applicable sections:

- CEBA (Complete Section B)
- EZ (Complete Section C)
- HQJC (Complete Section D)
- EVA (Complete Section E)
- VAAPFAP (Complete Section F)
- ESA (Complete Section G)

The Department reserves the right to review this application and determine, based on the proposed project and available program funds, which financial assistance program(s) is best suited for the Business' project. The actual program(s) utilized may vary from the programs indicated above.

21. Return on Investment Information — Business Taxes

IDED is required to calculate the return on state and local government investments in this project. Data from other parts of the application will be combined with the estimates requested below to calculate the required return on investment information.

Instructions for Question 21

- IDED is asking for a best estimate on the increase in taxes associated with this project.
- Estimates should only include the expected increase in tax liability resulting from this project.
- At minimum, IDED needs estimates for the first three years of the project.
- Show data as if no tax abatements or tax credits awarded for this project were taken.
- For partnership forms of ownership (e.g. limited partnerships, s-corporations, LLC, etc.), please estimate the partners' increase in Iowa tax liability due to this project.
- Sales and use taxes refer to the taxes paid on materials, etc. that the Business purchases, not taxes you collect from sales to your customers.
- Applicants will not be held to these numbers with respect to any award from or contract with IDED.
- This page of the application will automatically be treated as **confidential**.

**Increase in Tax Collections Associated with this Project**

<u>State Business Taxes</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
State Corporate Income Tax*	\$	\$	\$	\$	\$
State Business Sales and Use Tax	\$	\$	\$	\$	\$

\* Insurance Companies: Provide State Insurance Premium Tax

<u>Local Business Taxes</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Local Real Estate Property Tax	\$	\$	\$	\$	\$ 55,080
Local Option Sales Tax	\$	\$	\$	\$	\$

**Attachments**

Please attach the following documents:

A1 Business Plan

At a minimum, include:

- marketing study,
- feasibility study,
- projected profit and loss statements for three years into the future,
- project budget,
- production operations,
- management structure,
- personnel needs,
- descriptions of product or process,
- status of product/process development, and
- patent status (if applicable).

(Any information outlined above not included in the business plan should be submitted as supplemental information via a separate attachment.)

- A2 Copies of the Business' Quarterly Iowa Employer's Contribution and Payroll Report Summary Page (Page 1) for the past year and a copy of the most recent payroll report for one pay period.
- A3 Affidavit that states the Business has not, within the last five years, violated state or federal statutes, rules, and regulations, including environmental and worker safety regulations, or, if such violations have occurred, that there were mitigating circumstances or such violations did not seriously affect public health or safety or the environment.
- A4 Financial Information (Existing Businesses Only)
  - Profit and loss statements and balance sheets for past three year-ends;
  - Current YTD profit and loss statement and balance sheet;
  - Schedule of aged accounts receivable;
  - Schedule of aged accounts payable; and
  - Schedule of other debts.

Application Checklist



Application Checklist

For each section the Business is required to submit, please indicate with a '✓' that items needed for that section are included when submitting the application to IDED. If an item listed is not included, please indicate in the corresponding box the date on which IDED can expect to receive it or explain in the space provided below why it has not been included:

	Section A	Section B CEBA	Section C EZ	Section D HCJC	Section E EVA	Section F VAAPFAP	Section G EDSA
Original plus 1 Copy		N/A	N/A	N/A	N/A	N/A	N/A
Signed by the Business		N/A	N/A	N/A	N/A	N/A	N/A
Signed by the Sponsor(s)		N/A	N/A	N/A	N/A	N/A	N/A
Business Plan w/3-year Projections		N/A	N/A	N/A	N/A	N/A	N/A
Quarterly Employer's Contribution and Payroll Reports		N/A	N/A	N/A	N/A	N/A	N/A
Current Payroll Report		N/A	N/A	N/A	N/A	N/A	N/A
Affidavit re: Violations		N/A	N/A	N/A	N/A	N/A	N/A
P/L statements & Balance Sheets (3 years)		N/A	N/A	N/A	N/A	N/A	N/A
Current YTD Financials		N/A	N/A	N/A	N/A	N/A	N/A
Aged Accounts Receivables		N/A	N/A	N/A	N/A	N/A	N/A
Aged Accounts Payable		N/A	N/A	N/A	N/A	N/A	N/A
Schedule of Other Debts		N/A	N/A	N/A	N/A	N/A	N/A
Resolution from Sponsor	N/A				N/A	N/A	N/A
Legal Description of Project Site Map	N/A	N/A			N/A	N/A	N/A
Meeting / Public Hearing Notice	N/A	N/A		N/A	N/A	N/A	

Meeting Minutes	N/A	N/A		N/A	N/A	N/A	
Technical Assistance Budget	N/A	N/A	N/A	N/A		N/A	N/A
Bids, Quotes, & Estimates	N/A	N/A	N/A	N/A	N/A	N/A	
Employer Certification Form	N/A	N/A	N/A	N/A	N/A	N/A	
Commitment Letters	N/A	N/A	N/A	N/A	N/A	N/A	
Comm. Development & Housing Needs Assessment	N/A	N/A	N/A	N/A	N/A	N/A	
Assurances Page	N/A	N/A	N/A	N/A	N/A	N/A	
Applicant/Recipient Disclosure/Update form	N/A	N/A	N/A	N/A	N/A	N/A	

Explanation for Items Not Included:

# HQJCP FUNDING AGREEMENT

BUSINESS  
COMMUNITY: NewLink Genetics Corporation  
City of Ames

MASTER CONTRACT NUMBER: 06-54  
FUNDING AGREEMENT NUMBER: 06-54-HQJCP-017

AGREEMENT EXPIRATION DATE: December 31, 2010

THIS HIGH QUALITY JOB CREATION PROGRAM (HQJCP) FUNDING AGREEMENT is made by and among the IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT, 200 East Grand Avenue, Des Moines, Iowa 50309 (“IDED”), the business identified above (“Business”), and the community identified above (“Community”), effective as of the Contract Effective Date stated in the Master Contract identified above.

WHEREAS, the Department has found the Business’ application to be consistent with the requirements of the Act and the administrative rules adopted by the Department for the HQJCP — 261 Iowa Administrative Code, Chapter 68; and

WHEREAS, the Business has been approved by the Department to receive certain tax incentives and assistance; and

WHEREAS, the Business has executed the Master Contract described above with the IDED pursuant to an Award on the Award Date stated in the Master Contract to the Business for the Project; and

WHEREAS, the Master Contract specifies that for each program funding source the IDED and the Business shall enter into a Funding Agreement; and

WHEREAS, this HQJCP Funding Agreement contains additional terms and conditions for the award of HQJCP benefits; and

NOW, THEREFORE, the Business and Community accept the terms and conditions set forth in this HQJCP Funding Agreement and the Master Contract for the funding of the Project. In consideration of the mutual promises contained in the Master Contract and this HQJCP Funding Agreement and other good and valuable consideration, it is agreed as follows:

**1.0 Master Contract.** Unless otherwise specified in this HQJCP Funding Agreement, the definitions, terms, conditions, and provisions contained in the Master Contract are applicable to this HQJCP Funding Agreement. The following provisions in the Master Contract do not apply to this HQJCP Funding Agreement:

*Article 3.1(b)* – Definition of “Project Completion Date” and “Job Maintenance Period.” [The EZ program has different time periods for these activities.]

*Article 4.3* – Repayment obligation. [No promissory note required for tax credits.]

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*Article 5.1(c)* – Promissory Notes. [Execution of note is not a condition precedent to receipt of tax credit benefits]

*Article 5.1(g)* – Security Documents. [Execution of Security Documents is not a condition precedent to receipt of tax credit benefits].

*Article 5.1(m)* – Requests for disbursement. [Not required for tax credit program benefits.]

*Article 5.2* – Prior costs. [Not applicable to tax credit program benefits.]

*Article 5.3* – Cost variation. [Not applicable to tax credit program benefits.]

*Article 5.5* – Investment of Award Proceeds. [No proceeds in tax credit programs.]

*Article 6* – Security, Cross-collateralization. [Not applicable to tax credit program benefits.]

*Article 9.1(a)* – Nonpayment as an Event of Default. (Not applicable because there are no loan payments in tax credit programs).

*Article 9.1(c)* – Noncompliance with Security Documents as an Event of Default. [Not applicable because there are no Security Documents required in tax credit programs].

*Article 9.1(g)* – Lien Deficiencies as an Event of Default. [Not applicable because there are no Security Documents required in tax credit programs.]

**2.0 Definitions.** As used in this HQJCP Funding Agreement, the following terms shall apply:

2.1 Agreement Expiration Date. Expiration of this HQJCP Funding Agreement occurs upon the happening of one of the following events, whichever occurs first:

(a) IDED’s determination that the Business has fully met the requirements of the HQJCP Funding Agreement, including meeting its job creation and maintenance requirements, and IDED closes out this HQJCP Funding Agreement.

(b) An Event of Default occurs that is not remedied within the time period allowed under the Master Contract.

(c) This HQJCP Funding Agreement is terminated upon mutual, written agreement of the Business, the Community and IDED.

2.2 HQJCP. “HQJCP” means the High Quality Job Creation Program. The HQJCP is authorized by 2005 Iowa Acts, House File 868.

2.3 HQJCP Award. “HQJCP Award” means IDED’s approval of the Business’s Financial Assistance Application for the Project. This HQJCP Award authorizes the Business to receive HQJCP Program benefits.

2.4 Average County Wage. “Average County Wage” means the average the Department calculates using the most current four quarters of wage and employment information as provided in the Quarterly Covered Wage and Employment Data report as provided by the Iowa department of workforce development. Agricultural/mining and governmental employment categories are deleted in compiling the wage information.

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2.5 “Annual Base Rent”. “Annual Base Rent” means the Business’ annual lease payment minus taxes, insurance, and operating or maintenance expenses.

2.6 Full-time Equivalent (FTE) Job. “Full-time Equivalent (FTE) Job” means the employment of one person:

(a) For 8 hours per day for a 5-day, 40-hour workweek for 52 weeks per year, including paid holidays, vacations and other paid leave, or

(b) For the number of hours or days per week, including paid holidays, vacations and other paid leave, currently established by schedule, custom, or otherwise, as constituting a week of full-time work for the kind of service an individual performs for an employing unit.

2.7 High Quality Jobs. “High Quality Jobs” means created jobs that, at minimum, have a starting wage including benefits equal to or greater than \$ 17.31, as shown in Master Contract Exhibit D, Job Obligations.

2.8 Project. “Project” means the detailed description of the work, services, and other obligations to be performed or accomplished by the Business and Community as described in the Master Agreement Exhibit C (Description of Project and Award Budget) and Master Agreement Exhibit A (Business’s Financial Assistance Application) for which the Business has been approved to receive certain tax credit benefits.

2.9 Project Completion Date. “Project Completion Date” means (1) for new manufacturing facilities, the first date upon which the average annualized production of finished product for the preceding ninety-day period at the manufacturing facility operated by the Business is at least fifty percent of the initial design capacity of the facility; or (2) for existing or non-manufacturing facilities, the date of completion of all improvements necessary for the start-up, location, expansion or modernization of business. This definition of “Project Completion Date” is only used for purposes of claiming the refund of sales, service and use taxes or the corporate tax credit for certain sales taxes paid, if applicable.

2.10 “Project Jobs” means the number of new Full-time Equivalent (FTE) Jobs created by the location or expansion of the Business in the High Quality Job Creation Program, as shown in Master Contract Exhibit D.

### 3.0 High Quality Job Creation Program Benefits.

3.1 Benefits Available. The following High Quality Job Creation Program benefits are available to the Business under this HQJCP Funding Agreement:

(a) Additional Research Activities Credit. The Business is eligible to claim an additional research activities credit as provided in Iowa Code section 15,335. This benefit is a tax credit for increasing research activities in this state during the period the Business is participating in the program. The credit may equal up to six and one-half percent (6.5%) of the State’s apportioned share of the qualifying expenditures, up to \$414,200, for increasing research activities and is in addition to the credit authorized in Iowa Code sections 422.10 and 422.33(5). Any tax credit in excess of the tax liability may be refunded to the Business with interest or, at its election, credited to its tax liability the following year.

3.2 Benefits Not Available. The following High Quality Job Creation Program benefits are not available to the Business under this agreement:

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3.3

(a) Investment Tax or insurance Premium Tax Credit.

(b) Refund Of Sales, Service And Use Taxes Paid To Contractors Or Subcontractors.

(c) Refund of Taxes Attributable to Racks, Shelving, and Conveyor Equipment

(d) Corporate tax credit for certain sales taxes paid by third party developer

(e) Value-Added Property Tax Exemption.

### 4.0 Conditions to Receipt of High Quality Job Creation Program Benefits.

The High Quality Job Creation Program Benefits authorized under this HQJCP Funding Agreement are available to the Business provided the Business, (and where applicable, the Community) satisfies each of the following conditions:

4.1 Job Obligations. The Business's Job Obligations are as detailed in Master Contract Exhibit D, "Job Obligations." The Business shall create the Project Jobs within 3 years (the "**Project Creation Period**") of the Effective Date (defined in the Master Contract). The Business shall maintain the Project Jobs for a period of at least two (2) years beyond the Project Creation Period, for a total contract duration of 5 years.

4.2 Qualifying Investment. Within three (3) years of the Effective Date (as defined in the Master Agreement), the Business shall make a qualifying Investment of \$2,000,000. A "qualifying investment" means an investment in real property including the purchase price of land and existing buildings and structures; site preparation; improvements to real property; building construction; long-term lease costs; and/or depreciable assets.

4.3 Required Elements.

(a) Offer a pension or profit sharing plan to full-time employees.

(b) Produce or manufacture high value-added goods or service or be in one of the state's targeted Industries\*: Drugs and Pharmaceuticals

(c) Invest annually no less than 1% of pretax profits from the facility located to Iowa or expanded under the program in research and development in Iowa.

(d) Have an active productivity and safety improvement program(s) involving management and worker participation and cooperation. The program(s) shall include benchmarks for gauging compliance.

4.4 Business Retention. The Business shall have and maintain Project operations contemplated by this Agreement within the Community at least through the Agreement Expiration Date.

4.5 Additional Conditions. Even though the 25,000-28,000 build-to-suit facility is not being included in the project, NewLink Genetics will be required to finalize the lease terms and occupy the facility by December 31, 2008. Failure to do so will result in an event of non-compliance and NewLink Genetics will be required to re-pay all or a part of the benefits received through the High Quality Job Creation Program award.

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## 5.0 Events of Default; Notice of Default; Repayment Provisions.

5.1 Events of Default. The terms of the Master Contract regarding Events of Default and Remedies govern this HQJCP Funding Agreement.

5.2 Notice of Default. The following Notice of Default provisions supersede the Notice of Default provisions specified in the Master Contract:

(a) From Department. If, through the annual certification report or other means, the IDED has reason to believe the Business is in default of the terms of this Agreement, the IDED will issue a written notice of default to the Business, setting forth the nature of the default in reasonable specificity, and providing therein a reasonable period of time, which shall not be less than 30 days from the date of the notice of default, in which the Business shall have an opportunity to cure, provided that cure is possible and feasible. A copy of any Notice of Default will also be provided to the Community and Department of Revenue.

(b) From Community. If, through monitoring, auditing or other means, the Community has reason to believe the Business is in default of the terms of this Agreement, the Community will issue a written notice of default to the Business, setting forth the nature of the default in reasonable specificity, and providing therein a reasonable period of time, which shall not be less than 30 days from the date of the notice of default, in which the Business shall have an opportunity to cure, provided that cure is possible and feasible. A copy of any Notice of Default will also be provided to the IDED and Department of Revenue.

5.3 Repayment Provisions. If the Business has received incentives or assistance under the HQJCP Program and fails to meet and maintain any one of the requirements of the HQJCP Program, the HQJCP Program Administrative Rules or any term of this HQJCP Funding Agreement, the Business is subject to repayment of all or a portion of the incentives and assistance that it has received, as detailed below:

(a) Job maintenance. If the approved Business fails to maintain the required number of created or retained jobs or both as defined in Master Contract Exhibit D and the final award documentation, the Business shall repay a percentage of the tax incentives and assistance that it has received. The repayment percentage will be equal to the percentage of jobs that the approved Business failed to maintain.

(b) Required elements. If the approved Business fails to meet the four required elements stated in Article 4.4 in any one year, the Business must meet that requirement in the following year or repay all the tax incentives and assistance that it has received.

(c) Selling, disposing, or razing of property. If, within five years of purchase, the approved Business sells, disposes of, razes, or otherwise renders unusable all or a part of the land, building, or other existing structures for which an investment tax credit or insurance premium tax credit was claimed, the income tax liability of the approved Business for the year in which all or part of the property is sold, disposed of, razed, or otherwise rendered unusable shall be increased by one of the following amounts:

(1) One hundred percent of the tax credit claimed if the property ceases to be approved for the tax credit within one full year after being placed in service.

(2) Eighty percent of the tax credit claimed if the property ceases to be approved for the tax credit within two full years after being placed in service.

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(3) Sixty percent of the tax credit claimed if the property ceases to be approved for the tax credit within three full years after being placed in service.

(4) Forty percent of the tax credit claimed if the property ceases to be approved for the tax credit within four full years after being placed in service.

(5) Twenty percent of the tax credit claimed if the property ceases to be approved for the tax credit within five full years after being placed in service.

(d) Layoffs or closures. If an approved Business experiences a layoff within the state or closes any of its facilities within the state prior to receiving the tax incentives and assistance, the Department may reduce or eliminate all or a portion of the tax incentives and assistance. If an approved Business experiences a layoff within the state or closes any of its facilities within the state after receiving tax incentives and assistance, the Business may be subject to repayment of all or a portion of the tax incentives and assistance that it has received.

(e) Department of Revenue; Community Recovery. Once it has been established, through the Business' annual certification, monitoring, audit or otherwise, that the Business is required to repay all or a portion of the incentives received, the Department of Revenue and the Community shall collect the amount owed. The Community has the authority, pursuant to the HQJCP Program, to take action to recover the value of taxes not collected as a result of the exemption provided by the Community to the Business. Department of Revenue has the authority, pursuant to the HQJCP Program, to recover the value of state taxes or incentives provided under the HQJCP Program. The value of state incentives provided under the HQJCP Program includes applicable interest and penalties.

## 6.0 Final Award Amount.

6.1 Submit Final Numbers Within 12 Months. The approved Business shall, upon satisfaction of the requirements stated in Article 4.0, submit to the Department information on the final created jobs, including starting wages and benefit values, and the final qualifying investment. This submission must be in writing on the form provided by the Department and must be received by the Department within 12 months of completion of the project and the creation of the jobs. Upon receipt of the completed form, the Department shall review and confirm the information and shall prepare the final award amounts based on the final results. Final award amounts may still be subject to certain limitations put in place when the initial award was made.

6.2 Repayment If Claimed Credits Exceed Final Award Amount. If, upon receipt of the final award amount from the Department, the Department of revenue determines that the approved Business has claimed tax incentives and assistance in amounts that exceed the amounts stipulated in the final award, the approved Business shall be required to repay any tax credits and refunds it received in excess of the final award amounts. The Department of Revenue shall have the authority to collect the amount to be repaid to the state including interest and penalties.

7.0 **Incorporated documents.** The following documents are hereby incorporated by this reference:

1. The Master Contract number and its Exhibits.
2. HQJCP Funding Agreement Exhibit A, "Investment Tax Credit Amortization Schedule Examples."

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IN WITNESS WHEREOF, the parties have executed this HQJCP Funding Agreement:

### BUSINESS:

BY: /s/ Nicholas N. Vahanian  
Signature

Nicholas Vahanian M.D., Chief Medical Operations Officer  
Typed Name and Title

/s/ 8/24/07  
Date

### IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT:

BY: /s/ Vincent C. Lintz, Deputy Director  
Vincent C. Lintz, Deputy Director

/s/ 9/20/07  
Date

### COMMUNITY:

BY: /s/ Ann H. Campbell  
Signature

Ann H. Campbell, Mayor  
Typed Name and Title

/s/ 9/18/07  
Date

**DESCRIPTION OF THE PROJECT AND AWARD BUDGET  
(EXHIBIT C)**

Name of Business: NewLink Genetics Corporation

Contract Number: 06-54

**PROJECT DESCRIPTION**

NewLink Genetics Corporation will develop a campus for its operations at the ISU Research park in Ames, Iowa. The project involves purchases of manufacturing machinery and equipment and research and development. NewLink Genetics Corp. will create 45 full-time equivalent (FTE) jobs as a result of this project.

Project Completion Date: December 31, 2008

Job Maintenance Period: December 31, 2010

**AWARD BUDGET**

<u>SOURCE OF FUNDS</u>	<u>Amount</u>	<u>USE OF FUNDS</u>	<u>Cost</u>
IDED Programs			
HQJC Program Benefits	*see below	*Mfg Machinery and Equipment	\$2,000,000
City of Ames	\$200,000	Research and Development	\$20,000,000
AEDC	\$200,000		
NewLink Genetics Corp.	<u>\$21,600,000</u>	Forgivable loan	
		Forgivable loan	
<b>SUBTOTAL</b>	\$22,000,000	<b>SUBTOTAL</b>	\$22,000,000
		*included as capital investment if awarded tax credit program	
<b>SUB TOTAL</b>	\$0	<b>SUB TOTAL</b>	\$0
<b>TOTAL ALL FUNDS</b>	<u>\$22,000,000</u>		<u>\$22,000,000</u>

\*HQJC Program Benefits \$414,200 (estimated value)

Jan. 06

**AUTHORIZATION FOR RELEASE OF CONFIDENTIAL STATE TAX INFORMATION AND CONFIDENTIAL UNEMPLOYMENT INSURANCE INFORMATION**

The undersigned (noted below as "Taxpayer") is an applicant for or a recipient of an award by the Iowa Department of Economic Development and has entered into contract number 06-54.

The undersigned hereby authorizes the Department of Revenue to provide to (Awarding Agency) state tax information in the file pertinent to this contract or tax credit certificate(s). This Authorization for Release of Confidential State Tax Information shall be valid for all tax periods either 1) for a 3-year period following completion of the contract or 2) for a 3-year period following completion of tax credit claims using the above tax credit certificate number(s), whichever is longer.

In the case of pass-through business entities (such as partnerships, limited liability companies, cooperatives, S corporations, etc.), data for members of the business entity will be aggregated and released at the business level to the Awarding Agency with this signed release from the business entity, **The signature of a business representative on this Authorization form authorizes the Iowa Department of Revenue to release tax information at the business entity level.**

State tax information authorized for release includes tax information pertinent to the taxpayer for individual income tax, corporate income tax, franchise tax, insurance premiums tax, sales and use tax, withholding tax, moneys and credits tax, and the replacement tax on utilities that is requested by the Awarding Agency in the administration of tax credit programs and other state financial assistance programs.

The undersigned hereby authorizes the Iowa Department of Workforce Development to provide to the Iowa Department of Revenue and to the Awarding Agency the Employment Contribution and Payroll Tax Report (form 65-5300) and Multiple Worksite Report (ELS 3020) and information from these forms for the Employer Identification Number (EIN) number pertinent to the above specified contract or tax credit certificate(s). Iowa Workforce Development may provide the information without providing the report. The confidential unemployment insurance information will be released, pursuant to this authorization only to the **Iowa Department of Economic Development** and/or The Department of Revenue for the purpose of evaluation and administration of tax credit programs and other state financial assistance programs. This Authorization for Release of Confidential Unemployment Insurance information shall be valid

for all periods either 1) for a 3-year period following completion of the contract or 2) for a 3-year period following completion of tax credit claims using the above tax credit certificate number(s), whichever is longer.

Name of Taxpayer: \_\_\_\_\_

Street Address: \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Social Security Number (for individuals): \_\_\_\_\_

Employer Identification Number (for businesses): \_\_\_\_\_

Unemployment Insurance Number (for businesses): \_\_\_\_\_

Type of Entity:  Individual/Sole Proprietorship  Partnership  S Corp  C Corp

LLC  Cooperative  Other (specify) \_\_\_\_\_

Signature of Taxpayer: \_\_\_\_\_

Title (Required for partnerships and corporations(1)): \_\_\_\_\_

Date signed: \_\_\_\_\_

(1) Partnerships — Only partners can authorize release of information.  
Corporations — Only corporate officers can authorize release of information.

EXHIBIT D - JOB OBLIGATIONS

**Jobs Created or Retained through this Project**

**NewLink Genetics Corporation  
06-54**

Below is a list of the jobs that must be retained and/or created as a result of this Project. A “retained job” is an existing job that would be eliminated or moved to another state if the project did not proceed in Iowa. A “created job” means the number of new FTE Jobs the Business will add over and above the **Business’s Employment Base** and, if applicable, **Statewide Employment Base**. “Qualifying jobs” are those created or retained jobs that qualify for program funding. “Non-qualifying jobs” are those jobs created or retained by the project that do not qualify for funding, but would not be created or retained if the Project did not proceed.

Job Title	# of Jobs	Type of Job: Created (C) or Retained (R)	Starting or Current Hourly Wage	Avg. Benefit Value	HQJC Program \$17.31	
					Qualifying	Non-Qualifying
Laboratory Technician	28	C	\$ 14.42	\$ 1.91		28
Senior Research Scientist	6	C	\$ 36.06	\$ 1.91	6	
Research Scientist	8	C	\$ 26.44	\$ 1.91	8	
Administrative Assistant	3	C	\$ 14.42	\$ 1.91		3
<b>Total Jobs Created:</b>	<b>45</b>					
<b>Total Jobs Retained:</b>	<b>0</b>					
<b>Totals:</b>	<b>45</b>				<b>14</b>	<b>31</b>
Business Employment Base	34		Statewide Employment Base:		0	

**Job Performance Obligations**

As a result of this project, NewLink Genetics Corporation will create 45 new full-time equivalent (FTE) jobs above a base employment of 34 FTE jobs at the Ames location. 14 of the 45 created project jobs will meet the definition of “high-quality” jobs. High-quality jobs, for purposes of this project in Story County are defined as created jobs with a starting wage including benefits equal to or greater than \$17.31.

Dec-05

## CONTRACT AMENDMENT

BUSINESS:	<b>NewLink Genetics Corporation</b>
MASTER CONTRACT #:	<b>06-54</b>
FUNDING AGREEMENT#	<b>06-HQJC-017</b>
AMENDMENT #:	<b>One</b>
EFFECTIVE DATE:	<b>April 21, 2009</b>

THIS CONTRACT AMENDMENT is made by and between the IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT, (hereafter "Department" or "IDED"), 200 East Grand Avenue, Des Moines, Iowa 50309, an agency of the State of Iowa and **NewLink Genetics Corporation** (hereafter "Business"), a **Delaware corporation, 2901 South Loop Drive, Suite 3900, Ames, Iowa 50010.**

WHEREAS, Business, requested by correspondence dated December 8, 2008 an extension of the Project Completion Date from December 31, 2008 to March 18, 2010, and

WHEREAS, the **IDED DIRECTOR** approved the Business's request, effective as of the Effective Date stated above, and

NOW, THEREFORE, the Contract referenced above is amended as follows:

1. **REVISION OF ARTICLE 3.1, "PROJECT COMPLETION DATE."** The definition of "Project Completion Date" in Article 3.1 is amended as follows:

**"Project Completion Date"** means ~~the date three (3) years from the Award Date~~ March 18, 2010 as stated in Exhibit C, Description of the Project and Award Budget. The Project Completion Date is the date by which all Project activities shall be satisfactorily completed.

2. **REVISION OF HQJC FUNDING AGREEMENT ARTICLE 4.1 "JOB OBLIGATIONS."**

Article 4.1 is amended as follows:

The Business's Job Obligations are as detailed in Master Contract Exhibit D, "Job Obligations." The Business shall create the Project Jobs ~~within 3 years~~ (the "**Project Creation Period**") of the Effective Date (defined in the Master Contract) by March 18, 2010. The Business shall maintain the Project Jobs for a period of at least two (2) years beyond the Project Creation Period, for a total contract duration of 57 years.

3. **REVISION OF HQJC FUNDING AGREEMENT ARTICLE 4.2 "QUALIFYING INVESTMENT."** Article 4.2 is amended as follows:

~~Within three (3) years of the Effective Date (as defined in the Master Agreement)~~ By March 18, 2010, the Business shall make a qualifying investment of \$2,000,000. A "qualifying investment" means an investment in real property including the purchase price of land and existing buildings and structures; site preparation; improvements to real property; building construction; long-term lease costs; and/or depreciable assets.

4. **REVISION OF HQJC FUNDING AGREEMENT ARTICLE 4.5 "ADDITIONAL CONDITIONS."** Article 4.5 is amended as follows:

Even though the 25,000-28,000 build-to-suit facility is not being included in the project, Newlink Genetics will be required to finalize the lease terms and occupy the facility by ~~December 31, 2008~~ March 18, 2010. Failure to do so will result in an event of non-compliance and NewLink Genetics will be required to re-pay all or a part of the benefits received through the High Quality Job Creation Program award.

5. **REVISION OF EXHIBIT C, "DESCRIPTION OF THE PROJECT AND AWARD BUDGET."** Exhibit C is amended to revise the Project Completion Date. Details of this change are reflected in the attached Revised Exhibit C which is hereby incorporated by this reference and made a part of this Contract Amendment.

Except as otherwise revised above, the terms, provisions, and conditions of Contract Number 06-54 remain unchanged and are in full force and effect:

**FOR BUSINESS:**

/s/Gordon Link

SIGNATURE

Gordon Link/CFO

PRINT/TYPE NAME, TITLE

**FOR IDED:**

/s/Vincent C. Lintz

SIGNATURE

Vincent C. Lintz, Deputy Director

PRINT/TYPE NAME, TITLE

**FOR COMMUNITY:**

/s/Ann H. Campbell

SIGNATURE

Ann H. Campbell, Mayor

PRINT/TYPE NAME, TITLE

**DESCRIPTION OF THE PROJECT AND AWARD BUDGET  
(Exhibit C)**

**Name of Business:** NewLink Genetics Corporation  
**Contract Number:** 06-54

**PROJECT DESCRIPTION**

NewLink Genetics Corporation will develop a campus for its operations at the ISU Research park in Ames, Iowa. The project involves purchases of manufacturing machinery and equipment and research and development. NewLink Genetics Corp. will create 45 full-time equivalent (FTE) jobs as a result of this project.

Project Completion Date: ~~December 31, 2008~~ March 18, 2010  
 Job Maintenance Period: ~~December 31, 2010~~ March 18, 2012

**AWARD BUDGET**

<u>SOURCE OF FUNDS</u>	<u>Amount</u>		<u>USE OF FUNDS</u>	<u>Cost</u>
IDED Programs				
HQJC Program Benefits	*see below		*Mfg Machinery and Equipment	\$2,000,000
			Research and Development	\$20,000,000
City of Ames	\$200,000	Forgivable loan		
AEDC	\$200,000	Forgivable loan		
NewLink Genetics Corp.	\$21,600,000			
<b>SUB TOTAL</b>	<b>\$22,000,000</b>		<b>SUBTOTAL</b>	<b>\$22,000,000</b>
			* included as capital investment if awarded tax credit program	
<b>SUB TOTAL</b>	<b>\$0</b>		<b>SUB TOTAL</b>	<b>\$0</b>
<b>TOTAL ALL FUNDS</b>	<b>\$22,000,000</b>			<b>\$22,000,000</b>

\*HQJC Program Benefits \$414,200 (estimated value)

Jan. 06Apr. 09

CONTRACT AMENDMENT

BUSINESS:	<b>NewLink Genetics Corporation</b>
MASTER CONTRACT #:	<b>06-54</b>
FUNDING AGREEMENT#:	<b>06-HQJC-017</b>
AMENDMENT #:	<b>Two</b>
EFFECTIVE DATE:	<b>August 19, 2010</b>

THIS CONTRACT AMENDMENT is made by and between the IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT, (hereafter "Department" or "IDED"), 200 East Grand Avenue, Des Moines, Iowa 50309, an agency of the State of Iowa and **NewLink Genetics Corporation** (hereafter "Business"), a **Delaware corporation, 2901 South Loop Drive, Suite 3900, Ames, Iowa 50010.**

WHEREAS, Business requested an extension of the Project Completion Date, and

WHEREAS, the **IDED Board** approved a one (1) year extension, effective as of the Effective Date stated above, and

NOW, THEREFORE, the Contract referenced above is amended as follows:

**6. REVISION OF ARTICLE 3.1, "PROJECT COMPLETION DATE."** The definition of "Project Completion Date" in Article 3.1 is amended as follows:

"**Project Completion Date**" means March 18, 2010 as stated in Exhibit C, Description of the Project and Award Budget. The Project Completion Date is the date by which all Project activities shall be satisfactorily completed.

**7. REVISION OF HQJC FUNDING AGREEMENT ARTICLE 4.1 "JOB OBLIGATIONS."**

Article 4.1 is amended as follows:

The Business's Job Obligations are as detailed in Master Contract Exhibit D, "Job Obligations."

The Business shall create the Project Jobs by March 18, 2010. The Business shall maintain the Project Jobs for a period of at least two (2) years beyond the Project Creation Period, for a total contract duration of 57 years.

**8. REVISION OF HQJC FUNDING AGREEMENT ARTICLE 4.2 "QUALIFYING INVESTMENT."** Article 4.2 is amended as follows:

By March 18, 2010, the Business shall make a qualifying investment of \$2,000,000. A "qualifying investment" means an investment in real property including the purchase price of land and existing buildings and structures; site preparation; improvements to real property; building construction; long-term lease costs; and/or depreciable assets.

**9. REVISION OF HQJC FUNDING AGREEMENT ARTICLE 4.5 "ADDITIONAL CONDITIONS."** Article 4.5 is amended as follows:

Even though the 25,000-28,000 build-to-suit facility is not being included in the project, Newlink Genetics will be required to finalize the lease terms and occupy the facility by March 18, 2010. Failure to do so will result in an event of non-compliance and NewLink Genetics will be required to re-pay all or a part of the benefits received through the High Quality Job Creation Program award.

**10. REVISION OF EXHIBIT C, "DESCRIPTION OF THE PROJECT AND AWARD BUDGET."** Exhibit C is amended to revise the Project Completion Date. Details of this change are reflected in the attached Revised Exhibit C which is hereby incorporated by this reference and made a part of this Contract Amendment.

Except as otherwise revised above, the terms, provisions, and conditions of Contract Number 06-54 remain unchanged and are in full force and effect:

**FOR BUSINESS:**

**FOR IDED:**

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
Bret Mills, Director

\_\_\_\_\_  
DATE

\_\_\_\_\_  
PRINT/TYPE NAME, TITLE

**FOR COMMUNITY:**

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
PRINT/TYPE NAME, TITLE

**DESCRIPTION OF THE PROJECT AND AWARD BUDGET  
(Exhibit C)**

**Name of Business:** NewLink Genetics Corporation  
**Contract Number:** 06-54

**PROJECT DESCRIPTION**

NewLink Genetics Corporation will develop a campus for its operations at the ISU Research park in Ames, Iowa. The project involves purchases of manufacturing machinery and equipment and research and development. NewLink Genetics Corp. will create 45 full-time equivalent (FTE) jobs as a result of this project.

Project Completion Date: ~~March 18, 2010~~ March 18, 2011  
Job Maintenance Period: ~~March 18, 2012~~ March 18, 2013

**AWARD BUDGET**

<u>SOURCE OF FUNDS</u>	<u>Amount</u>		<u>USE OF FUNDS</u>	<u>Cost</u>
IDED Programs				
HQJC Program Benefits	*see below		*Mfg Machinery and Equipment	\$2,000,000
			Research and Development	\$20,000,000
City of Ames	\$200,000	Forgivable loan		
AEDC	\$200,000	Forgivable loan		
NewLink Genetics Corp.	\$21,600,000			
<b>SUB TOTAL</b>	\$22,000,000		<b>SUBTOTAL</b>	\$22,000,000
			* included as capital investment if awarded tax credit program	
<b>SUB TOTAL</b>	\$0		<b>SUB TOTAL</b>	\$0
<b>TOTAL ALL FUNDS</b>	<b>\$22,000,000</b>			<b>\$22,000,000</b>

\*HQJC Program Benefits \$414,200 (estimated value)

~~Jan. 06~~ Apr. 09

## EXCLUSIVE LICENSE AGREEMENT

between

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

and

BIOPROTECTION SYSTEMS CORPORATION

for

[\*]

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**EXCLUSIVE LICENSE AGREEMENT**

for

**[\*]**

This license agreement ("Agreement") is made effective this 29th day of July, 2008 ("Effective Date"), by and between The Regents of the University of California, a California corporation, having its statewide administrative offices at 1111 Franklin Street, 12th Floor, Oakland, California 94607-5200 ("The Regents"), and acting through its Office of Technology Management, University of California San Francisco ("UCSF"), 185 Berry Street, Suite 4603, San Francisco, California 94107, and BioProtection Systems Corporation, a Delaware corporation, having a principal place of business at 2901 South Loop Drive, Suite 3360, Ames, Iowa 50010-8646 ("Licensee").

**BACKGROUND**

- A. Certain inventions, generally characterized as [\*] (collectively "Inventions"), were made in the course of research at the University of California, San Francisco, by Drs. Raul Andino and Andres McAllister Moreno and are claimed in Patent Rights as defined below.
- B. The development of the Inventions was sponsored by the Department of Health and Human Services and, as a consequence, this license is subject to overriding obligations to the United States Federal Government under 35 U.S.C. §§ 200-212 and applicable regulations, including a non-exclusive, non-transferable, irrevocable, paid-up license to practice or have practiced the Inventions for or on behalf of the United States Government throughout the world.
- C. Licensee wishes to obtain certain rights from The Regents for the commercial development of the Inventions, in accordance with the terms and conditions set forth herein and The Regents is willing to grant those rights so that the Inventions may be developed and the benefits enjoyed by the general public.
- D. The scope of such rights granted by The Regents is intended to extend to the scope of the patents and patent applications in Patent Rights, but only to the extent that The Regents has proprietary rights in and to the Valid Claims of such Patent Rights.
- E. Licensee is a "small business firm" as defined in 15 U.S.C. §632.
- F. Both parties recognize and agree that Earned Royalties are due under this Agreement with respect to specific products, services and methods covered by this Agreement and that such royalties will be paid with respect to both pending patent applications and issued patents, in accordance with the terms and conditions set forth herein.
- G. Both parties recognize and agree that Earned Royalties due under this Agreement will be based on Licensee's or a Sublicensee's last act covered by the Patent Rights within the control of Licensee or a Sublicensee, regardless of whether Licensee or a Sublicensee

had control over prior acts; the parties intend that Earned Royalties due under this Agreement will be calculated based on the Net Sales of the product or service resulting from the last such act by Licensee and its Sublicensees.

The parties agree as follows:

**1 DEFINITIONS**

As used in this Agreement, the following terms, whether used in the singular or plural, shall have the following meanings:

- 1.1 “**API**” or “**Active Pharmaceutical Ingredient**” means a therapeutically active biological or chemical compound that (i) requires regulatory approval by the United States Food and Drug Administration (“FDA”) before use in humans; (ii) does not function together with the Licensed Product to achieve the same prophylactic or therapeutic purpose through the same mechanism of action, by targeting the same antigen or the same gene or expressed product of a gene; (iii) is claimed or covered by patent rights that do not claim or cover Licensed Product; and (iv) when Sold as a component of a Combination Product, the market price of such Combination Product is higher than the market price for the Licensed Product portion included within such Combination Product, when such Licensed Product is Sold alone. For clarity, the term “Active Pharmaceutical Ingredient” shall not include excipients, buffers or other similar substances that are typically formulated with the therapeutically active ingredient contained in a drug product to form the final drug product for sale and/or pharmaceutical administration.
- 1.2 “**Affiliate**” of Licensee means any entity which, directly or indirectly, Controls Licensee, is Controlled by Licensee or is under common Control with Licensee. “Control” means: (i) having the actual, present capacity to elect a majority of the directors of such entity; (ii) having the power to direct at least forty percent (40%) of the voting rights entitled to elect directors; or (iii) in any country where the local law will not permit foreign equity participation of a majority, ownership or control, directly or indirectly, of the maximum percentage of such outstanding stock or voting rights permitted by local law.
- 1.3 “**Attributed Income**” means the total gross proceeds (exclusive of Earned Royalties of Sublicensees, but including, without limitation, any license fees, maintenance fees, or milestone payments), whether consisting of cash or any other forms of consideration and whether any rights other than Patent Rights are granted, which gross proceeds are received by or payable to Licensee or any Affiliate from any Sublicensee in consideration of the grant of a sublicense under the Patent Rights. Notwithstanding the foregoing, Attributed Income shall not include proceeds attributed in such sublicense or such agreement, arrangement or other relationship on the basis of full-time equivalent (“FTE”) efforts of personnel at or below commercially reasonable and standard FTE rates and/or reimbursement of other research costs (such as capital equipment purchase) on any actual cost basis.

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For the avoidance of doubt, any gross proceeds meeting the definition set forth above in this Article 1.2 shall be “Attributed Income” irrespective of whether such gross proceeds are received under one or more separate agreements relating to sublicensing of the Patent Rights and irrespective of how such gross proceeds are referred to or characterized by Licensee, or the Sublicensee.

- 1.4 “**Combination Product**” means a therapeutic Product that when Sold contains as active ingredients both a Licensed Product and one or more Active Pharmaceutical Ingredients (which are not themselves Licensed Products). For clarity, the entire Combination Product is deemed a Licensed Product.
- 1.5 “**Commercially Reasonable Efforts**” shall mean, with respect to the efforts and resources to be expended by Licensee (or its Affiliates or any Sublicensees) with respect to any objective under this Agreement, reasonable, diligent, good faith efforts to accomplish such objective as such party would normally use to accomplish a similar objective under similar circumstances, it being understood and agreed that with respect to the discovery, development or commercialization of any Product, such efforts shall be substantially equivalent to those efforts and resources commonly used by such party for a product owned by it or to which it has exclusive rights, which product is at a similar stage in its development or product life and is of similar market potential taking into account efficacy, safety, approved labeling, the competitiveness of alternative products in the marketplace, the patent and other proprietary position of the product, the likelihood of regulatory approval, the profitability and commercial potential of the product to the applicable party, alternative products and other relevant factors.
- 1.6 “**Earned Royalty**” means a royalty as defined in Paragraph 9.1.
- 1.7 “**Field of Use**” means all uses, applications and indications relating to human health, such as diagnostic, prophylactic and therapeutic applications, including without limitation Licensee’s and any Sublicensee’s internal research and development use as required to develop such applications and all commercial uses relating to human healthcare. All other uses are excluded.
- 1.8 “**FTE**” is defined in Paragraph 1.2 (Attributed Income).
- 1.9 “**Joint Venture**” means any separate entity established pursuant to an agreement between a third party and Licensee and/or Sublicensee to constitute a vehicle for a joint venture, in which the separate entity manufactures, uses, purchases, Sells or acquires Licensed Products from Licensee or Sublicensee.
- 1.10 “**Know-How**” means the Biological Materials, protocols and other unpatented know-how listed or generally described in Appendix A.
- 1.11 “**Licensed Method**” means any process, art or method the use or practice of which, but for the license granted in this Agreement, would infringe, or contribute to, or induce the infringement of, any Patent Rights in any country were they issued at the time of the infringing activity in that country.

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- 1.12 “**Licensed Product(s)**” means any Product, (which may include, without limitation, a Product for use or used in practicing a Licensed Method and any Product made by practicing a Licensed Method), the manufacture, use, Sale, offer for Sale or import of which, but for the license granted in this Agreement, would infringe, or contribute to, or induce the infringement of, any Patent Rights in any country were they issued at the time of the infringing activity in that country. For the avoidance of doubt, if such Product is a component of a larger unit such as a kit, composition of matter or combination, then such kit, composition of matter or combination is deemed to be the Licensed Product for purposes of this definition.
- 1.13 “**Net Invoice Price**” means the gross invoice price charged by, and the value of any other consideration (if any) owed to, Licensee and/or any Sublicensee for a Licensed Product Sold to a third party, less (i) an allowance only for those accounts deemed uncollectible by Licensee (or the

Sublicensee, as applicable) after diligent efforts to collect the amount owed, and (ii) the following items, but only to the extent that they actually pertain to the disposition of such Licensed Product, and are included in the gross invoice price charged or other consideration owed:

- 1.13.1 Allowances or credits or refunds actually granted to customers for rejections, returns and prompt payment and volume or trade discounts off of the gross invoice price;
- 1.13.2 Freight, transport packing and insurance charges associated with transportation, to the extent identified separately on a bill or invoice;
- 1.13.3 Taxes, including Deductible Value Added Tax, tariffs or import/export duties based on Sales when included in the gross invoice price, but excluding value-added taxes other than Deductible Value Added Tax or taxes assessed on income derived from Sales. "Deductible Value Added Tax" means only the portion of the value added tax that is actually incurred and is not reimbursable, refundable or creditable under the tax authority of any country;
- 1.13.4 normal and customary discounts and rebates given off of the gross invoice price as a part of a formulary or similar program that are allowed, paid or credited to customers, third-party payers, healthcare systems, or administrators for a Licensed Product that is included in such program, as permitted by applicable law;
- 1.13.5 normal and customary chargebacks and retroactive price reductions that are paid or credited to customers, third-party payers, health care systems, or administrators for a Licensed Product, as permitted by applicable law;
- 1.13.6 Rebates and discounts off of the gross invoice price paid or credited pursuant to applicable law; and
- 1.13.7 The invoiced, out-of-pocket cost (or cost of manufacture, if manufactured by Licensee, its Affiliate(s) or any Sublicensees) for drug delivery devices or

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vaccine delivery devices specifically for use with and included in the Licensed Product.

1.14 "Net Sale" means:

- 1.14.1 except in the instances described in Paragraphs 1.14.2, 1.14.3 and 1.14.4 of this Paragraph, the Net Invoice Price;
- 1.14.2 for any Relationship-Influenced Sale of a Licensed Product, Net Sales shall be based on the Net Invoice Price at which the Relationship-Influenced Sale Purchaser re-Sells such Licensed Product;
- 1.14.3 in those instances where Licensed Product is not Sold, but is otherwise commercially exploited, the Net Sales for such Licensed Product shall be the Net Invoice Price of products of the same or similar kind and quality, Sold in similar quantities, currently being offered for Sale by Licensee, and/or any Sublicensee. Where such products are not currently being offered for Sale by Licensee, and/or any any Sublicensee, the Net Sales for Licensed Product otherwise exploited, for the purpose of computing royalties, shall be the average Net Invoice Price at which products of the same or similar kind and quality, Sold in similar quantities, are then currently being offered for Sale by other manufacturers. Where such products are not currently Sold or offered for Sale by Licensee, and/or any Sublicensee, or others, then the Net Sales shall be Licensee's, and/ or any Sublicensee's cost of manufacture of Licensed Product, determined according to Generally Accepted Accounting Principles ("GAAP"), [\*]; and
- 1.14.4 for a Reacquisition Sale or Exploitation, Net Sales shall mean the Net Invoice Price upon the Reacquisition Sale or Exploitation of a Licensed Product.
- 1.14.5 For a Combination Product, Net Sales for royalty purposes shall be calculated as:  
 $A/(A+B) \times [\text{Net Sales, calculated as in 1.14.1-1.14.4 above, without regard to this formula}]$ , where:
  - (i) "A" is the total of Net Sales of each Licensed Product contained within or used in the Combination Product when Sold separately; and
  - (ii) "B" is the total of net sales of each API contained within or used in the Combination Product when Sold separately; provided, however, that in no event shall Net Sales for royalty purposes of a Combination Product be less than [\*] of the Net Sales calculated as above without regard to this formula.In the event that either the Licensed Product or any of the APIs included in the Combination Product are not Sold separately, the Net Sales shall be calculated as:  $(C/D) \times [\text{Net Sales, calculated as in 1.14.1-1.14.4 above, without regard to this formula}]$ , where:

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- (i) "C" is the relative contribution, to the overall market value of such Combination Product, of the Licensed Product portion included in the Combination Product; and
  - (ii) "D" is relative contribution, to the overall market value of such Combination Product, of the API portion(s) included in the Combination Product; with C and D to be established by the mutual agreement of the Parties acting reasonably and in good faith based upon the then-current market conditions; and provided, however, that in no event shall Net Sales for a Combination Product be less than [\*] of the Net Sales calculated without regard to this formula.

1.15 "New Developments" means inventions, or claims to inventions, which constitute advancements, developments or improvements, whether or not patentable and whether or not the subject of any patent application, which are not sufficiently supported by the specification of a previously-filed patent or patent application within the Patent Rights to be entitled to the priority date of the previously-filed patent or patent application.

1.16 “Patent Prosecution Costs” is defined in Paragraph 12.4.

1.17 “Patent Rights” means to the extent assigned to or otherwise obtained by The Regents, the following United States patents and patent applications and all rights thereunder:

UC Case Number	United States Application Number or United States Patent Number	Filing or Issue Date
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]

The term “Patent Rights” shall also mean, to the extent assigned to or otherwise obtained by The Regents, any reissues, extensions, substitutions, continuations, divisions, and continuation-in-part applications (but excluding those Valid Claims in the continuation-in-part applications that are not supported in the specification of and not entitled to the priority date of the parent application). This definition of Patent Rights excludes any rights in and to New Developments.

1.18 “Product” means any kit, article of manufacture, composition of matter, material, compound, component or product.

1.19 “Reacquisition Sale or Exploitation” means those instances where Licensee, or a Sublicensee, acquires a Licensed Product and then subsequently Sells or otherwise commercially exploits such Licensed Product.

1.20 “Related Party” means a corporation, firm or other entity with which, or individual with whom, Licensee, and/or any Sublicensee (or any of its respective stockholders, subsidiaries or Affiliates) have any agreement, understanding or arrangement (for example, but not by way of limitation, an option to purchase stock or other equity

interest, or an arrangement involving a division of revenue, profits, discounts, rebates or allowances) unrelated to the Sale or exploitation of the Licensed Products and due to such other agreement, understanding or arrangement, the amounts, if any, charged by Licensee, or any Sublicensee to such entity or individual for the Licensed Product, is less than Licensee or Sublicensee (as applicable) otherwise would have charged for such Licensed Product.

1.21 “Relationship-Influenced Sale” means a Sale of a Licensed Product, or any other commercial exploitation of the Licensed Product or Licensed Method, between Licensee and/or any Sublicensee and (i) an Affiliate; (ii) a Joint Venture; (iii) a Related Party or (iv) Licensee or a Sublicensee.

1.22 “Relationship-Influenced Sale Purchaser” means the purchaser of Licensed Product in a Relationship-Influenced Sale.

1.23 “Sale” means the act of selling, leasing or otherwise commercially transferring, providing, or furnishing for use for any consideration. Correspondingly, “Sell” means to make or cause to be made a Sale and “Sold” means to have made or caused to be made a Sale.

1.24 “Sublicensee” means any person or entity (including any Affiliate or Joint Venture) to which any of the license rights granted to Licensee hereunder are sublicensed.

1.25 “Sublicense Fee” is defined in Paragraph 8.1.

1.26 “Valid Claim” means a claim of a patent or patent application in any country that (i) has not expired; (ii) has not been disclaimed; (iii) has not been cancelled or superseded, or if cancelled or superseded, has been reinstated; and (iv) has not been revoked, held invalid, or otherwise declared unenforceable or not allowable by a tribunal or patent authority of competent jurisdiction over such claim in such country from which no further appeal has or may be taken.

## 2 GRANT

2.1 Subject to the limitations and other terms and conditions set forth in this Agreement including the license granted to the United States Government set forth in the Background and in Paragraph 2.4.1, The Regents grants to Licensee a license under its rights in and to Patent Rights to make, use, Sell, offer for Sale and import Licensed Products and to use and practice the Patent Rights and Licensed Methods, in the United States and in other countries where The Regents may lawfully grant such licenses, only in the Field of Use.

2.2 Except as otherwise provided for in this Agreement, the license granted under Patent Rights in Paragraph 2.1 is exclusive,

2.3 Subject to the limitations and other terms and conditions set forth in this Agreement including the license granted to the United States Government set forth in the Background and in Paragraph 2.4.1, The Regents grants to Licensee a non-exclusive

license under its rights in and to Know-How to use solely for the research, development and commercialization of Licensed Products only in the Field of Use.

2.4 The license granted in Paragraphs 2.1 and 2.2 is subject to the following:

- 2.4.1 The obligations to the United States Government under 35 U.S.C. §§ 200-212 and all applicable governmental implementing regulations, as amended from time to time, including the obligation to report on the utilization of the Inventions as set forth in 37 CFR. § 401.14(h), and all applicable provisions of any license to the United States Government executed by The Regents; and
- 2.4.2 the National Institutes of Health “Principles and Guidelines for Recipients of NIH Research Grants and Contracts on Obtaining and Disseminating Biomedical Research Resources,” 64 F.R. 72090 (Dec. 23, 1999), as amended from time to time.
- 2.5 The license granted in Paragraphs 2.1, 2.2 and 2.3 is limited to activities, methods and products that are within the Field of Use. For other activities, methods and products outside the Field of Use, Licensee has no license under this Agreement.
- 2.6 The Regents reserves and retains the right (and the rights granted to Licensee in this Agreement shall be limited accordingly) to make, use and practice the Inventions, and any technology relating to the Inventions and to make and use any Products and to practice any process that is the subject of the Patent Rights (and to grant any of the foregoing rights to other educational and non-profit institutions) for educational and research purposes, including without limitation, any sponsored research performed for or on behalf of commercial entities and including publication and other communication of any research results. For the avoidance of doubt, to the extent the Inventions and any technology relating to it are not the subject of the exclusive license under the Patent Rights granted to the Licensee hereunder, The Regents shall be free to make, use, Sell, offer to Sell, import, practice and otherwise commercialize and exploit (including to transfer, license to, or have exercised by, third parties) for any purpose whatsoever and in its sole discretion, such Inventions, and any Products or processes that are the subject of any of the foregoing.
- 2.7 Because the Inventions were made under funding provided by the United States Government, Licensed Products, the Inventions, and any products embodying the Inventions sold in the United States will be substantially manufactured in the United States to the extent required by law or regulation. The Regents agree to use reasonable efforts to seek an exemption from the foregoing requirement, if requested by Licensee, based upon reasonable reasons justifying such exemption.
- 2.8 Promptly after the Effective Date, The Regents will disclose or provide, as appropriate, to Licensee the Know-How in Appendix. A (to the extent not otherwise disclosed within the Patent Rights disclosed to Licensee).

### 3 SUBLICENSES

- 3.1 The Regents also grants to Licensee the right to sublicense to third parties (including to Affiliates and Joint Ventures) the rights granted to Licensee hereunder, with no right to further sublicense except as provided below, as long as Licensee has current exclusive rights under this Agreement. Each Sublicensee must be subject to a written sublicense agreement. All sublicenses will be subject to all terms and conditions of this Agreement, will include all of the rights of, and will require the performance of all the obligations due to, The Regents (and, if applicable, the United States Government and other sponsors) to the extent that such obligations are not performed by Licensee, other than those rights and obligations specified in Article 6 (License Issue Fee), Article 7 (License Maintenance Fee) and Paragraph 9.3 (Minimum Annual Royalty) and Paragraphs 21.4 and 21.5 (reimbursement for Patent Prosecution Costs). For the avoidance of doubt, Licensee shall have no right to permit any Sublicensee and no Sublicensee shall have any right to further sublicense any of the rights granted to Licensee hereunder without the prior written consent of The Regents, such consent not to be unreasonably withheld or delayed, except that each Sublicensee (except Affiliates and Joint Ventures) may sublicense to its Affiliates (as affiliate is defined in Paragraph 1.1 with Sublicensee substituted for Licensee in the definition), to the extent needed for the development and commercialization of Licensed Products in accordance with this Agreement. Also, for the avoidance of doubt, Affiliates and Joint Ventures shall have no licenses under this Agreement unless such Affiliates and Joint Ventures are granted a sublicense. For the purposes of this Agreement, any act or omission by a Sublicensee that would be a breach of this Agreement if imputed to Licensee will be deemed to be a breach by Licensee of this Agreement.
- 3.2 Licensee will notify The Regents of each sublicense granted hereunder and will provide The Regents with a complete copy of each sublicense (along with a summary of the material terms of each such sublicense) and each amendment to such sublicense within thirty (30) days of issuance of such sublicense or such amendment. Licensee will use reasonable efforts to collect from Sublicensees all fees, payments, royalties and the cash equivalent of any consideration due under the applicable sublicense agreements and will pay to The Regents all amounts due The Regents under this Agreement based on all Sublicensee’s activities. For clarity, even if Licensee grants a sublicense that contains a provision for payment to Licensee (or its Affiliate) of royalties by any Sublicensee in an amount that is less than the Earned Royalty required to be paid under Paragraph 9.1 below based on the sales of Licensed Product by such Sublicensee, Licensee will pay to The Regents a total amount equal to the Earned Royalty based on the Sublicensees’ Net Sales as provided for in Paragraph 9.1. Licensee will require Sublicensees to provide it with copies of all progress reports and royalty reports in accordance with the provisions herein and Licensee will collect and deliver all such reports due The Regents from Sublicensees.
- 3.3 If Licensee licenses to a third party patent rights assigned to or otherwise acquired by Licensee (“Licensee’s Patent Rights”), and it believes, in good faith, that the recipient of such license will infringe Patent Rights in practicing Licensee’s Patent Rights, then Licensee will not separately grant a license to such recipient under Licensee’s Patent Rights without concurrently granting a sublicense under Patent Rights consistent with Section 3.1 under this Agreement.

- 3.4 Upon any expiration or termination of this Agreement for any reason, all sublicenses shall automatically terminate, unless The Regents, at its sole discretion, agrees in writing to an assignment to The Regents of any sublicense. In the event of termination of this Agreement and if The Regents accepts assignment of any sublicense, The Regents will not be bound by any grant of rights broader than or will not be required to perform any obligation other than those rights and obligations contained in this Agreement. Moreover, if The Regents accepts assignment of a sublicense in such case, The Regents will have the sole right to modify each such assigned sublicense to include all of the rights of The Regents (and, if applicable, the United States Government and other sponsors) that are contained in this Agreement, including the payment of Earned Royalties directly to The Regents by the Sublicensee as if it were Licensee at a rate that is no lower than the rate set forth in Article 9 (Earned Royalties and Minimum Annual Royalties) in accordance with Article 5 (Payment Terms).

## 4 MANDATORY SUBLICENSING

- 4.1 If The Regents (as represented by the actual knowledge of the licensing professional responsible for administration of this Agreement) becomes aware of, or if a third party becomes aware of and notifies such licensing professional of an application or use for Licensed Products within the licensed Field of Use but for which Licensed Products have not been developed or are not, at such time, being developed by Licensee, then The Regents, through the Office of Technology Management, may give written notice to Licensee thereof.
- 4.2 Within ninety (90) days of such notice, Licensee shall give The Regents written notice stating whether Licensee (or its Affiliate or Sublicensee) agrees to develop and commercialize Licensed Products for such application ("New Licensed Products"). Such notice shall be accompanied by (i) a reasonably detailed development schedule, including specific diligence requirements and development milestones, for the development of New Licensed Products; and (ii) a reasonably detailed business plan for the development, marketing and commercialization of New Licensed Products (collectively, the "Development Plan"). If Licensee has not notified The Regents, in accordance with the foregoing, that Licensee (or its Affiliate or Sublicensee) agrees to develop and commercialize such New Licensed Products within such ninety (90) day period, or if the Development Plan is not reasonably acceptable to The Regents, then Licensee shall be deemed to not so agree.
- 4.3 If Licensee has notified The Regents, as set forth in Paragraph 4.2, that it (or its Affiliate or Sublicensee) intends to develop and commercialize such New Licensed Products, then Licensee (or its Affiliate or Sublicensee) shall (i) diligently proceed with the development, manufacture and commercialization of such New Licensed Products in accordance with the Development Plan and (if required regulatory approvals are obtained) earnestly and diligently endeavor to market the same in accordance with the Development Plan and in quantities sufficient to meet market demand; and (ii) Licensee shall submit a written progress report setting forth in detail the status of such development, manufacture and commercialization every six (6) months to The Regents.

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- 4.4 If Licensee does not agree, as set forth in Paragraph 4.2, to develop and commercialize such New Licensed Products, or if Licensee (or its Affiliate or Sublicensee, as applicable) materially fails to diligently pursue the development and commercialization thereof in accordance with the Development Plan and such failure is not cured within 90 days of written notice of such failure, then The Regents shall have the right to seek one or more third parties for the development and commercialization of such New Licensed Products and refer such third party to Licensee so that such third party may request a sublicense allowing for development and commercialization of such New Licensed Products, provided however that Licensee shall not in any event be required to grant to any such third party a sublicense with respect to any Licensed Product then in development or being commercialized by Licensee (or its Affiliate or Sublicensee) for other uses or indications within the licensed Field of Use. If the third party requests a sublicense, then Licensee shall report such request, together with the terms and conditions thereof proposed by such third party, to The Regents within thirty (30) days from the date of such request, and Licensee shall negotiate with such third party reasonably and in good faith and seek to reach agreement on the terms of such a sublicense, which shall be commercially reasonable for Licensee.
- 4.5 If such a third party has requested a sublicense with respect to New Licensed Products and has proposed commercially reasonable terms, and Licensee does not grant a sublicense to the third party within a reasonable time after such request under commercially reasonable terms, then Licensee shall promptly, or, in the event of such refusal, within thirty (30) days after such refusal, submit to The Regents a written report specifying the license terms proposed by the third party and a written justification for the Licensee's refusal or failure to grant such sublicense. If The Regents, acting reasonably and in good faith, determines that the terms of the sublicense proposed by the third party are commercially reasonable under the circumstances, then The Regents shall have the right to grant to the third party (and the rights granted to Licensee in this Agreement shall be limited accordingly) a license to make, have made, use, sell, offer for sale and import the requested New Licensed Products and to practice the Licensed Methods (within the licensed Field of Use and otherwise) with respect to the specific application covered by the request, at substantially the same terms last proposed to Licensee by the third party providing that the royalty rates are not lower than the earned royalties owed by Licensee hereunder and provided further that The Regents may not in any event grant such third party any license rights with respect to any Licensed Product then in development or being commercialized by Licensee (or its Affiliate or Sublicensee) or with respect to any uses or indications within the licensed Field of Use other than the specific use requested by such third party that is the New Licensed Product.

## 5 PAYMENT TERMS

- 5.1 Paragraphs 1.11, 1.12 and 1.17 define Licensed Method, Licensed Product, and Patent Rights, so that Earned Royalties are payable on products and methods covered by Valid Claims in the Patent Rights (which includes both pending patent applications and issued patents). Earned Royalties will accrue for the duration of Patent Rights and will accrue when Licensed Products are invoiced, or if not invoiced, when delivered or otherwise exploited by Licensee or Sublicensee in a manner constituting a Net Sale as defined in

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Paragraph 1.14. Sublicense Fees with respect to any Attributed Income shall accrue to The Regents within thirty (30) days of the date that such Attributed Income is received by Licensee. Licensee shall use diligent efforts to collect from its Sublicensees all Attributed Income that is due to Licensee, and if a Sublicensee materially defaults in an obligation to pay Attributed Income, and does not cure such default within ninety (90) days of the date such Attributed Income is due, then Licensee shall terminate the corresponding sublicense.

- 5.2 Licensee will pay to The Regents all Earned Royalties, Sublicense Fees and other consideration payable to The Regents quarterly on or before February 28 (for the calendar quarter ending December 31), May 31 (for the calendar quarter ending March 31), August 31 (for the calendar quarter ending June 30) and November 30 (for the calendar quarter ending September 30) of each calendar year. Each such payment will be for Earned Royalties, Sublicense Fees and other consideration which has accrued within Licensee's most recently completed calendar quarter.
- 5.3 All consideration due The Regents will be payable and made in United States dollars by check payable to "The Regents of the University of California" or by wire transfer to an account designated by The Regents. Licensee is responsible for all bank or other transfer charges. When Licensed Products are Sold for monies other than United States dollars, the Earned Royalties and other consideration will first be determined in the foreign currency of the country in which such Licensed Products were Sold and then converted into equivalent United States dollars. The exchange rate will be the average exchange rate quoted in the *The Wall Street Journal* during the last thirty (30) days of the reporting period.

- 5.4 Sublicense Fees and Earned Royalties on Net Sales of Licensed Products and other consideration accrued in, any country outside the United States may not be reduced by any taxes, fees or other charges imposed by the government of such country, except those taxes, fees and charges allowed under the provisions of Paragraphs 1.13 (Net Invoice Price) and 1.14 (Net Sale) or for withholding taxes required to be assessed by any government upon the payments being made to The Regents.
- 5.5 Notwithstanding the provisions of Article 28 (Force Majeure) if at any time legal restrictions prevent the prompt remittance of Earned Royalties or other consideration owed to The Regents by Licensee with respect to any country where a sublicense is issued or a Licensed Product is Sold or otherwise exploited, then Licensee shall convert the amount owed to The Regents into United States dollars and will pay The Regents directly from another source of funds in order to remit the entire amount owed to The Regents.
- 5.6 In the event that any patent or claim thereof included within the Patent Rights is held invalid in a final decision by a court of competent jurisdiction and last resort and from which no further appeal can be taken, then all obligation to pay royalties based on that patent or claim or any claim patentably indistinct therefrom will cease as of the date of final decision. Licensee will not, however, be relieved from paying any royalties that accrued before such final decision and Licensee shall be obligated to pay the full amount

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of royalties due hereunder to the extent that The Regents licenses one or more Valid Claims within the Patent Rights to Licensee that cover such Licensed Products.

- 5.7 To the extent required by law, no Earned Royalties will be collected or paid hereunder to The Regents on Licensed Products Sold to, or otherwise exploited for, the account of the United States Government as provided for in the license to the United States Government. Licensee, and its Sublicensees will reduce the amount charged for Licensed Products Sold to, or otherwise exploited by, the United States Government by an amount equal to the Earned Royalty for such Licensed Products otherwise due The Regents. Such reduction in Earned Royalties will be in addition to any other reductions in price required by the United States Government.
- 5.8 In the event that royalties, fees, reimbursements for Patent Prosecution Costs or other monies owed to The Regents under this Agreement are not received by The Regents when due, Licensee will pay to The Regents interest on the amount of the late payment at a rate of ten percent (10%) simple interest per annum. Such interest will be calculated from the date payment was due until actually received by The Regents. Such accrual of interest will be in addition to and not in lieu of, enforcement of any other rights of The Regents due to such late payment.

## 6 LICENSE ISSUE FEE

Licensee will pay to The Regents a license issue fee of [\*] within seven (7) days of the Effective Date. This fee is non-refundable, non-cancelable and is not an advance or otherwise creditable against any royalties or other payments required to be paid under the terms of this Agreement.

## 7 LICENSE MAINTENANCE FEE

- 7.1 Beginning on the one-year anniversary of the Effective Date and continuing annually on each anniversary of the Effective Date (except as otherwise provided in Section 7.2), Licensee will also pay to The Regents a license maintenance fee as follows:
- 7.1.1 [\*] until and including the [\*];
- 7.1.2 [\*] subsequent to the [\*].
- 7.2 The license maintenance fee is not due on any anniversary of the Effective Date if on that date, Licensee (or its Affiliate or Sublicensee) is Selling or otherwise exploiting Licensed Products and is paying an Earned Royalty to The Regents on the Net Sales of such Licensed Products. The license maintenance fee is non-refundable and is not an advance or otherwise creditable against any royalties or other payments required to be paid under the terms of this Agreement.

## 8 PAYMENTS ON SUBLICENSES

- 8.1 Licensee will pay to The Regents the following percentages of all Attributed Income (“Sublicense Fees”), according to the stage of development of Licensed Products:

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- 8.1.1 [\*] under sublicenses executed before [\*];
- 8.1.2 [\*] under sublicenses executed subsequent to [\*] but prior to [\*];
- 8.1.3 [\*] under sublicenses executed subsequent to [\*] but prior to [\*];
- 8.1.4 [\*] under sublicenses executed after [\*].

Sublicense Fees are non-refundable and non-creditable.

## 9 EARNED ROYALTIES AND MINIMUM ANNUAL ROYALTIES

- 9.1 Licensee will pay to The Regents an “Earned Royalty” of:

9.1.2 [\*] of the Net Sales of Licensed Product(s) or Licensed Method [\*] by Licensee or any Affiliate or Sublicensee; and

9.1.3 [\*] of the Net Sales of Licensed Product(s) or Licensed Method [\*] by Licensee or any Affiliate or Sublicensee.

9.2 In the event it becomes necessary for Licensee (or its Affiliate or Sublicensee) to license patent rights owned by an unaffiliated third party in order to make, use, Sell, offer to Sell or import Licensed Product or Licensed Method, and Licensee (or its Affiliate or Sublicensee) is required to pay a royalty to the unaffiliated third party under a separate license agreement in order to practice Licensed Methods, and/or to make, use, Sell, offer to Sell or import Licensed Products, in addition to Licensee paying to The Regents a royalty under this Agreement for such activity, and the combined earned royalty due all the parties exceeds [\*], then the Earned Royalty to be paid to The Regents under this Agreement by Licensee shall be reduced on a going-forward basis by an amount equal to [\*] of the royalty rate due to such unaffiliated third party that is in excess of the [\*] combined royalty rate due to all parties. However, in no event shall the amount paid to The Regents be reduced below [\*] of the original Earned Royalty amount due The Regents under Paragraph 9.1 above. No reduction pursuant to this Section 9.2 will be available with respect to a Combination Product if no such royalty would have been payable to such unaffiliated third party if the relevant API were not included in such Combination Product.

9.3 In the event it becomes necessary for the Licensee or its Affiliate or a Sublicensee to license patent rights owned by an unaffiliated third party in order to make, use, Sell, offer to Sell or import the Licensed Product component of a Combination Product, and Licensee is required to pay a royalty to both The Regents under this Agreement and the unaffiliated third party under that separate license agreement in order to practice Licensed Methods, and to make, use, Sell, offer to Sell or import Licensed Products, and the combined earned royalty due all the parties exceeds [\*], and the Net Sales amount has been allocated to the Licensed Product portion of the Combination Product pursuant to Subparagraph 1.14.5, then the Earned Royalty to be paid to The Regents under this Agreement by Licensee shall be reduced by an amount equal to [\*] of the combined earned royalty rate due to The Regents and the unaffiliated third party. However, in no

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event shall the amount paid to The Regents be reduced below [\*] of the original Earned Royalty amount due The Regents on Net Sales of the Combination Product calculated without regard to Subparagraph 1.14.5 and without regard to this Paragraph 9.3.

9.4 Licensee will also pay to The Regents a minimum annual royalty of [\*] for the life of Patent Rights, beginning with the year of the first Sale of Licensed Product, but no later than calendar year 2015. The minimum annual royalty will be paid to The Regents by February 28 of each year and will be credited against the Earned Royalty due for the calendar year in which the minimum payment was made. However, if the year of the first Sale is earlier than calendar year 2015, then Licensee's obligation to pay the minimum annual royalty will be pro-rated for the number of months remaining in that calendar year when Sales commence and will be due the following February 28 (along with the minimum annual royalty payment for that year), to allow for crediting of the pro-rated year's Earned Royalties.

## 10 MILESTONE PAYMENTS

10.1 With respect to each Licensed Product, Licensee will pay to The Regents the following non-refundable, non-creditable amounts:

10.1.1 [\*] upon the first [\*];

10.1.2 [\*] upon first [\*];

10.1.3 [\*] upon first [\*];

10.1.4 [\*] upon the first [\*];

10.1.5 [\*] upon first [\*]; *provided that* such payment shall be [\*] upon [\*] for each [\*].

10.2 For the avoidance of doubt, each of the milestone payments set forth in Section 10.1 above will be payable with respect to each different Licensed Product, but shall be payable only once with respect to such Licensed Product. Furthermore, each such milestone payment will be payable regardless of whether the applicable milestone event has been achieved by Licensee or any Affiliate, Joint Venture, or Sublicensee.

10.3 All milestone payments are due to The Regents within thirty (30) days of the occurrence of the applicable milestone event.

## 11 DUE DILIGENCE

11.1 Licensee, upon execution of this Agreement, will diligently proceed with the development, manufacture and (if required regulatory approvals are obtained) Sale of Licensed Products and will earnestly and diligently market the same after execution of this Agreement and in quantities sufficient to meet the market demands therefor, all using Commercially Reasonable Efforts.

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11.2 Licensee will use Commercially Reasonable Efforts to obtain all necessary governmental approvals in each country where Licensed Products are intended to be manufactured, used, Sold, offered for Sale or imported; Licensee shall not make any Sale of a Licensed Product in a country without obtaining all necessary governmental approvals for the Sale in such country.

11.3 Licensee will:

11.3.1 [\*] from the Effective Date;

11.3.2 [\*] within [\*] from the Effective Date;

- 11.3.3 [\*] within [\*] from the Effective Date;
- 11.3.4 [\*] within [\*] of [\*]; and
- 11.3.5 [\*] for Licensed Products [\*] at any time during the exclusive period of this Agreement.
- 11.4 If Licensee does not perform any of the above milestone events under Subparagraphs 11.3.1 through 11.3.4 within the specified time, and Licensee can demonstrate with supporting documentation its Commercially Reasonable efforts to meet such milestones, then The Regents agrees to extend such milestone for one (1) year upon payment of an extension fee of [\*]. Additional one (1) year extensions are available for any milestone provided that Licensee can continue to demonstrate its Commercially Reasonable efforts with supporting documentation and pays an additional extension fee of [\*].
- 11.5 If Licensee does not perform any of the above provisions in Section 11.3 within the specified time, and cannot demonstrate its Commercially Reasonable efforts to achieve such milestone (based on The Regents' objective, good faith assessment of Licensee's demonstration and supporting documentation), and *provided that* such failure is not due to matters outside of Licensee's control, then The Regents has the right and option to either terminate this Agreement or reduce the exclusive license granted to Licensee to a nonexclusive license subject to and in accordance with Paragraph 11.7 below. This right, if exercised by The Regents, supersedes the rights granted in Article 2 (Grant).
- 11.6 In addition to the obligations set forth above, Licensee shall [\*] Licensed Products during the first two (2) years of this Agreement.
- 11.7 If Licensee fails to comply with the spending requirement set forth in Paragraph 11.5, then The Regents has the right and option to either terminate this Agreement or reduce the exclusive license granted to Licensee to a nonexclusive license. This right, if exercised by The Regents, supersedes the rights granted in Article 2 (Grant).
- 11.8 To exercise either the right to terminate this Agreement or to reduce the exclusive license granted to Licensee to a non-exclusive license for lack of diligence required in this Article 11 (Due Diligence), The Regents will give Licensee written notice of the deficiency. Licensee thereafter has sixty (60) days to cure the deficiency. If The Regents

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has not received written tangible evidence satisfactory to The Regents that the deficiency has been cured by the end of the sixty (60)-day period, then The Regents may, at its option, terminate this Agreement immediately without the obligation to provide sixty (60) days' notice as set forth in Article 15 (Termination by The Regents) or reduce the exclusive license granted to Licensee to a non-exclusive license by giving written notice to Licensee.

## 12 PROGRESS AND ROYALTY REPORTS

- 12.1 Beginning on **March 31, 2008** and semi-annually thereafter, Licensee will submit to The Regents a written progress report as described in Paragraph 12.2 below covering Licensee's (and any Affiliates', Joint Ventures', or Sublicensee's) activities related to the development and testing of all Licensed Products and related to the obtaining of the governmental approvals necessary for marketing and the activities required and undertaken in order to meet the diligence requirements set forth in Article 11 (Due Diligence). Progress reports are required for each Licensed Product until the first Sale or other exploitation of that Licensed Product occurs in the United States and shall be again required if Sales of such Licensed Product are suspended or discontinued.
- 12.2 Progress reports submitted under Paragraph 12.1 shall include, but are not limited to, a reasonably detailed summary of the following topics so that The Regents will be able to determine the progress of the development of Licensed Products and will also be able to determine whether or not Licensee has met its diligence obligations set forth in Article 11 (Due Diligence) above:
- 12.2.1 summary of work completed as of the submission date of the progress report;
  - 12.2.2 key scientific discoveries as of the submission date of the progress report;
  - 12.2.3 summary of work in progress as of the submission date of the progress report;
  - 12.2.4 current schedule of anticipated events and milestones, including those event and milestones specified in Article 11 (Due Diligence);
  - 12.2.5 market plans for introduction of Licensed Products including the anticipated and actual market introduction dates of each Licensed Product;
  - 12.2.6 Sublicensees' activities relating to the above items, if there are any Sublicensees;
  - 12.2.7 a summary of resources (dollar value) spent in the reporting period; and
  - 12.2.8 Licensee's progress in developing any New Licensed Products elected for commercial development by Licensee pursuant to Section 4 of this Agreement.
- 12.3 If Licensee fails to submit a timely progress report to The Regents, then The Regents will be entitled to terminate this Agreement, if Licensee fails to cure such failure within the cure period set forth in Section 15 after notice. If either party terminates this Agreement

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before any Licensed Products are Sold or before this Agreement's expiration, then a final progress report covering the period prior to termination must be submitted within thirty (30) days of termination or expiration.

- 12.4** Licensee has a continuing responsibility to keep The Regents informed of the business entity status (small business entity status or large business entity status as defined by the United States Patent and Trademark Office) of itself, any Affiliates, Joint Ventures, or Sublicensees. Licensee will notify The Regents of any change of its status or that of any Affiliate, Joint Venture, or Sublicensee within thirty (30) days of the change in status.
- 12.5** Licensee will report to The Regents the date of first Sale or other exploitation of a Licensed Product in each country in its first progress and royalty reports following such first Sale of a Licensed Product.
- 12.6** Beginning with the earlier of (i) the first Sale or other exploitation of a Licensed Product or (ii) the first transaction that results in Sublicense Fees accruing to The Regents, Licensee will make quarterly royalty and Sublicensee Fee reports to The Regents on or before each February 28 (for the quarter ending December 31), May 31 (for the quarter ending March 31), August 31 (for the quarter ending June 30) and November 30 (for the quarter ending September 30) of each year. Each royalty and Sublicensee Fee report will cover Licensee's most recently completed calendar quarter and will, at a minimum, show:
- 12.6.1** the gross invoice prices and Net Sales of Licensed Products Sold or otherwise commercially exploited (itemizing the applicable gross proceeds and any deductions therefrom), and any Attributed Income (itemizing the applicable gross proceeds and any deductions therefrom) due to the Licensee;
  - 12.6.2** the quantity of each type of Licensed Product Sold or otherwise commercially exploited in the U.S.;
  - 12.6.3** the quantity of each Licensed Product made in the U.S. but Sold or otherwise commercially exploited outside the U.S.;
  - 12.6.4** the Earned Royalties, in United States dollars, payable with respect to Net Sales;
  - 12.6.5** the Sublicense Fees, in United States dollars, payable with respect to Attributed Income;
  - 12.6.6** the method, used to calculate the Earned Royalty, specifying all deductions taken and the dollar amount of each such deduction;
  - 12.6.7** the exchange rates used, if any;
  - 12.6.8** the amount of the cash and the amount of the cash equivalent of any non-cash consideration including the method used to calculate the non-cash consideration; and

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**12.6.9** any other information reasonably necessary to confirm Licensee's calculation of its financial obligations hereunder.

- 12.7** If no Sales of Licensed Products have been made and no Licensed Products have been otherwise commercially exploited and no Attributed Income is due to Licensee during any reporting period, then a statement to this effect must be provided by Licensee in the immediately subsequent royalty and Sublicensee Fee report.

### **13 BOOKS AND RECORDS**

- 13.1** Licensee will keep accurate books and records showing all Licensed Product under development, manufactured, used, offered for Sale, imported, Sold and or otherwise commercially exploited; all Net Sales, all Attributed Income; and all sublicenses granted under the terms of this Agreement. Such books and records will be preserved for at least five (5) years after the date of the payment to which they pertain and will be open to examination by representatives or agents of The Regents during regular business hours to determine their accuracy and assess Licensee's compliance with the terms of this Agreement. Any such examination shall be on reasonably prior notice, and shall be conducted pursuant to a typical confidentiality agreement and in a manner that does not materially disrupt the business of Licensee and is subject to all reasonable conditions relating to access and activities while on Licensee's premises.
- 13.2** The Regents shall pay the fees and expenses of such examination. If, however, an error in royalties of more than five percent (5%) of the total royalties due for any year is discovered in any examination, then Licensee shall bear the fees and expenses of such examination and shall remit such underpayment to The Regents within thirty (30) days of the examination results.

### **14 LIFE OF THE AGREEMENT**

- 14.1** Unless otherwise terminated by operation of law, Paragraph 14.2, or by acts of the parties in accordance with the terms of this Agreement, this Agreement will remain in effect from the Effective Date until the expiration or abandonment of the last of the Patent Rights licensed hereunder.
- 14.2** This Agreement will automatically terminate without the obligation to provide sixty (60) days' notice as set forth in Article 15 (Termination By The Regents) upon the filing of a petition for relief under the United States Bankruptcy Code by or against Licensee as a debtor or alleged debtor.
- 14.3** This Agreement will automatically terminate immediately without the obligation to provide sixty (60) days' notice as set forth in Article 15 (Termination By The Regents) if Licensee files a claim in a legal action that seeks to declare that any portion of Regents Patent Rights is invalid or unenforceable where the filing is by the Licensee, a third party on behalf of the Licensee, or a third party at the written urging of the Licensee. In the event a declaratory judgment results from such a filing, the Licensee shall pay all attorneys fees incurred by The Regents for counsel retained to defend The Regents against such declaratory judgment.

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14.4 Any termination or expiration of this Agreement will not affect the rights and obligations set forth in the following Articles:

Article I	Definitions
Paragraph 5.8	Late Payments
Article 6	License Issue Fee
Article 8	Payments on Sublicenses
Paragraphs 9.1 and 9.3	Earned Royalties and Minimum Annual Royalties
Article 13	Books and Records
Article 14	Life of the Agreement
Article 17	Disposition of Licensed Products on Hand Upon Termination or Expiration
Article 18	Use of Names and Trademarks
Article 19	Limited Warranty
Article 20	Limitation of Liability
Paragraphs 21.4 & 21.5	Patent Prosecution and Maintenance
Article 24	Indemnification
Article 25	Notices
Article 29	Governing Laws; Venue; Attorneys Fees
Article 32	Confidentiality

14.5 The termination or expiration of this Agreement will not relieve Licensee of its obligation to pay any fees, royalties or other payments owed to The Regents at the time of such termination or expiration and will not impair any accrued right of The Regents, including the right to receive Earned Royalties in accordance with Articles 8 (Payments on Sublicenses), 9 (Earned Royalties and Minimum Annual Royalties) and 17 (Disposition of Licensed Products Upon Termination or Expiration).

## 15 TERMINATION BY THE REGENTS

If Licensee fails to perform or violates any material term of this Agreement, then The Regents may give written notice of such default (“Notice of Default”) to Licensee. If Licensee fails to repair such material default within sixty (60) days after the effective date of such notice, then The Regents will have the right to immediately terminate this Agreement and its licenses by providing a written notice of termination (“Notice of Termination”) to Licensee.

## 16 TERMINATION BY LICENSEE

Licensee has the right at any time to terminate this Agreement by providing a Notice of Termination to The Regents. Moreover, Licensee will be entitled to terminate the rights under Patent Rights on a country-by-country basis by giving notice in writing to The Regents. Termination of this Agreement (but not termination of any patents or patent applications under Patent Rights, which termination is subject to Paragraph 21.5) will be effective sixty (60) days from the effective date of such notice.

## 17 DISPOSITION OF LICENSED PRODUCTS UPON TERMINATION OR EXPIRATION

17.1 Upon early termination (but not expiration) of this Agreement, within a period of one hundred and twenty (120) days after the date of termination, Licensee is entitled to dispose of all previously made or partially made Licensed Product, but no more, provided that the Sale or use of such Licensed Product is subject to the terms of this Agreement, including, but not limited to, the rendering of reports and payment of Earned Royalties, Sublicense Fees and any other payments therefor required under this Agreement. Licensee will not otherwise use or practice the Patent Rights, or practice the Licensed Method, in a manner constituting patent infringement after the date of early termination.

17.2 If applicable Patent Rights exist at the time of any making, Sale, offer for Sale, or import of a Licensed Product or the time of any Sale, offer for Sale, then Earned Royalties shall be paid at the times provided herein and royalty reports shall be rendered in connection therewith, notwithstanding the absence of applicable Patent Rights with respect to such Licensed Product at any later time. Otherwise, no Earned Royalties shall be paid on the Sales of such product. Any fees or other payments accrued and owed to The Regents at the time of expiration of the Agreement not based on the Sales of a Licensed Product will be paid to The Regents at the time such fee or other payment would have been due had this Agreement not expired.

## 18 USE OF NAMES AND TRADEMARKS

Nothing contained in this Agreement will be construed as conferring any right to either party to use in advertising, publicity or other promotional activities any name, trade name, trademark or other designation of the other party (including a contraction, abbreviation or simulation of any of the foregoing). Without Licensee’s consent case-by-case, The Regents may list Licensee’s name as a licensee of technology from The Regents without further identifying the technology. Unless required by law or unless consented to in writing by the Director, Office of Technology Management of the University of California, San Francisco, the use by Licensee of the name “The Regents of the University of California” or the name of any campus of the University of California in advertising, publicity or other promotional activities is expressly prohibited.

## 19 LIMITED WARRANTY

19.1 The Regents warrants to Licensee that it has the lawful right to grant the license rights granted under this Agreement, that it believes it owns the Patent Rights and that, to the knowledge of the licensing professional responsible for administration of this Agreement after reasonable investigation and inquiry and as of the Effective Date, it has not granted to any third party any license rights in the licensed Field of Use under any of the Patent Rights.

19.2 Except as expressly set forth in this Agreement, this license and the associated Inventions, Patent Rights, Licensed Products, and Licensed Methods are provided by The Regents WITHOUT WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY

LICENSED PRODUCTS, OR LICENSED METHODS WILL NOT INFRINGE ANY PATENT, COPYRIGHT, TRADEMARK OR OTHER RIGHTS.

**19.3** This Agreement does not:

- 19.3.1** express or imply a warranty or representation as to the validity, enforceability, or scope of any Patent Rights; or
- 19.3.2** express or imply a warranty or representation that anything made, used, Sold, offered for Sale or imported or otherwise exploited under any license granted in this Agreement is or will be free from infringement of patents, copyrights, or other rights of third parties; or
- 19.3.3** obligate The Regents to bring or prosecute actions or suits against third parties for patent infringement except as provided in Article 23 (Patent Infringement); or
- 19.3.4** confer by implication, estoppel or otherwise any license or rights under any patents or other rights of The Regents other than Patent Rights, regardless of whether such patents are dominant or subordinate to Patent Rights; or
- 19.3.5** obligate The Regents to furnish any New Developments, know-how, technology or information not provided in Patent Rights.

## **20 LIMITATION OF LIABILITY**

THE REGENTS AND LICENSEE WILL NOT BE LIABLE FOR ANY LOST PROFITS, COSTS OF PROCURING SUBSTITUTE GOODS OR SERVICES, LOST BUSINESS, ENHANCED DAMAGES FOR INTELLECTUAL PROPERTY INFRINGEMENT OR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR OTHER SPECIAL DAMAGES SUFFERED BY LICENSEE, SUBLICENSEES, JOINT VENTURES, OR AFFILIATES OR THE REGENTS ARISING OUT OF OR RELATED TO THIS AGREEMENT FOR ALL CAUSES OF ACTION OF ANY KIND (INCLUDING TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY AND BREACH OF WARRANTY) EVEN IF THE REGENTS OR LICENSEE (AS APPLICABLE) HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, PROVIDED THAT THE FOREGOING PROVISION SHALL NOT BE CONSTRUED TO LIMIT LICENSEE'S INDEMNIFICATION OBLIGATION UNDER THIS AGREEMENT.

## **21 PATENT PROSECUTION AND MAINTENANCE**

**21.1** As long as Licensee has paid Patent Prosecution Costs as provided for in this Article 21 (Patent Prosecution and Maintenance), The Regents will diligently prosecute and maintain the United States and foreign patents comprising the Patent Rights using counsel of its choice selected from the list of law firms previously approved by The Regents and reasonably acceptable to Licensee. The Regents' counsel will take instructions only from The Regents. The Regents will provide Licensee with copies of all relevant documentation so that Licensee will be informed of the continuing

prosecution and may comment upon such documentation sufficiently in advance of any initial deadline for filing a response, provided, however, that if Licensee has not commented upon such documentation in a reasonable time for The Regents to sufficiently consider Licensee's comments prior to a deadline with the relevant government patent office, or The Regents must act to preserve the Patent Rights, The Regents will be free to respond without consideration of Licensee's comments, if any. Licensee agrees to keep this documentation confidential as provided for in Article 32 (Confidentiality).

- 21.2** The Regents shall use reasonable efforts to amend any patent application to include claims reasonably requested by Licensee to protect the products and services contemplated to be Sold, or the Licensed Method to be practiced, under this Agreement.
- 21.3** Licensee will apply for an extension of the term of any patent included within the Patent Rights if appropriate under the Drug Price Competition and Patent Term Restoration Act of 1984. Licensee shall prepare all documents and The Regents agrees to execute the documents and to take additional action as Licensee reasonably requests in connection therewith. Licensee shall be liable for all costs relating to such application.
- 21.4** Licensee will bear the costs of preparing, filing, prosecuting and maintaining all United States patents and patent applications contemplated by this Agreement ("Patent Prosecution Costs"). Patent Prosecution Costs billed by The Regents' counsel will be rebilled to Licensee and are due within thirty (30) days of rebilling by The Regents. These Patent Prosecution Costs will include, without limitation, patent prosecution costs for the Inventions incurred by The Regents prior to the execution of this Agreement and any patent prosecution costs that may be incurred for patentability opinions, re-examination, re-issue, interferences, oppositions or inventorship determinations. Prior Patent Prosecution Costs will be due upon execution of this Agreement and billing by The Regents and as of the Effective Date totals [\*].
- 21.5** Licensee will be obligated to pay any Patent Prosecution Costs incurred during the three (3)-month period after receipt by either party of a Notice of Termination, even if the invoices for such Patent Prosecution Costs are received by Licensee after the end of the three (3)-month period following receipt of a Notice of Termination. Licensee may terminate its obligation to pay Patent Prosecution Costs with respect to any given patent application or patent under Patent Rights in any or all designated countries upon three (3)-months' written notice to The Regents. The Regents may continue prosecution and/or maintenance of such application(s) or patent(s) at its sole discretion and expense, provided, however, that Licensee will have no further right or licenses thereunder. Non-payment of Patent Prosecution Costs may be deemed by The Regents as an election by Licensee not to maintain such application(s) or patent(s).
- 21.6** The Regents may file, prosecute or maintain patent applications or patents at its own expense in any country in which Licensee has not elected to file, prosecute or maintain patent applications or patents in accordance with this Article 21 (Patent Prosecution and Maintenance) and those

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## 22 PATENT MARKING

Licensee will mark all Licensed Products made, used or Sold under the terms of this Agreement or their containers in accordance with the applicable patent marking laws.

## 23 PATENT INFRINGEMENT

- 23.1 In the event that The Regents (to the extent of the actual knowledge of the licensing professional responsible for the administration of this Agreement) or Licensee learns of infringement of potential commercial significance of any patent licensed under this Agreement, the knowledgeable party will provide the other (i) with written notice of such infringement and (ii) with any evidence of such infringement available to it (the “**Infringement Notice**”). During the period in which, and in the jurisdiction where, Licensee has exclusive rights under this Agreement, neither The Regents nor Licensee will notify a possible infringer of infringement or put such infringer on notice of the existence of any Patent Rights without first obtaining consent of the other.. If Licensee puts such infringer on notice of the existence of any Patent Rights with respect to such infringement without first obtaining the written consent of The Regents and if a declaratory judgment action is filed by such infringer against The Regents, then Licensee’s right to initiate a suit against such infringer for infringement under Paragraph 23.2 below will terminate immediately without the obligation of The Regents to provide notice to Licensee. Both The Regents and Licensee will use their diligent efforts to cooperate with each other reasonably and in good faith to terminate such infringement without litigation.
- 23.2 If infringing activity of potential commercial significance by the infringer has not been abated within ninety (90) days following the date the Infringement Notice is given, then Licensee may institute suit for patent infringement against the infringer. The Regents may voluntarily join such suit at its own expense, but may not otherwise commence suit against the infringer for the acts of infringement that are the subject of Licensee’s suit or any judgment rendered in that suit. Licensee may not join The Regents as a party in a suit initiated by Licensee without The Regents’ prior written consent. If, in a suit initiated by Licensee, The Regents is involuntarily joined other than by Licensee, then Licensee will pay any costs incurred by The Regents arising out of such suit, including but not limited to, any legal fees of counsel that The Regents selects and retains to represent it in the suit.
- 23.3 If, within a hundred and twenty (120) days following the date the Infringement Notice takes effect, infringing activity of potential commercial significance by the infringer has not been abated and if Licensee has not brought suit against the infringer, then The Regents may institute suit for patent infringement against the infringer. If The Regents institutes such suit, then Licensee may not join such suit without The Regents’ consent and may not thereafter commence suit against the infringer for the acts of infringement that are the subject of The Regents’ suit or any judgment rendered in that suit.
- 23.4 Notwithstanding anything to the contrary in this Agreement, in the event that the infringement or potential infringement pertains to an issued patent included within the

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Patent Rights and written notice is given under the Drug Price Competition and Patent Term Restoration Act of 1984 (and/or foreign counterparts of this Law), then the party in receipt of such notice under the Act (in the case of The Regents to the extent of the actual knowledge of the licensing officer responsible for the administration of this Agreement) shall provide the Infringement Notice to the other party promptly. If the time period is such that Licensee will lose the right to pursue legal remedy for infringement by not notifying a third party or by not filing suit, the notification period and the time period to file suit will be accelerated to within forty-five (45) days of the date of such notice under the Act to either party.

- 23.5 Any recovery or settlement received in connection with any suit will first be shared by The Regents and Licensee equally to cover any litigation costs each incurred and next shall be paid to The Regents or Licensee to cover any litigation costs it incurred in excess of the litigation costs of the other. In any suit initiated by Licensee, any recovery in excess of litigation costs will be shared between Licensee and The Regents as follows: (a) for any recovery other than amounts paid for willful infringement: (i) The Regents will receive [\*] of the net recovery if The Regents was not a party in the litigation and did not incur any out-of-pocket and invoiced litigation costs that were not reimbursed by Licensee (or its designee) prior to Licensee’s receipt of the recovery, (ii) The Regents will receive [\*] of the net recovery if The Regents was a party in the litigation whether joined as a party under the provisions of Paragraph 23.2 or otherwise, but The Regents did not incur any out-of-pocket and invoiced litigation costs that were not reimbursed by Licensee (or its designee) prior to any settlement or judgment resulting in Licensee’s receipt of the recovery, and (iii) The Regents will receive [\*] of the recovery if The Regents incurred out-of-pocket and invoiced litigation costs in connection with the litigation in amounts reasonably equal to at least half of the out-of-pocket and invoiced costs incurred by Licensee; and (b) for any recovery for willful infringement, The Regents will receive [\*] of the recovery. In any suit initiated by The Regents, any recovery in excess of litigation costs will belong to The Regents. The Regents and Licensee agree to be bound by all determinations of patent infringement, validity and enforceability (but no other issue) resolved by any adjudicated judgment in a suit brought in compliance with this Article 23 (Patent Infringement).
- 23.6 Any agreement made by Licensee for purposes of settling litigation or other dispute shall comply with the requirements of Article 3 (Sublicenses) of this Agreement.
- 23.7 Each party will cooperate with the other in litigation proceedings instituted hereunder but at the expense of the party who initiated the suit (unless such suit is being jointly prosecuted by the parties).
- 23.8 Any litigation proceedings will be controlled by the party bringing the suit, except that The Regents may be represented by counsel of its choice in any suit brought by Licensee.

## 24 INDEMNIFICATION

24.1 Licensee will, and will require its Sublicensees to, indemnify, hold harmless and defend The Regents, the sponsors of the research that led to the Inventions, and the inventors of

any inventions claimed in patents or patent applications under Patent Rights (including the Licensed Products, and Licensed Methods contemplated thereunder) and their employers, and the officers, employees and agents of any of the foregoing, against any and all claims, suits, losses, damage, costs, fees and expenses resulting from, or arising out of, the exercise of this license or any sublicense. This indemnification will include, but not be limited to, any product liability. If The Regents reasonably believes that there will be a conflict of interest or it will not otherwise be adequately represented by counsel chosen by Licensee to defend The Regents in accordance with this Paragraph 24.1, then The Regents may retain counsel of its choice to represent it. If The Regents retains such counsel due to a conflict of interest, the Licensee will pay all expenses for such representation. If The Regents retains such counsel because it believes it will not otherwise be adequately represented by counsel chosen by the Licensee, then The Regents will pay all expenses for such representation. If The Regents retains such counsel, Licensee will not be responsible for indemnifying The Regents for any losses, damage, costs, fees and expenses that result from inadequate defense provided by such counsel.

24.2 During the term of this Agreement and for three (3) years following its termination, the Licensee, at its sole cost and expense, will insure its activities in connection with any work performed hereunder and will obtain and maintain the following insurance (or an equivalent program of self-insurance):

24.2.1 Comprehensive or commercial form general liability insurance (contractual liability included) with limits as follows:

Each Occurrence	\$	1,000,000
Personal and Advertising Injury	\$	1,000,000
General Aggregate (commercial form only)	\$	2,000,000

24.2.2 Worker's Compensation as legally required in the jurisdiction in which Licensee is doing business.

24.3 Notwithstanding Paragraph 24.2, no later than the earlier of: i) sixty (60) days before the anticipated date of market introduction of any Licensed Product; or ii) sixty (60) days before the first use of any Licensed Product in a human under this Agreement, Licensee, at its sole cost and expense, shall insure its activities in connection with the work under this Agreement and obtain, keep in force and maintain the following insurance (or an equivalent program of self-insurance) during the term of this Agreement and for three (3) years following its termination:

24.3.1 Comprehensive or Commercial Form General Liability Insurance (contractual liability included) with limits as follows:

Each Occurrence	\$	5,000,000
Products/Completed Operations Aggregate	\$	10,000,000
Personal and Advertising Injury	\$	5,000,000
General Aggregate (commercial form only)	\$	10,000,000

24.3.2 Worker's Compensation as legally required in the jurisdiction in which Licensee is doing business.

24.4 If the insurance under Paragraphs 24.2 and 24.3 is written on a claims-made form, it shall continue for three (3) years following termination or expiration of this Agreement. The insurance shall have a retroactive date of placement prior to or coinciding with the Effective Date of this Agreement.

24.5 The coverage and limits referred to in Paragraph 24.2.1 and 24.2.2 above will not in any way limit the liability of Licensee under this Article 24 (Indemnification). Upon the execution of this Agreement, Licensee will furnish The Regents with certificates of insurance evidencing compliance with all requirements. Such certificates will:

24.5.1 Provide for thirty (30) days' (ten (10) days for non-payment of premium) advance written notice to The Regents of any cancellation of insurance coverage; Licensee will promptly notify The Regents of any material modification of the insurance coverage;

24.5.2 Indicate that The Regents has been endorsed as an additional insured under the coverage described above in Paragraph 24.2.1; and

24.5.3 Include a provision that the coverage will be primary and will not participate with, nor will be excess over, any valid and collectable insurance or program of self-insurance maintained by The Regents.

24.6 The Regents will promptly notify Licensee in writing of any claim or suit brought against The Regents for which The Regents intends to invoke the provisions of this Article 24 (Indemnification). Licensee will keep The Regents informed of its defense of any claims pursuant to this Article 24 (Indemnification).

## 25 NOTICES

25.1 Any notice or payment required to be given to either party under this Agreement will be in writing and will be deemed to have been properly given and to be effective as of the date specified below if delivered to the respective address given below or to another address as designated by written notice given to the other party: on the date of delivery if delivered in person; on the date of mailing if mailed by first-class certified mail, postage paid; or on the date of mailing if mailed by any global express carrier service that requires the recipient to sign the documents demonstrating the delivery of such notice or payment.

In the case of Licensee: Chief Executive Officer  
BioProtection Systems Corporation

In the case of The Regents:

Director

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Office of Technology Management  
185 Berry Street, Suite 4603  
San Francisco, California 94107  
RE: [\*]

## 26 ASSIGNABILITY

This Agreement is personal to the Licensee. The Licensee may not assign or transfer this Agreement, including by merger, operation of law, or otherwise, without The Regents' prior written consent, except that such consent will not be required in the case of assignment or transfer to an Affiliate or to a party that succeeds to all or substantially all of Licensee's business or assets relating to this Agreement, whether by sale, merger, operation of law or otherwise, provided that such assignee or transferee promptly agrees to be bound by the terms and conditions of this Agreement and signs The Regents' standard substitution of party letter (the form of which is attached hereto as **Appendix B**). Any attempted assignment by the Licensee in violation of this Article 26 (Assignment) will be null and void. This Agreement is binding upon and will inure to the benefit of The Regents, its successors and assigns.

## 27 WAIVER

No waiver by either party of any breach or default of any of the agreements contained herein will be deemed a waiver as to any subsequent and/or similar breach or default. No waiver will be valid or binding upon the parties unless made in writing and signed by a duly authorized officer of each party.

## 28 FORCE MAJEURE

28.1 Except for Licensee's obligation to make any payments to The Regents hereunder, the parties shall not be responsible for any failure to perform due to the occurrence of any events beyond their reasonable control which render their performance impossible or onerous, including, but not limited to: accidents (environmental, toxic spill, etc.); acts of God; biological or nuclear incidents; casualties; earthquakes; fires; floods; governmental acts; orders or restrictions; inability to obtain suitable and sufficient labor, transportation, fuel and materials; local, national or state emergency; power failure and power outages; acts of terrorism; strike; and war.

28.2 Either party to this Agreement, however, will have the right to terminate this Agreement upon thirty (30) days' prior written notice if either party is unable to fulfill its obligations under this Agreement due to any of the causes specified in Paragraph 28.1 for a period of one (1) year.

## 29 GOVERNING LAWS; VENUE; ATTORNEYS' FEES

29.1 THIS AGREEMENT WILL BE INTERPRETED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, excluding any choice of law rules that would direct the application of the laws of another jurisdiction and without regard to which party drafted particular provisions of this

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Agreement, but the scope and validity of any patent or patent application will be governed by the applicable laws of the country of such patent or patent application.

29.2 Any legal action brought by the parties hereto relating to this Agreement will be conducted in San Francisco, California,

29.3 The prevailing party in any suit related to this Agreement will be entitled to recover its reasonable attorneys' fees in addition to its costs and necessary disbursements.

## 30 GOVERNMENT APPROVAL OR REGISTRATION

If this Agreement or any associated transaction is required by the law of any nation to be either approved or registered with any governmental agency, Licensee will assume all legal obligations to do so. Licensee will notify The Regents if it becomes aware that this Agreement is subject to a United States or foreign government reporting or approval requirement. Licensee will make all necessary filings and pay all costs including fees, penalties and all other out-of-pocket costs associated with such reporting or approval process.

## 31 COMPLIANCE WITH LAWS

Licensee shall comply with all applicable international, national, state, regional and local laws and regulations in performing its obligations hereunder and in its use, manufacture, Sale or import of the Licensed Products, or practice of the Licensed Method. Licensee will observe all applicable United States and foreign laws with respect to the transfer of Licensed Products and related technical data to foreign countries, including, without limitation, the International Traffic in Arms Regulations (ITAR) and the Export Administration Regulations. Licensee shall manufacture Licensed Products and practice the Licensed Method in compliance with applicable government importation laws and regulations of a particular country for Licensed Products made outside the particular country in which such Licensed Products are used, Sold or otherwise exploited.

## 32 CONFIDENTIALITY

- 32.1** Licensee and The Regents will treat and maintain the other party's proprietary business, patent prosecution, software, engineering drawings, process and technical information and other proprietary information, including the negotiated terms of this Agreement and any progress reports and royalty reports and any sublicense agreement issued pursuant to this Agreement ("Proprietary Information") in confidence using at least the same degree of care as the receiving party uses to protect its own proprietary information of a like nature from the date of disclosure until five (5) years after the termination or expiration of this Agreement.
- 32.2** Each of Licensee and The Regents may use and disclose the other party's Proprietary Information to its respective employees, agents, consultants, contractors and, in the case of Licensee, its Sublicensees, provided that such parties are bound by a like duty of confidentiality as that found in this Article 32 (Confidentiality). Notwithstanding anything to the contrary contained in this Agreement, The Regents may release this Agreement or any sublicense, including any terms thereof, and information regarding

royalty payments or other income received in connection with this Agreement to the inventors, senior administrative officials employed by The Regents and individual Regents upon their request. If such release is made, The Regents will request that such terms be kept in confidence in accordance with the provisions of this Article 32 (Confidentiality). In addition, notwithstanding anything to the contrary in this Agreement, if a third party inquires whether a license to Patent Rights is available, then The Regents may disclose the existence of this Agreement and the extent of the grant in Articles 2 (Grant) and 3 (Sublicenses) and related definitions to such third party, but will not disclose the name of Licensee unless Licensee has already made such disclosure publicly. Further, Licensee may disclose the existence and terms of this Agreement: (a) in confidence to its directors, officers, investors and professional service providers and to bona fide prospective investors, acquirors, strategic partners, or merger partners and their respective professional advisors; and (b) publicly to the extent required by applicable law or regulation, and provided that Licensee uses reasonable efforts to obtain an order protecting the confidentiality of sensitive technical or financial terms hereof to the extent such order is legally available.

- 32.3** All written Proprietary Information disclosed by a party will be labeled or marked confidential or proprietary. If the Proprietary Information is orally disclosed, it will be reduced to writing or some other physically tangible form, marked and labeled as confidential or proprietary by the disclosing party and delivered to the receiving party within thirty (30) days after the oral disclosure.
- 32.4** Nothing contained herein will restrict or impair, in any way, the right of Licensee or The Regents to use or disclose any Proprietary Information of the other party:
- 32.4.1** that recipient can demonstrate by written records was previously known to it prior to its disclosure by the disclosing party;
  - 32.4.2** that recipient can demonstrate by written records is now, or becomes in the future, public knowledge other than through acts or omissions of recipient;
  - 32.4.3** that recipient can demonstrate by written records was obtained lawfully and without restrictions on the recipient from sources independent of the disclosing party; and
  - 32.4.4** that The Regents is required to disclose pursuant to the California Public Records Act or other applicable law.

Each of Licensee or The Regents also may disclose the other party's Proprietary Information to the extent that such Proprietary Information is required to be disclosed (i) to a governmental entity or agency in connection with seeking any governmental or regulatory approval, governmental audit, or other governmental contractual requirement or (ii) by law or court order, provided that the recipient uses reasonable efforts to give the party owning the Proprietary Information sufficient notice of such required disclosure to allow the party owning the Proprietary Information reasonable opportunity to object to, and to take legal action to prevent, such disclosure.

- 32.5** Upon termination of this Agreement, Licensee and The Regents will destroy or return any of the disclosing party's Proprietary Information in its possession within fifteen (15) days following the termination of this Agreement. Licensee and The Regents will provide each other, within thirty (30) days following termination, with written notice that such Proprietary Information has been returned or destroyed. Each party may, however, retain one copy of such Proprietary Information for archival purposes in non-working files.

### **33 MISCELLANEOUS**

- 33.1** The headings of the several sections are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.
- 33.2** This Agreement is not binding on the parties until it has been signed below on behalf of each party. It is then effective as of the Effective Date.
- 33.3** No amendment or modification of this Agreement is valid or binding on the parties unless made in writing and signed on behalf of each party.
- 33.4** This Agreement embodies the entire understanding of the parties and supersedes all previous communications, representations or understandings, either oral or written, between the parties relating to the subject matter hereof.
- 33.5** In case any of the provisions contained in this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Agreement and this Agreement will be construed as if such invalid, illegal or unenforceable provisions had never been contained in it
- 33.6** No provisions of this Agreement are intended or shall be construed to confer upon or give to any person or entity other than The Regents and Licensee any rights, remedies or other benefits under, or by reason of, this Agreement.

33.7 In performing their respective duties under this Agreement, each of the parties will be operating as an independent contractor. Nothing contained herein will in any way constitute any association, partnership, or joint venture between the parties hereto, or be construed to evidence the intention of the parties to establish any such relationship. Neither party will have the power to bind the other party or incur obligations on the other party's behalf without the other party's prior written consent.

IN WITNESS WHEREOF, both The Regents and Licensee have executed this Agreement, in duplicate originals, by their respective and duly authorized officers on the day and year written.

**Licensee**

**The Regents of the University of**

**California**

By: /s/ Charles J. Link  
(Signature)

By: /s/ Joel B. Kirschbaum  
(Signature)

Name: Charles J. Link

Name: Joel B. Kirschbaum

Title: Chief Executive Officer

Title: Director, UCSF Office of  
Technology Management

Date: July 3, 2008

Date: 7/29/08

**APPENDIX A**

KNOW-HOW

1. [\*]
2. [\*]
3. [\*]

**APPENDIX B**

UCSF Case Nos. [\*]

CONSENT TO SUBSTITUTION OF PARTY

This substitution of parties ("Agreement") is effective this day of \_\_\_\_\_, 20\_\_\_\_, among The Regents of the University of California ("The Regents), a California corporation, having its statewide administrative offices at 1111 Franklin Street, 12th Floor, Oakland, California 94607-5200 and acting through its Office of Technology Management, University of California San Francisco ("UCSF"), 185 Berry Street, Suite 4603, San Francisco, California 94107; BioProtection Systems Corporation, a Delaware corporation, having a principal place of business at 2901 South Loop Drive, Suite 3360, Ames, Iowa 50010-8646 ("BPS"); and [new licensee name] [("YYY")] a \_\_\_\_\_ corporation, having a principal place of business at \_\_\_\_\_.

BACKGROUND

A. The Regents and BPS entered into a License Agreement effective \_\_\_\_\_ (UC Control No. \_\_\_\_\_), entitled [\*\*\*], wherein BPS was granted certain rights.

B. BPS desires that [YYY] be substituted as Licensee (defined in the License Agreement) in place of BPS, and The Regents is agreeable to such substitution.

C. [YYY] has read the License Agreement and agrees to abide by its terms and conditions.

The parties agree as follows:

1. [YYY] assumes all liability and obligations under the License Agreement and is bound by all its terms in all respects as if it were the original Licensee of the License Agreement in place of BPS.

2. [YYY] is substituted for BPS, provided that [YYY] assumes all liability and obligations under the License Agreement as if [YYY] were the original party named as Licensee as of the effective date of the License Agreement.

3. The Regents releases BPS from all liability and obligations under the License Agreement arising before or after the effective date of this Agreement.

The parties have executed this Agreement in triplicate originals by their respective authorized officers on the following day and year.

**BIOPROTECTION SYSTEMS CORPORATION**

**THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_

Name: \_\_\_\_\_  
(Please print)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: [Licensing Officer]  
Office of Technology Management

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**[YYY] COMPANY**

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Please print)

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**SOLE LICENSE AGREEMENT  
FOR  
RECOMBINANT VESICULAR STOMATITIS VIRUS VACCINES FOR  
VIRAL HEMORRHAGIC FEVERS**

**BETWEEN:**

**HER MAJESTY THE QUEEN IN RIGHT OF CANADA,**  
as represented by the Minister of Health,  
acting through the Public Health Agency of Canada  
  
("Canada")

**AND:**

**BIOPROTECTION SYSTEMS CORPORATION,**  
a company incorporated as a subchapter C corporation  
under the laws of Delaware, having its registered office at  
Iowa State University Research Park,  
2901 South Loop Drive, Suite 3360, Ames, Iowa, USA 50010  
  
("Company")

**INTRODUCTION:**

- A. **WHEREAS** Canada is one of the major performers in Canada of vaccine research relating to viral hemorrhagic fever ("*VHF*") viruses;
- B. **WHEREAS** Canada has developed the technology known as the [\*];
- C. **WHEREAS** the main features of the technology include [\*];
- D. **WHEREAS** the Company has requested a license from Canada to develop and **Commercialize** the technology;
- E. **WHEREAS** Canada is willing to grant to the Company a license to develop and **Commercialize** the technology on the terms and conditions set out in this **License Agreement**;
- F. **WHEREAS** the fundamental principles underlying this **License Agreement** are that:
- i) Canada surrenders its commercial self-interest to the Company; and

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- ii) In exchange, in good faith, the Company uses its discretion and experience in product development and regulatory affairs, its commercial resources and business savvy and, assuming that any relevant statutory, regulatory or administrative authorizations or permits for a vaccine product are obtained, its marketing, sale and distribution savvy for the benefit of both **Parties**.
- G. **WHEREAS** the salient elements of this **License Agreement** are:
- i) Canada grants to the Company sole, worldwide, revocable and royalty-bearing license to make, use, improve, develop and **Commercialize** the technology in the field of prevention and prophylaxis against and treatment of VHF viruses in humans, whether before or after exposure;
- ii) Canada will retain non-commercial rights in the technology, including rights to use and further develop the technology for educational and research purposes;
- iii) The Company grants to Canada a non-exclusive and royalty-free license to make, use, manufacture and sell the VHF vaccine products developed by the Company in the exercise of the **Licensed Rights**, in the event of a public health emergency;
- iv) The Company will make good faith efforts to collaborate with Canada on [\*] of the Company's basic research and development activities related to *VHF* virus vaccines; and
- v) The **Parties** agree to maintain the confidentiality of each other's **Confidential Information** provided under this **License Agreement**.
- H. **WHEREAS** the expectations of the Parties are that the Company will use commercially reasonable efforts to develop a *VHF* vaccine and, assuming that any relevant and necessary statutory, regulatory and administrative authorizations or permits that may be required for a vaccine product are obtained, **Commercialize** it; and

I. **WHEREAS** the Parties have agreed to their commercial relationship on the terms and conditions set out in this *License Agreement*.

**NOW THEREFORE** in consideration of the premises, the terms and conditions hereinafter contained and other good and valuable consideration, the receipt of which is hereby acknowledged by each party, the Parties hereto covenant and agree as follows:

## 1.0 DEFINITIONS

### 1.1 “Affiliate”

means any corporation, subsidiary, partnership or other entity which the Company, directly or indirectly, controls (or has common control of) or which, directly or indirectly, controls the Company:

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1.1.1 through the ownership of more than 50% of the voting share capital, and the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the body corporate; or

1.1.2 otherwise has the possession, direct or indirect, of the powers to direct or cause the direction of the management or policies of a person or entity; whether through ownership of equity participation, voting securities, or beneficial interests; by contract, by agreement, or otherwise.

Identified in appendix D (“Affiliates”) are the *Affiliates* of the Company In existence on the *Execution Date*.

### 1.2 “Commercialization” or “Commercialize”

means:

1.2.1 the commercial making, using, *Sale* or offering to sell;

1.2.2 of the products resulting from the exercise of the *Licensed Rights*;

1.2.3 by the Company, its *Affiliates* or its sub-licensees;

1.2.4 in the *Territory*;

1.2.5 within the *Field of Use*; and

1.2.6 for the maximum commercial return to the Company and Canada in accordance with Article 4 (Exploitation of *Licensed Rights*) including:

1.2.6.2 the Company obtaining any statutory, regulatory or administrative authorizations or permits that may be required in order for the Company to legally carry out all of its activities under the *License Agreement*.

### 1.3 “Confidential Information”

means, with respect to a *Party*, all proprietary information of any type, or any part or portion thereof, that is disclosed by that *Party* to the other *Party* pursuant to this *License Agreement*, whether or not such information is specifically marked or identified as confidential at the time of disclosure, which may include without limitation.

1.3.1 all scientific, technical, business, financial, legal, marketing or strategic information (including trade secrets and proprietary know-how);

1.3.2 all documented research, development, demonstration or engineering work, information that can be or is used to define a design or process or procure, produce, support or operate material and equipment, methods of production, regardless of its form:

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1.3.3 all drawings, blueprints, patterns, plans, flow-charts, equipment, parts lists, software and procedures, specifications formulae, designs, technical data, descriptions, related instruction manuals, records and procedures;

1.3.4 information that is non-public, confidential, privileged or proprietary in nature.

which may have actual or potential economic value in part from not being known and may be positive (what works) or negative (what does not) information;

1.3.5 however fixed, stored, expressed or embodied (and includes, without limitation, samples, prototypes, specimens and derivatives);

1.3.6 and including information disclosed during discussions, meetings, tests, demonstrations, correspondence or otherwise.

### 1.4 “Confidentiality Agreements”

means the agreements previously executed between the *Parties* on the 1<sup>st</sup> day of May, 2007, November 1, 2008, and the amending letter of April 14, 2010 respectively, and contained in Appendix B (*Confidentiality Agreements*).

## 1.5 “Dispute”

for purposes of Article 16 (Alternate Dispute Resolution (ADR)), and paragraph 17.17 (Forum Conveniens)

1.5.1 includes without limitation any controversy, conflict, claim, disagreement or difference of opinion arising out of the **License Agreement**, (irrespective of whether it is premised on contract, tort or trust / equity), including, without limitation, any issues concerning the breach, interpretation, rectification, termination, performance, enforcement or validity of the **License Agreement** or the rights and liabilities of the **Parties** in relation to the **License Agreement**;

1.5.2 irrespective of the fact that there is no arguable defence under the **License Agreement**, or that the facts or law are undisputable and subject to judicial summary proceedings;

but **Dispute** does not encompass

1.5.3 any controversy, conflict, claim, disagreement or difference of opinion or the rights and liabilities of the **Parties**

1.5.3.2 under any collateral or antecedent agreements independent of the **License Agreement**; or

1.5.3.3 with any emanation of Her Majesty the Queen in Right of Canada, other than the Public Health Agency of Canada.

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## 1.6 “Execution Date”

means the date on which the last signature is affixed to this **License Agreement**.

## 1.7 “Field of Use”

means the application and use of the **Licensed Rights** only with products to be sold or used by the Company, or its **Affiliates** or sublicensees or marketed through specified trade channels in the field of prevention and prophylaxis against and treatment of VHF viruses in humans and for no other purposes whatsoever.

## 1.8 “Generally Accepted Accounted Principles (GAAP)”

means, at any time, accounting principles generally accepted in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants at the relevant time, applied on a consistent basis (except for necessary or advisable changes in accordance with the promulgations of the Canadian Institute of Chartered Accountants). If and when Canadian GAAP does not address an accounting issue, then generally accepted accounting principles in the United States will apply.

## 1.9 “Improvement(s)”

means any modification, improvement, enhancement, variation, refinement, derivative or development relating to the **Licensed Rights** which

1.9.1 infringes any one or more claims of any of the **Patents**; or

1.9.2 constitutes a technological advance of any degree using any of the **Patents** or **Confidential Information** (irrespective of whether it infringes one or more claims of the **Patents**); and

1.9.3 was made and reduced into practice during the term of the **License Agreement** or within 12 (twelve) months of its termination or expiration by either **Party**; and

1.9.4 when applicable, Canada is lawfully entitled to communicate and license to the Company without breaching any restrictions on use or disclosure to third parties.

## 1.10 “Intellectual Property”

means, as of the **Execution Date**, all **Patents**, trade-marks, copyrights, industrial designs, trade-names, trade secrets, **Confidential Information** and other intellectual property rights whether registered or not, whether proprietary or not

i) owned by or licensed to Canada, relating to the **Licensed Rights**; or

ii) owned by or licensed to the Company, relating to the **Improvements** made by the Company, its **Affiliates** or sub-licensees,

as the case may be.

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## 1.11 “License Agreement”

means this agreement and including all attached appendices and future amendments, and refers to the whole of this agreement, not to any particular section or portion thereof.

**1.12 “Licensed Product(s)”**

means any product resulting from *Commercialization* under this *License Agreement*.

**1.13 “Licensed Rights”**

means the exercise, as of the *Execution Date*, in whole or in part, of

1.13.1 the *Patents*; and

1.13.2 related *Intellectual Property* and *Confidential Information* and any subsequent changes thereto that are expressly incorporated into the *License Agreement*,

within the *Field of Use* as listed in Appendix A (Description of the *Licensed Rights*).

**1.14 “Party”**

means any one of the signatories to the *License Agreement* and “*Parties*” means both of them.

**1.15 “Patents”**

means

1.15.1 the patents and patent applications as listed in Appendix A (Description of the *Licensed Rights*);

1.15.2 any author certificates, inventor certificates, utility certificates, improvement patents and models and certificates of addition, and includes any divisions, reissues, renewals, reexaminations and extensions thereof, and all continuations, continuations-in-part and divisionals of the applications for such patents, continuations, continuations-in-part, extensions, re-issues thereof for such patents, including, but not limited to, those patents listed in “Appendix A” and any subsequent patents whose priorities are derived from any patents listed in Appendix A; and

1.15.3 subsequently patented *Improvements* to *Patents*.

**1.16 “Sale”**

means without limitation the act of transferring (conditionally or unconditionally, permanently or temporarily) the results of the exercise of the *Licensed Rights* for consideration including but not limited to sale, lease, gift, barter, exchange or other

disposition for value. (For greater clarity any internal corporate use / consumption whatsoever of the *Licensed Rights* by the Company or an *Affiliate* or sublicensee shall be deemed a *Sale* at the *Sales Price* at the time of the use / consumption or allocation for internal use / consumption, whichever is the earlier).

**1.17 “Sales Price”**

means the aggregate gross price paid by an arm’s length purchaser or lessee for any of the results of the exercise of the *Licensed Rights* sold or leased by the Company without deduction, rebate or pass throughs. If the gross price is less than the fair market value, then, for royalty calculation purposes, the gross price shall be the fair market value as set by Canada in its unfettered discretion.

**1.18 “Taxes”**

means taxes (including, without limitation, sales taxes, goods & services taxes, value added taxes, however described), levies, imposts, deductions, charges, license and registration fees, assessments, withholdings / withholding taxes and duties imposed by any jurisdiction or authority (including stamp and transaction taxes and duties) together with any related interest, penalties, fines and expenses in connection with them.

**1.19 “Territory”**

means the entire world, always subject to:

1.19.1 the United Nations Act, R.S.C. 1985, Chap. U-2;

1.19.2 the Export & Import Permits Act, R.S.C. 1985;

1.19.3 Chap. E-19, Special Economic Measures Act, S.C. 1992, Chap. 17;

1.19.4 Foreign Extra-Territorial Measures Act, R.S.C. 1985 c. F-29; and

1.19.5 any other pertinent Canadian statutory or regulatory strictures.

For greater clarity *Territory* means all countries and jurisdictions of the world.

**1.20 “VHF”**

means viral hemorrhagic fevers.

## 2.1 **Grant:**

Subject to:

- 2.1.1 the definitions, terms and conditions of the **License Agreement**,
- 2.1.2 the Company complying with and not being in breach of any of the provisions of the **License Agreement**, and
- 2.1.3 any third party preemptory rights,

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Canada hereby grants to the Company a personal, non-transferable, sole, revocable, royalty-bearing license for **Commercialization**.

Nothing herein shall constitute in any manner whatsoever:

- 2.1.4 an assignment or other transfer of proprietary rights in the **Licensed Rights** to the Company; or
- 2.1.5 any authorization or permission beyond that expressly given in this **License Agreement**.

## 2.2 **Carve Out**

Notwithstanding anything to the contrary in the **License Agreement**, Canada retains from the **License Agreement**, any and all absolute and unfettered rights necessary to do the following:

- 2.2.1 improve the **Licensed Rights** or **Patents**;
- 2.2.2 to carry out educational activities;
- 2.2.3 to pursue research and development, directly or indirectly, related to the **Licensed Rights** or **Patents** with or without the Company, collaborators or sponsors, with all attendant rights of publication;
- 2.2.4 to make, have made, manufacture, use, license sell and distribute and to administer (directly or through health care providers) to Canadians products resulting from the exercise of the **Licensed Rights**, the **Patents** and the **Improvements** in the event of a public health emergency pertaining or related to **VHF** in Canada, for the purpose of prevention or treatment of **VHF**, where:
  - 2.2.4.2 the Company has not obtained regulatory approval of its product(s) under the Food and Drugs Act of Canada at the time the emergency is identified by Canada; or
  - 2.2.4.3 the Company is not able to satisfy the demand for its approved product(s) in Canada at the time the emergency is identified by Canada;
- 2.2.5 to make, have made, manufacture, use and distribute and to administer to Canada's staff products resulting from the exercise of the **Licensed Rights**, the **Patents** and the **Improvements**, for the purpose of prevention and treatment of **VHF**, whether in or outside a public health emergency in Canada or abroad, and
- 2.2.6 to make, have made, manufacture, use, license, sell and distribute and to administer (directly or through health care providers) products resulting from the exercise of the **Licensed Rights**, the **Patents** and the **Improvements**, outside of

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Canada, for compassionate care purposes for the prevention or treatment of **VHF**, where:

- 2.2.6.2 the Company has not obtained regulatory approval of its product(s) under the laws of the foreign country in question at the time the compassionate care is identified by Canada; or
- 2.2.6.3 the Company is not able to satisfy the demand for its approved products) in the foreign country in question at the time the compassionate care is identified by Canada.

## 2.3 **Non Compete by Canada**

Subject to clause 2.2, Canada shall not commercially compete with the Company, or grant a license to any third party for commercial purposes, within the **Field of Use** concerning the **Licensed Rights** in the **Territory**.

## 2.4 **Sublicensing Permitted**

The Company is permitted to sub-license **Affiliates** and non-affiliated or non-controlled parties, on the same terms and conditions of this **License Agreement**. The Company has no right to encumber any contractual, legal or equitable rights the Company may have against any **Affiliate** or sub-licensee in favour of any financial institution or any third party whatsoever.

## 2.5 **Sublicensing Conditions**

Any sub-license or any amendment to any sub-license granted by the Company to **Affiliates** and non-affiliated or non-controlled parties, shall:

- 2.5.1 be royalty-bearing, revocable, without the right to sub-sub-license, except with the prior written consent of Canada, which consent shall not be unreasonably withheld;
- 2.5.2 carry a royalty rate no less than that prescribed in the **License Agreement**;
- 2.5.3 be only within the **Territory** or any portion thereof;
- 2.5.4 be only within the **Field of Use** or a subset thereof;
- 2.5.5 be subject to the same obligations and restrictions as those required of the Company under the **License Agreement**;
- 2.5.6 be copied to Canada immediately following execution; and
- 2.5.7 not be a *de facto* assignment.

For greater clarity, Canada shall receive from the **Affiliates** and sub-licensees not less than the same amount of consideration Canada would have received from the Company,

had the Company conducted the **Commercialization** rather than the **Affiliates** or sub-licensees. The Company shall ensure that any monies owing to Canada from the **Affiliates** or sub-licensees are paid to Canada when due, and shall be liable for any such monies irrespective of whether or not the **Affiliate** or sub-licensee paid the Company.

#### 2.6 **Sub-Licensee Consideration**

In addition to the royalties payable by the **Affiliates** and sub-licensees to Canada as contemplated in paragraph 2.5 (Sub-licensing Conditions), the Company shall also pay to Canada [\*] paid by the **Affiliates** and sub-licensees to the Company.

#### 2.7 **Termination**

Termination of the **License Agreement** shall also terminate any subsisting sub-licenses, but any consideration due or owing to Canada shall be paid promptly thereafter, and any and all unsatisfied obligations and rights shall subsist until satisfied.

### 3.0 TERM

#### 3.1 **Term**

This **License Agreement** shall commence on the **Execution Date** and shall continue in force until the expiry of the last to expire of the **Patents** included in the **Licensed Rights**, subject to:

- 3.1.1 early termination as prescribed under Article 15.0 (Termination); and
- 3.1.2 condition subsequent in paragraph 4.1 (Business Plan).

### 4.0 EXPLOITATION OF LICENSED RIGHTS

#### 4.1 **Business Plan**

The Company shall submit a business plan to Canada within thirty (30) days of the **Execution Date**. Canada shall have the right to request amendments to the business plan in order to ensure maximum commercial return to the Company and Canada in accordance with this Article 4 (Exploitation of Licensed Rights). Once Canada has accepted the business plan, the plan is then Appendix C (Business Plan) and all the Company's representations and statements in the plan are incorporated into the **License Agreement**.

#### 4.2 **Disclosure Requirements**

The business plan shall provide sufficient detail to show how the Company plans to diligently research, develop and promote and make commercially reasonable efforts to **Commercialize**. This business plan shall also disclose any

- 4.2.1 distribution and agency arrangements contemplated by the Company;

- 4.2.2 market studies pertinent to the **Licensed Rights**;

- 4.2.3 pro forma financial statements of sufficient detail to allow a thorough financial analysis of the Company's assumptions, projected revenue streams and costs.

#### 4.3 **Continuing Disclosure**

During the term of the **License Agreement**, the Company shall promptly provide to Canada any amendments or updates to the business plan.

#### 4.4 **Inducement**

The Company acknowledges that the business plan as orally presented to Canada in a pre-contractual setting, and subsequently manifested in the written format under paragraph 4.1, as accepted by Canada is the major inducement for Canada to enter into the **License Agreement** on the terms and conditions prescribed herein.

#### 4.5 **Breach**

If the Company

4.5.1 commits a misrepresentation, omission, concealment or incorrect statement of a material fact in the negotiations leading to the **License Agreement** in general or leading to or in the business plan in particular; or

4.5.2 breaches any representations or statements in the business plan,

then such failure is a material breach of the **License Agreement** which provides Canada with the discretionary election either to:

4.5.3 rescind the **License Agreement** and seek damages; or

4.5.4 maintain the **License Agreement** and seek damages alone.

#### 4.6 **Commercially Reasonable Efforts to Commercialize**

As an inducement to Canada to enter into the **License Agreement**, during the term (or the renewal) of the **License Agreement**, the Company shall:

4.6.1 use commercially reasonable efforts to **Commercialize**;

4.6.2 use commercially reasonable efforts to create and satisfy demand for the **Licensed Rights**; and

4.6.3 not do, or assist anyone to do, anything inimical to the **Commercialization**.

Payment of fees and royalties under Article 5 (Fees & Royalties) does not relieve the Company of its obligation under paragraph 4.6 (Commercially Reasonable Efforts to Commercialize).

#### 4.7 **Shelving a Fundamental Breach**

Any “parking”, “shelving” or other activity or inactivity concerning the **Licensed Rights** whereby the Company is not using its commercially reasonable efforts to diligently and aggressively **Commercialize** the **Licensed Rights** in the **Territory**, is a fundamental breach of the **License Agreement**.

#### 4.8 **Research Support Collaboration**

In carrying out basic research and development activities concerning the **Licensed Rights** and VHF vaccine during the term of this **License Agreement**, and any renewal thereof, the Company shall make good faith efforts to collaborate with Canada on [\*] of such activities, under collaborative research agreements containing commercially reasonable terms and conditions as agreed to by the **Parties** at that time. Any payments made by the Company pursuant to such collaborations shall not diminish or affect the Company’s obligation to pay fees and royalties under Article 5 (Fee and Royalties).

### 5.0 FEES AND ROYALTIES

#### 5.1 **Fees**

The Company shall pay to Canada the following non-refundable lump sums:

5.1.1 PATENT FEES  
[\*], payable within thirty (30) calendar days of the **Execution Date**, as a reimbursement of **Patent** costs incurred by Canada to date;

5.1.2 SIGNING FEE  
[\*], payable upon signing, as a non-creditable and non-refundable signing fee in consideration of the execution of the **License Agreement**;

5.1.3 MILESTONE FEES [\*] lump sum payable on the earlier of [\*] or [\*] years of the **Execution Date**, whichever comes first;

5.1.4 MILESTONE FEES [\*] lump sum payable on the earlier of [\*] or [\*] years of the **Execution Date**, whichever comes first;

5.1.5 MILESTONE FEES [\*] lump sum payable on the earlier of [\*] or [\*] years of the **Execution Date**, whichever comes first;

5.1.6 MILEPOST FEES [\*] lump sum payable on the earlier of [\*] or [\*] of the **Execution Date**, whichever comes first.

#### 5.2 **Royalty Percentage Rate**

The Company shall pay to Canada a royalty rate of [\*] of the **Sales Price** of **Licensed Products** sold by the Company, its **Affiliate(s)** or sublicensees.

5.2.1 The royalty rate shall be lowered to [\*] if: a) an additional technology is required to **Commercialize**; and b) the additional technology is actually licensed by the Company from a third party and the latter actually charges royalties to the

Company for such a license (as shown by documentation sufficient to establish the requirement and the actual license).

5.2.2 The rate shall be lowered to [\*] if: a) two (2) or more additional technologies are required to **Commercialize**; and b) the additional technologies are actually licensed by the Company from one or more third parties and the latter actually charge royalties to the Company for such a license (as shown by documentation sufficient to establish the requirement and the actual license).

### 5.3 **Minimum Royalty**

Notwithstanding any other provision of the **License Agreement**, the Company shall pay to Canada a minimum annual royalty of [\*], payable on or before January during each year of the **License Agreement**. Such amounts paid shall be creditable against royalties owed under clause 5.2 (Royalty Percentage Rate) and sub-license payments owed under clause 5.4 (Sub-Licensing Consideration) in the same year.

### 5.4 **Sub-Licensing Consideration**

The Company shall pay to Canada [\*] paid by the **Affiliates** and the sublicensees to the Company. Such payments shall be over and above the royalty rate paragraph 5.2 (Royalty Percentage Rate) (whether or not such consideration was directly, indirectly or derivatively paid or provided) including without limitation any equity.

### 5.5 **Sub-Licensee's Fees**

#### 5.5.1 COLLECTION AND ENFORCEMENT BY THE COMPANY

The Company shall ensure that royalties payable to Canada from **Affiliates** and sub-licensees shall be remitted directly to the Receiver General for Canada, at the address provided in Article 20.1 (Notice). The Company shall take any necessary actions (at the Company's own cost) to collect, enforce and remit royalties or other consideration owing to Canada by the **Affiliates** and sub-licensees.

#### 5.5.2 SUB-LICENSEE'S ARREARS PAID BY THE COMPANY

If an **Affiliate** or sub-licensee has royalties or other consideration owing to Canada under a sub-license for a period in excess of thirty (30) days, then the Company shall pay to Canada that amount owing within the next fourteen (14) days immediately following the aforementioned thirty (30) days.

### 5.6 **Taxes**

The Company shall pay **Taxes** at the applicable prevailing rates exigible on the Company's activities under the **License Agreement**, including without limitation **Commercialization** or on the payment of royalties, including any withholding taxes that in the first instance are levied against Canada

### 5.7 **Payment to Canada**

Unless the **License Agreement** expressly provides otherwise, the Company shall pay any and all monies and consideration owing to Canada as follows:

#### 5.7.1 TIME & MODE

quarterly, by cheque or money order, commencing on December 31, 2010 and thereafter on March 31, June 30, September 30 and December 31 of each year of this **License Agreement**;

#### 5.7.2 CURRENCY & ADDRESS

except for royalties generated from **Commercialization** within Canada, cheques for the payment of royalties shall be in U.S. funds (at the conversion rate stated in the Wall Street Journal on the day prior to the date payment is due) and made payable to the "Receiver General for Canada". The cheque(s) shall be sent to

Director, Intellectual Property Management & Business Development  
Public Health Agency of Canada  
1015 Arlington Street, Suite 2420  
Winnipeg, Manitoba, Canada  
R3E 3R2;

#### 5.7.3 ACCOMPANYING DOCUMENTATION

each cheque shall be accompanied by a statement bearing the name / identification of this **License Agreement** and the **Licensed Rights**, and showing the period covered, the total sales, per country sales, the per country royalty applicable and the total royalty paid or consideration paid, as applicable.

### 5.8 **Payments to Canada after Termination**

The Company shall pay to Canada any consideration due and payable under the **License Agreement**, whether incurred before termination or after, in accordance with Article 15 (Termination).

### 5.9 **Payment after Expiry of Patents**

The Company shall continue paying the amounts as prescribed in this Article, notwithstanding any impeachment proceedings, or the expiry, expungement or other nullification of the **Patents**.

### 5.10 **No Set-off**

Notwithstanding any other provision of the **License Agreement**, any consideration payable to Canada by the Company under the **License Agreement** is unconditional and

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non-cancelable. Further, the Company shall not have the right of set-off, deduct or counter-claim against any such consideration.

### 5.11 **Accounting Approach**

#### 5.11.1 GAAP

The Company shall use GAAP in the calculation of consideration owing to Canada.

#### 5.11.2 ACCRUAL

Royalties accrue on receipt of payment by the Company (or **Affiliates** or the sub-licensees) for the **Licensed Rights**.

#### 5.11.3 INTEREST OF OVERDUE ACCOUNTS

In the event the Company fails to make any payment under the **License Agreement** when due and payable, then interest on any unpaid amount shall accrue at a rate of four (4)% above the base rate of the Bank of Montreal, Toronto, from time to time in force during the period of non-payment.

#### 5.11.4 OTHER BASIS FOR PAYMENTS

If the Company receives any lump sum or other payments, royalties (including royalty payments received from third parties), or any other income or consideration for, or in respect of the **Commercialization** of the **Licensed Rights**, then the Company shall include such additional income in calculating the **Sales Price**.

## 6.0 RECORDS AND AUDIT

### 6.1 **Records Maintenance**

The Company shall keep true and accurate records and maintain such records relating to **Commercialization** and all other obligations of the Company under the **License Agreement** during the term of the **License Agreement** and for ten (10) years following the termination or expiration of the **License Agreement**.

### 6.2 **Record Type**

For greater clarity and without limiting the generality of the foregoing, records cited in paragraph 6.1 (Records) shall comprehensively address:

6.2.1 financial, business, manufacturing and technical support, including without limitation sales reports, inventory reports, subcontractor and distributor agreements, tax returns, catalogues, price lists, shipping records, invoice registers, invoices, financial statements and ledgers; and

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6.2.2 quality standards and monitoring reports and records.

### 6.3 **Records, Access to those held by Off Site Professionals**

The Company irrevocably authorizes its independent accountants, KPMG LLP, to provide to Canada's independent accountants any information it may have with respect to the **Commercialization**.

### 6.4 **Audit Document Right**

Upon the written request of Canada and with at least fifteen (15) calendar days prior notice, the Company shall permit an independent accountant, retained by Canada, to inspect all relevant records (whether held internally by the Company or at the offices of professional advisors or elsewhere) in order to ascertain the accuracy of such royalties, reports and **Commercialization** efforts. Such inspections shall be during business hours and in a

manner that does not unduly disrupt the Company's business. The Company shall allow the accountant to make any necessary copies of the records that the independent accountant deems fit.

#### 6.5 **Audit Interview Right**

In addition to the rights in paragraph 6.4, upon the written request of Canada, the Company shall allow the independent accountant to interview key personnel of the Company. The independent accountant, in its unfettered discretion, shall determine who the key personnel are for the purposes of the interview. The Company acknowledges that the independent accountant may have more than one interview with key personnel

#### 6.6 **Audit Confidentiality**

The independent accountants retained by Canada shall inform Canada whether the Company has complied with its obligations under the **License Agreement**, including without limitation whether all royalties and consideration due and payable were paid as prescribed to Canada and marketing efforts and any inaccuracies in such payments. Subject to the information contained in the foregoing audit reports, the independent accountants shall neither reveal to Canada any of the Company's internal documentation or records, nor disclose any notes or copies of the Company's records made by the independent accountants, excluding anything necessary for the report.

#### 6.7 **Duration**

The auditing and verification provisions herein shall continue for 10 years following the expiry or termination of this **License Agreement**.

#### 6.8 **No Waiver**

Any royalty payment or report accepted by Canada shall not constitute a waiver by or estoppel against Canada concerning the contractual right to audit the Company, and Canada shall continue to have the right to audit as prescribed in the **License Agreement**.

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Furthermore, an audit shall not preclude Canada from conducting subsequent audit or audits.

#### 6.9 **Discrepancy Percentage**

With respect to the earned royalties (paragraph 5.2, Royalty Rate, paragraph 5.4. Sub-License Fees) in the event of any discrepancy uncovered by the audit, in excess of five percent (5.0%) of the amounts paid during the audited period, the Company shall pay forthwith to Canada both the discrepancy and the cost of the audit. Overpayments shall be credited against the next payment due by the Company to Canada.

#### 6.10 **Breach of Records Audit Article Material**

The record and audit requirements are a material term of the **License Agreement**.

### 7.0 REPORTS & QUALITY CONTROL

#### 7.1 **Report - - Commercialization & Marketing**

The Company shall, on or before the 45th day following each calendar quarter, during the term hereof and any renewal, submit to Canada written reports as to the Company's activities with respect to the exercise of **Licensed Rights** during the preceding twelve (12) months. Such reports shall contain:

- 7.1.1 a description of the steps taken by the Company to develop and **Commercialize** and sub-license;
- 7.1.2 a description of the marketing conditions for the products or processes created by the exercise of the **Licensed Rights**; and
- 7.1.3 a report on the production, use and sales of the products or processes created by the exercise of the **Licensed Rights**.

#### 7.2 **Report - - Officer's Certificate**

The report from the Company shall also contain a certificate from either the CEO or CFO of the Company attesting to the fact that the Company has been using commercially reasonable efforts to develop and **Commercialize** the products or processes created by the exercise of the **Licensed Rights** and that **Commercialization** is a material and active element of the Company's business.

#### 7.3 **Report - - Audited Statement & Remittances**

In addition to the requirements of paragraphs 7.1 (Report Contents General) and paragraph 7.2 (Report - Officer's Certificate), the report from the Company to Canada shall also contain an audited statement, which includes, without limitation:

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- 7.3.1 an audited statement, including the amount of the products or processes created by the exercise of **Licensed Rights** sold by the Company and the amount of royalties or other consideration payable;
- 7.3.2 the names and addresses of all **Affiliates** and sub-licensees to whom the **Licensed Rights** has been sub-licensed;

- 7.3.3 a full account of all revenues generated by such *Affiliates* and sub-licenseses, including the amount of products or processes created by the exercise of *Licensed Rights* sold;
- 7.3.4 a calculation of the amount due to Canada for the royalties and consideration as stipulated herein as required under paragraphs 2.5 (Sublicensing Conditions) and paragraph 2.6 (Sub-licensee Consideration); and
- 7.3.5 subject to paragraph 5.7 (Payment to Canada) any remittances then payable to Canada, payable to the Receiver General for Canada, of the amount of royalties or other consideration so payable.

#### **7.4 Report— Quality Control**

In addition to the foregoing, the report shall also contain internal audit results, conducted quarterly, showing the quality standards of the products or processes created by the exercise of the *Licensed Rights* at all production sites and at the major sale or distribution sites.

#### **7.5 Quality Control Obligations**

The Company shall comply with all quality requirements for the products or processes created by the exercise of the *Licensed Rights* that are prescribed by:

- 7.5.1 Canada from time to time in writing; and
- 7.5.2 any regulatory or statutory authority.

#### **7.6 Quality Control Spot Audits by Canada**

The Company shall allow Canada to conduct spot audits of the Company production and sales sites during operating hours anywhere in the *Territory* to ensure compliance with the prescribed quality standards.

#### **7.7 Quality Control Spot Audits on behalf of Canada**

Canada may ask the Company to conduct spot audits of the Company production and sales sites anywhere in the *Territory* and to disclose those results to Canada within 15 days of each audit.

#### **7.8 Annual Report**

The Company shall, on or before the 31st day of May of each calendar year, during the term hereof and any renewal, submit to Canada a copy of:

- 7.8.1 the Company's certified financial statements and evidence of renewal of the Company's insurance policy under section 13 of the License Agreement;
- 7.8.2 the Company's annual reports to shareholders; and
- 7.8.3 material revisions to the Company's business plan.

#### **7.9 Annual Face-To-Face Meeting**

The Company shall, on the 121st day of each calendar year, during the term of the *License Agreement* and any renewal, meet face-to-face with Canada to provide a progress report on the activities carried out by the Company under the *License Agreement*.

#### **7.10 Material terms**

The reporting and quality requirements and audit rights are a material term of the *License Agreement*.

### **8.0 OWNERSHIP OF TECHNOLOGY / IMPROVEMENTS**

#### **8.1 Canada Owns Licensed Rights**

The Company agrees and is estopped from alleging otherwise that:

- 8.1.1 the *Licensed Rights* are vested in and are the sole property of Canada;
- 8.1.2 ownership and all rights related to, connected with, or arising out of the foregoing, including, without limitation:
- 8.1.2.2 *Patents, Intellectual Property, Confidential Information*, copyright, the right to produce, publish or cause to be produced, and all published information material and documents;
- 8.1.2.3 the right to issue a license;
- are vested in and are the sole property of Canada, and
- 8.1.3 the Company shall have no rights to the foregoing except as may be expressly granted under this *License Agreement*, and the Company shall not apply for any proprietary or other right and shall not divulge or disclose, without the prior written consent of Canada, any

## 8.2 **No Impeachment**

The Company shall neither impeach, contest or otherwise attack, directly or indirectly, the validity, enforceability or ownership of the **Patents** or any **Intellectual Property** rights held by Canada, or Canada's right, title and interest in and to the **Licensed Rights** nor assist, counsel or procure any third party to do the same.

## 8.3 **Inimical Use of Confidential Information**

The Company shall not use any **Confidential Information** obtained from Canada in the negotiation of the **License Agreement**, under due diligence searches or otherwise related to this **License Agreement**, in any manner that either violates the Company's rights and obligations under the **License Agreement** or is inimical to the interests of Canada.

## 8.4 **Improvements - - Ownership**

Unless expressly agreed to otherwise in writing by the **Parties**, the ownership of any **Improvement** made by or on behalf of a **Party** shall immediately, after creation, vest exclusively in that **Party**.

## 8.5 **Company Improvements - Disclosure**

The Company shall disclose to Canada forthwith all **Improvements**, innovations and discoveries developed or created by or on behalf of the Company, solely or jointly with others (including **Affiliates** and sub-licensees), which related to the **Licensed Rights**, together with any **Intellectual Property** rights residing therein.

## 8.6 **Company Improvements — License to Canada**

The Company hereby grants to Canada a personal, non-transferable, non-exclusive, worldwide, perpetual, irrevocable, royalty-free and fully paid-up license for the **Improvements** (including data and reports related thereto), made by or on behalf of the Company under paragraph 8.4 (Improvements — Ownership) and disclosed to Canada under paragraph 8.5 (improvements — Disclosure) for the purposes set out in paragraph 2.2 (Carve Out). Further, Canada may sub-license such **Improvements** for the purposes of carrying out the purposes set out in paragraph 2.2 (Carve Out).

Termination of the **License Agreement** shall not terminate the foregoing license to Canada or any subsisting sub-licenses.

## 9.0 DISCLAIMERS

### 9.1 **Estoppel Statement/Disclaimer of Express / Implied Warranties**

The Company acknowledges that there is some question as to the integrity of ownership of the **Licensed Rights** and **Patents** and the Company accepts those risks.

The **Licensed Rights** and **Patents** are provided to the Company on an "as is" basis. Canada makes no warranties, representations or conditions, express or implied, of any nature, and Canada disclaims all warranties, representations or conditions, for the **Licensed Rights**, the **Patents**, the **Intellectual Property** or the **Confidential Information** including, without limitation:

- 9.1.1 merchantability;
- 9.1.2 quality (either as discussed or with respect to a sample / model);
- 9.1.3 fitness for any or a particular purpose;
- 9.1.4 commercial utility or practical purpose;
- 9.1.5 susceptibility of yielding valuable results or results are free of defects or otherwise harmless;
- 9.1.6 latent or other defects;
- 9.1.7 infringement or non-infringement of Patents or other third party rights;
- 9.1.8 conformity with the laws of any jurisdictions; or
- 9.1.9 fitness for the Company's corporate objectives (whether or not expressly or implicitly communicated to Canada).

For greater certainty, no information or advice given by Canada shall create a warranty or representation or condition other than as expressly stated in the **License Agreement**. The Company hereby accepts the **Licensed Rights** and the **Patents** "as is", with all faults, and the entire risk as to satisfactory quality, performance, accuracy and effort is with the Company. In no event shall Canada be liable for any direct, indirect, incidental, special, exemplary, or consequential damages (including, but not limited to, procurement of substitute goods or services, loss of use, data or profits, or business interruption) however caused and on any theory of liability, whether in contract, strict liability, or tort (including negligence or otherwise) arising in any way out of the exercise of the **Licensed Rights** by the Company, its **Affiliates** or sub-licensees, even if advised of the possibility of such damage.

### 9.2 **Disclaimer of Statutorily Implied Warranties**

No legal or equitable warranties or conditions implied by law or convention under any domestic, foreign or international legal regime, or from a course of dealing or usage of trade, shall apply to the **License Agreement**. The Company acknowledges this disclaimer and is estopped from relying on any such representations, warranties or conditions against Canada.

### 9.3 **Confidential Information Without Warranty / No Reliance**

The Company shall not rely in any way on the quality, accuracy or completeness of any **Confidential Information** provided by Canada under the **License Agreement**. Any use of such **Confidential Information** shall be at the Company's sole risk and expense. Any **Confidential Information** provided to the Company by Canada is without any warranty or guarantee or representation or warranty of any kind whatsoever other than as expressly provided herein.

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### 9.4 **No Liability to Canada from Exercise of Rights**

The Company undertakes to use the **Licensed Rights** and apply **Confidential Information** of Canada entirely at its own risk and under its own responsibility, and that the Company will have no recourse against Canada with respect to any consequences of such application.

### 9.5 **Third Party Representations**

The Company shall not represent to any **Affiliate** or sub-licensee the existence of any warranty or condition concerning the **Licensed Rights**.

### 9.6 **Disclosure & Due Diligence**

The Company acknowledges that:

- 9.6.1 Canada has made full and frank disclosure of all facts the Company deemed relevant before executing the **License Agreement**;
- 9.6.2 The Company has conducted a due diligence search of all matters relevant to the **Licensed Rights**, the **Patents** and the **License Agreement**;
- 9.6.3 Canada has made all best efforts to identify the significant characteristics of the **Licensed Rights** and that Canada makes no representation that all the characteristics both favorable and unfavorable have been identified; and
- 9.6.4 Canada is either under no duty to warn the Company or the Company unconditionally waives any such duty, about the **Licensed Rights** or **Commercialization**.

## 10.0 **PATENT PROTECTION & REGULATORY REQUIREMENTS**

### 10.1 **Patent Costs**

The Company shall pay all costs related to and maintaining **Patents** (and shall reimburse Canada for any of these costs that Canada may pay during any term of the **License Agreement**), as they are incurred, and within thirty (30) days of being invoiced for such costs.

### 10.2 **Right to Patent**

Nothing in the **License Agreement** shall limit or restrict Canada from seeking to patent **Improvements** made by Canada.

### 10.3 **The Company Shall Obtain Regulatory Permissions**

The Company shall use commercially reasonable efforts to obtain any authorizations, permits, certificates or other regulatory permissions which may be required in order for the Company to legally carry out all of its activities under the **License Agreement**,

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including but not limited to **Commercialization**, at the Company's sole cost and expense without right of set-off.

### 10.4 **Her Majesty Not Obligated**

Nothing in the **License Agreement** shall obligate any emanation of Her Majesty the Queen in Right of Canada to grant any required authorizations, permits, certificates or other regulatory permissions. Conversely, there is no implication by the execution of the **License Agreement** that the Company will be granted any required authorization, permits, certificates or other regulatory permissions necessary for the effective Commercialization of the **Licensed Rights**.

## 11.0 **CONFIDENTIALITY / FIDUCIARY OBLIGATIONS & EQUITABLE REMEDIES**

### 11.1 **Existing Confidentiality Agreements**

The **Confidentiality Agreements** entered into by the Parties on May 1, 2007, and November 1, 2008, respectively, shall end on the **Execution Date** of the **License Agreement**. However, all rights and obligations of the Parties under the **Confidentiality Agreements** that expressly or by their nature survive termination of those agreements shall continue in full force and effect until they expressly or by their nature expire.

### 11.2 **Confidentiality Obligations**

Commencing on the **Execution Date** of this **License Agreement**, **Confidential Information** disclosed by one **Party** to the other **Party** under this **License Agreement** shall be:

- 11.2.1 held in confidence and in trust by the receiving **Party**;
- 11.2.2 used by the receiving **Party** exclusively for the purposes authorized under the **License Agreement** and for no other purpose whatsoever;
- 11.2.3 safeguarded by the receiving **Party** using all reasonable measures and taking such action as may be appropriate to prevent the unauthorized access, use or disclosure of the **Confidential Information**; and
- 11.2.4 not disclosed to third parties without the prior written consent of the disclosing **Party**.

### 11.3 **No Waiver of Privilege**

Each **Party** acknowledges that the **Confidential Information** of the disclosing **Party** is the property of the disclosing **Party** or a third party and that none of the latter intend to or do waive any rights, title or privilege they may have in respect of any of the **Confidential Information**.

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### 11.4 **Common Law Duty of Confidentiality**

Nothing in this **License Agreement** derogates, displaces or otherwise diminishes the common law or equitable duty of confidentiality vested in the receiving **Party** concerning the **Confidential Information**.

### 11.5 **Confidentiality Exclusions**

Article 11.2 (Confidentiality Obligations) does not apply to information which, even if it may be marked “confidential”, is not really confidential, in that

- 11.5.1 **IN PUBLIC DOMAIN** - the information was legally and legitimately in the public domain through no act or omission of the receiving **Party** at the time of disclosure by the receiving **Party**;
- 11.5.2 **PUBLISHED** - the information was legally and legitimately published or otherwise becomes part of the public domain through no act or omission of the receiving **Party** at the time of disclosure by the receiving **Party**;
- 11.5.3 **ALREADY KNOWN TO THE RECEIVING PARTY** - the information was already in the possession of the receiving **Party** at the time of disclosure and was not acquired by the receiving **Party**, directly or indirectly, from the disclosing **Party** (as shown by documentation sufficient to establish the timing of such possession), and the receiving **Party** is free to disclose the information to others without breaching any contractual or trust obligations or common law duties;
- 11.5.4 **THIRD PARTY DISCLOSES** - the information becomes available from an outside source who has a lawful and legitimate right to disclose the information to others, and the receiving **Party** is free to disclose the information to others without breaching any contractual or trust obligations or common law duties;
- 11.5.5 **INDEPENDENTLY DEVELOPED** - the information was independently developed by the receiving **Party** without any of the **Confidential Information** being reviewed or accessed by the receiving **Party** (as shown by documentation sufficient to establish the timing of such development); or
- 11.5.6 **JUDICIAL/ADMINISTRATIVE ORDER** - the information was released due to a compulsory order under a judicial process or under a compulsory regulatory (including securities) requirement, none of which was invited by, or consented to, by the receiving **Party** and the receiving **Party** made all reasonable efforts to secure a court order to limit production, use and disclosure of the information to the narrowest class practical under the circumstances.

### 11.6 **Secure Location**

Each **Party** shall keep the **Confidential Information** of the other **Party** in a secure location accessible only to its employees specifically authorized to have access pursuant to this **License Agreement**. Each **Party** shall ensure that its employees complies with the

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terms and conditions of this **License Agreement** and shall enter into agreements with such employees if necessary to give effect to this obligation.

### 11.7 **Return of Confidential Information**

If this **License Agreement** expires or is terminated, the **Parties** shall return to each other the **Confidential Information** disclosed to them under this **License Agreement** and any notes, reports and other materials prepared by the receiving **Party** from the disclosing **Party**'s **Confidential Information** except that Canada shall be entitled to retain one copy of such records for the purposes of meeting Canada's obligations under the federal laws of Canada and for the purposes of paragraph 8.6 (Improvements - License to Canada).

### 11.8 **Confidential Information is Proprietary**

The **Confidential Information** of each **Party** is and shall remain the exclusive property of that **Party** or third parties and the receiving **Party** shall not claim any rights, title, interest or ownership in the **Confidential Information**. The receiving **Party** shall not contest any such rights, title, interest or ownership.

### 11.9 **Legal and Equitable Remedies**

Should a **Party** commit or threaten to commit a serious or material breach of its confidentiality or fiduciary obligations under this Article 11, then the other **Party** may pursue any and all legal and equitable remedies, including without limitation, injunctive relief, accounting for profits, redistribution, damages, constructive trust and disgorgement. Disgorgement means, for the purposes of the **License Agreement**, the ejection of all benefits gained by the receiving **Party**, traceable to the material breach, notwithstanding that such disgorgement may exceed the damages directly suffered by the disclosing **Party** or deprivation suffered by the disclosing **Party** for such breach.

### 11.10 **No Hiring of Canada's Employees**

The Company shall not:

- 11.10.1 solicit, hire, retain or secure;
- 11.10.2 directly or indirectly, including without limitation, the use of consultants, **Affiliates** or third parties;
- 11.10.3 any of the agents, servants or employees of Canada;
- 11.10.4 which agents, servants or employees are employed or retained in connection with, or whose responsibilities relate in whole or in part, to the **Confidential Information**, the **Licensed Rights** or the **Patents**; or helped produce or create the **Confidential Information**, the **Licensed Rights** or the **Patents**;

to accept employment with the Company of any of its **Affiliates**, unless

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11.10.5 Canada grants in advance its written permission to such a solicitation or the employment of such a person; or

11.10.6 [\*] have elapsed from the **Execution Date**.

### 11.11 **Exemption**

The prohibition in paragraph 11.10 (No Hiring of Canada's Employees) does not apply to general solicitations of employment issued by the Company and any hiring resulting from such solicitations that are:

- 11.11.1 not directed towards the employees of Canada; and
- 11.11.2 do not involve the **Confidential Information**, the **Licensed Rights** or the **Patents**.

### 11.12 **Contact Only Under License Agreement**

The **Parties** shall have no discussions, correspondence or other contact with the other **Party**, its licensees, confidants or any person concerning the **License Agreement**, except through the designated representative of the other **Party** or any delegates identified in writing by the designated representative from time to time.

### 11.13 **Terms Of Agreement Confidential But Not Existence of Agreement**

The **Parties** agree that terms of this **License Agreement** are confidential but not its existence. The terms of this **License Agreement** shall not be disclosed by a **Party** unless disclosure is required by law or if the other **Party** agrees to the disclosure in writing prior to disclosure.

## 12.0 **CORPORATE REPRESENTATIONS & WARRANTIES**

### 12.1 **The Company Incorporated & Authorized 8 Bound**

The Company represents and warrants to Canada that as of the **Execution Date**:

#### 12.1.1 ABILITY

it can **Commercialize**, and the Company has or will have the necessary access to funds, resources, knowledge, facilities and personnel to perform its obligations under the **License Agreement**, including to use commercially reasonable efforts to **Commercialize**;

#### 12.1.2 AUTHORIZATION

it is authorized and has the corporate power and authority to negotiate, execute, comply with and satisfy its obligations, without qualification, under the **License Agreement**;

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12.1.3 INCORPORATION JURISDICTION

it has been duly incorporated and organized under the laws of the state of Delaware and is validly existing under the laws of Iowa;

12.1.4 EXTRA-PROVINCIAL REGISTRATION

it is duly qualified, licensed or registered to carry on business in the Province or State of Delaware.

12.1.5 ENFORCEABLE

it is bound by the **License Agreement**, upon execution, and the **License Agreement** constitutes a legal, valid and binding obligation on the Company, enforceable against the Company in accordance with the terms of the **License Agreement**, except as those terms may be limited by applicable bankruptcy laws and general principles of equity,

12.1.6 LITIGATION

it has no knowledge of any legal proceeding or order pending against or, to the knowledge of the Company, threatened against or affecting, the Company or any of its properties or otherwise that could adversely affect or restrict the ability of the Company to consummate fully the transactions contemplated by this **License Agreement** (including without limitation the **Commercialization**) or that in any manner draws into question the validity of this **License Agreement**;

12.1.7 VERACITY OF STATEMENTS

no representation or warranty by the Company contained in this **License Agreement** and no statement contained in any certificate, schedule or other instrument furnished to Canada pursuant hereto or in connection with the transactions contemplated hereby, contains any untrue statement of a material fact or omits to state a material fact;

12.1.8 INCONSISTENT AGREEMENTS / OBLIGATIONS

it has not given any understanding, express or implied, to any third party which would:

12.1.8.2 preclude the Company from fulfilling its obligations under the **License Agreement**; or

12.1.8.3 cause the Company to breach an agreement with a third party;

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12.1.9 NO MARCH IN RIGHTS

it is not subject any "march in" or third party rights, (contractual or statutory, contingent or vested) which would give that third party any rights to the **Licensed Rights** not otherwise explicitly described in the **License Agreement**; and

12.1.10 NO BREACH OF THIRD PARTY AGREEMENTS

its execution of the **License Agreement** does not contravene its constituent documents or any law, regulation or official directive or any of its obligations or undertakings by which it or any of its assets are bound or cause a limitation on its powers or the powers of its directors to be exceeded.

**12.2 Canada Authorized**

Canada represents and warrants to the Company as of the **Execution Date**:

12.2.1 AUTHORIZATION

Canada has the power and authority to negotiate, execute and comply with the **License Agreement**, subject to all applicable laws and the royal prerogative; and

12.2.1.2 no further action is required by or in respect of any governmental or regulatory authority; and

12.2.1.3 the **License Agreement** is legal, binding and enforceable in accordance with its terms.

**13.0 INDEMNITY, INSURANCE AND LIABILITY ALLOCATION & CAPS**

**13.1 The Company's Indemnification**

The Company shall;

13.1.1 indemnify; and

13.1.2 save harmless;

Canada (and her employees, servants and agents),

- 13.1.3 from and against all claims, demands, losses, penalties, damages, costs, (including reasonable solicitor and own-client costs and expert witness costs), actions, suits or other proceedings whatsoever, whether groundless or otherwise,
- 13.1.4 brought or prosecuted in any manner which heretofore or hereafter may be made by a third party against Canada or her employees, servants and agents;
- 13.1.5 however and whenever arising out of, relating to, occasioned by or attributed to,

- a) any acts or conduct (including, without limitation, omissions, misrepresentations, errors and offences) of the Company, its employees, servants, agents, advisors, sub-licensees or *Affiliates* (whether by reason of negligence or otherwise) in the performance by the Company of the provisions of the *License Agreement* or any activity undertaken or purported to be undertaken under the authority or pursuant to the terms of the *License Agreement*, including without limitation, exercise of the *Licensed Rights* and *Commercialization*;
- b) any infringement or alleged infringement by the *Patents*, the *Licensed Rights* or *Licensed Products* of proprietary rights of any including, without limitation, patent, trade-mark, copyright or trade secret rights;
- c) any claim the *Patents*, the *Licensed Rights* or the *Licensed Products* or any aspect or use thereof by the Company infringes or constitutes misappropriation of the intellectual property rights of any third party; and
- d) any claim or demand against the *Patents*, the *Licensed Rights*, the *Licensed Products* or the interest of Canada or the Company therein.

Further, the Company shall not third party Canada for any such claims, actions, suits or other proceedings taken solely against the Company and the Company hereby expressly waives any rights it has against Canada for claims of infringement.

### 13.2 *Indemnity Separate / Continuing*

The foregoing indemnity is a continuing obligation, separate and independent from the other obligations of the Company and survives termination of, expiration of, or the acceptance of repudiation of the *License Agreement*. It is not necessary for Canada to incur expense or make payment before enforcing a right of indemnity conferred hereunder.

### 13.3 *Insurance*

The Company shall ensure that both the Company and each of its *Affiliates* and sub-licensees shall obtain and maintain, throughout the term of the *License Agreement* (and any renewal thereof) or duration of the sub-licenses (as the case may be), comprehensive general liability insurance for any and all claims, actions, liabilities and expenses resulting from the *Commercialization* of the *License Rights*.

#### 13.3.1 INSURANCE COMPANY

The insurance policy shall be obtained from a qualified insurance company licensed to do business in the applicable jurisdictions.

#### 13.3.2 NAMED INSURED

The insurance policy shall name Her Majesty the Queen in Right of Canada and Her employees, servants and agents as “additional insureds”.

#### 13.3.3 LIMITS

As of the *Execution Date*, the insurance policy shall include commercial general liability insurance, and shall have monetary limits in the amount not less than one million dollars (\$1,000,000) for each single occurrence or claim. Following the submission of an Investigational New Drug covering a Licensed Product and prior to the beginning of a Phase 1 Clinical Study, the insurance policy shall include commercial general liability insurance, that includes products liability insurance, and shall have monetary limits in an amount not less than five million dollars (\$5,000,000) for each single occurrence or claim. The minimum amount of insurance coverage required under this *License Agreement* shall not be construed as a limit of liability.

#### 13.3.4 TERMINATION NOTICE

The insurance policy shall provide for thirty (30) business days written notice by the insurer to the Company and Canada by registered or certified mail in the event of any modification, cancellation or termination of the insurance policy.

#### 13.3.5 COPY

The Company shall provide Canada a copy of the insurance policy not later than 30 days after execution of the *License Agreement*, and thereafter upon the written request of Canada. This obligation shall apply each time the monetary limits are increased pursuant to clause 13.3.3, in which case the copy shall be provided not later than 30 days after the monetary limits in the insurance policy are increased. This obligation shall survive termination or expiration of the *License Agreement*.

#### 13.3.6 INSURANCE UNAVAILABLE

If insurance required to meet the monetary limits in clause 13.3.3 is unavailable, the **Parties** shall review the situation, and Canada may elect to either allow the Company to obtain the insurance that is available, or alternatively terminate the **License Agreement**.

### 13.4 **Canada's Liability Cap**

Canada's liability for:

13.4.1 breach of the representations, conditions or warranties contained herein or any of the other provisions of the **License Agreement** or any other breach giving rise to liability, including a breach of a condition or fundamental term or fundamental breach or breaches; or

13.4.2 in any other way arising out of or related to the **License Agreement**; or

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13.4.3 for any cause of action whatsoever and regardless of the form of action (including breach of contract, trust, strict liability, tort [\*], or any other legal or equitable theory);

shall be limited to the Company's actual direct (immediate and foreseeable at the time of negotiation to both **Parties**), provable damages in an amount not to exceed in the aggregate a sum equal to or less than the net consideration received by Canada from the Company under paragraph 5.2 (Royalty Percentage Rate) for the time period commencing from the **Execution Date** up to and including the date of judicial judgment or arbitrator's decision.

### 13.5 **Excluded Heads of Damage**

Canada shall not be liable to the Company, its employees, servants, agents, successors, assigns, **Affiliates** or sub-licensees for damages in respect of:

13.5.1 incidental, indirect, special, punitive, exemplary damages;

13.5.2 any economic loss, consequential damages, relational loss, including but not limited to lost business revenue, lost profits, business interruption, failure to realize expected savings, loss of data, loss of business opportunity suffered by the Company or any claim whatsoever and whenever made against the Company by any other party;

(whether grounded in tort [\*], strict liability, contract, trust or otherwise,) even if:

13.5.3 Canada was advised of the possibility of such damages, or

13.5.4 the damages encompassed by subparagraphs 13.5.1 and 13.5.2 were foreseeable by Canada, or

13.5.5 such damages resulted from a fundamental breach of the **License Agreement**.

Further, Canada shall have no duty to warn the Company for matters arising directly or indirectly under the **License Agreement**.

### 13.6 **No Actions Against Employees**

The Company acknowledges and estopped from and waives any rights the Company might have to commence and prosecute any action whatsoever, regardless of form or grounds (including without limitation negligence, misrepresentation, fiduciary, deceit) against any of Canada's employees, servants, agents or officers, arising out of any

13.6.1 claimed breach of the **License Agreement**;

13.6.2 transactions under the **License Agreement**;

13.6.3 negotiations leading to the **License Agreement**; or

13.6.4 in any other way related to the **License Agreement**.

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For greater clarity, the Company's remedies for any breach of or **Dispute** under the **License Agreement**, lies only against Canada, and only within the aforementioned parameters prescribed by the **License Agreement**.

### 13.7 **Notifications**

Canada shall notify the Company of any claim that falls within the parameters of the respective indemnification obligations as soon as practical. In any case such notice shall be made forthwith upon notice that a claim may be prosecuted or a cause of action exists.

## 14.0 **INFRINGEMENT**

### 14.1 **Third Party Suit**

Subject to Article 13 (Indemnification), in the event of any threatened or actual suit against the Company in consequence of the exercise of any rights and licenses granted herein, the Company shall; promptly inform Canada and the **Parties** will Jointly decide on the steps to be taken in the circumstances. In any event, the Company will always have the sole right to defend itself as it determines against any suit or other action brought against the Company or its employees or agents.

#### 14.2 **Infringement Uncovered**

Each **Party** will notify the other promptly in writing when any infringement of the **Licensed Rights** or **Patents** is uncovered or suspected.

#### 14.3 **Company May Sue**

The Company shall have the right to enforce the **Patents** against any infringement or alleged infringement thereof, and shall at all times keep Canada informed as to the status thereof. Subject to Canada's prior written approval (which will not be unreasonably withheld), the Company may, at its own expense, institute suit against any such infringer or alleged infringer and prosecute such suit in a manner consistent with the terms and provisions hereof. Canada shall reasonably cooperate in any such litigation at the Company's expense, and the Company shall keep Canada apprised in a timely manner of all litigation activities. In any litigation under this article, the Company shall not have the right to settle or otherwise compromise Canada's position as a licensor or owner of the **Patents** without Canada's prior written consent.

#### 14.4 **Distribution of Company's Recovery**

In the event of a recovery by the Company of punitive and non-punitive damages (net of legal fees and out of pocket costs of the action) under paragraph 14.3 for royalty-bearing products, the Company shall pay to Canada [\*] of such recovery.

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#### 14.5 **Canada May Sue**

If the Company elects not to enforce the **Patents** as to any infringement or alleged infringement thereof, then the Company shall so notify Canada in writing within one (1) month of receiving notice that an infringement exists, and Canada may, in its sole judgment and at its own expense, take steps to enforce the **Patents** against such infringement or alleged infringement and control, settle, and defend such suit in a manner consistent with the terms and provisions hereof, and recover for its own account any damages, awards or settlements resulting therefrom.

### 15.0 **TERMINATION**

#### 15.1 **By Canada for Cause**

The **License Agreement**, at the option of Canada, without prejudice to any other rights in law of equity held by Canada (including any right of indemnity), may be terminated forthwith by Canada without compensation to the Company if:

##### 15.1.1 **INSUFFICIENT EFFORTS**

The Company fails to use its commercially reasonable efforts to develop or **Commercialize** and does not cure such failure within ninety (90) days of written notice from Canada;

##### 15.1.2 **NO PAYMENT**

The Company fails to make any payment owed to Canada under the **License Agreement** and does not make such payment within sixty (60) days of the due date;

##### 15.1.3 **BREACH OF CONFIDENTIALITY**

The Company uses or discloses **Confidential Information** of Canada in a manner inconsistent with its obligations under the **License Agreement** or fails to safeguard the **Confidential Information** of Canada;

##### 15.1.4 **BREACH OF BUSINESS PLAN**

The Company fails, neglects, refuses or is unable to comply with the business plan created and submitted under paragraph 4.1 (Business Plan);

##### 15.1.5 **QUALITY CONTROL & AUDIT**

The Company refuses, neglects or fails to meet quality standards or allow access for quality audit purposes contrary to paragraph 7.0 (Reports & Quality Control) or provide or allow the audit of the reports and records as required under Article 6.0 (Records and Audit);

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##### 15.1.6 **CEASES BUSINESS**

The Company ceases to actively carry on business;

##### 15.1.7 **MULTIPLE BREACHES**

The Company breaches three or more provisions of the **License Agreement** within any consecutive twelve (12) month period, notwithstanding that such breaches were subsequently cured;

##### 15.1.8 **CROSS-DEFAULT**

The Company breached a provision of another agreement with Canada that was executed with the Public Health Agency of Canada, and that breach occurred during the term of the **License Agreement**;

#### 15.1.9 CRIMINAL CONVICTION

The Company was convicted of a criminal or regulatory offence, the nature of which directly or indirectly affects the ability of the Company to conduct itself hereunder or to **Commercialize** in an effective and timely manner, or otherwise prejudices **Commercialization**;

#### 15.1.10 GENERAL BREACH

The Company commits or permits a breach of any of the other terms and conditions herein contained and does not remedy such breach within sixty (60) days after being required in writing to do so by Canada;

#### 15.1.11 REPUDIATES

The Company expressly or implicitly repudiates the **License Agreement** by refusing or threatening to refuse to comply with any of the provisions of the **License Agreement**.

### 15.2 Automatic Termination

The **License Agreement** and all rights granted to the Company pursuant to the **License Agreement** shall immediately terminate and revert to Canada by operation of contract, without prejudice to any other rights in law of equity held by Canada (including any right of indemnity) and without compensation to the Company, effective the business day prior to the applicable triggering event, namely if:

#### 15.2.1 ASSIGNMENT

The Company assigns the **License Agreement** without the prior written consent of Canada, contrary to the provisions of paragraph 18.2 (No Assignment Without Consent); or

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#### 15.2.2 BANKRUPTCY

The Company becomes bankrupt or insolvent or otherwise

- 15.2.2.2 has a receiving or winding up order made or sought against it;
- 15.2.2.3 has a meeting proposed or convened, seeking or actually passing a resolution to appoint a trustee or official manager;
- 15.2.2.4 has a receiver, receiver-manager, liquidator, trustee in bankruptcy, custodian or any other officer with similar powers appointed for the Company or such an order is sought;
- 15.2.2.5 has any or all of its assets seized or otherwise attached for the benefit of creditors;
- 15.2.2.6 proposes or convenes a meeting to seek or passes a resolution for winding up;
- 15.2.2.7 takes the benefit of any statute, at the time in force, relating to bankrupt or insolvent debtors for the orderly payment of debts;
- 15.2.2.8 makes a general assignment for the benefit of creditors;
- 15.2.2.9 submits a proposal or arrangement under any debtor/creditor legislation;
- 15.2.2.10 is the subject of a petition or files an assignment under the Bankruptcy Act or any successor legislation; or
- 15.2.2.11 does or attempts anything analogous to the aforementioned events or having a substantially similar effect to any of the aforementioned events under the laws of any jurisdiction.

### 15.3 Termination Not A Penalty

The Company acknowledges, and is estopped from alleging otherwise, that the termination provisions in paragraph 15.2 do not constitute a penalty, and are otherwise fair, just and proportional given:

- 15.3.1 the nature of the **Parties**;
- 15.3.2 their respective mandates and corporate objectives;
- 15.3.3 the allocation of risks under the **License Agreement**;
- 15.3.4 the goals of the **Parties**;
- 15.3.5 nature of the **Licensed Rights**; and
- 15.3.6 the consequences to Canada if the Company commits the aforementioned breaches.

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### 15.4 Procedure

Termination shall be implemented by a notice effective as of the date slated therein, but termination shall be subject to paragraph 15.6 (The Company's Duties on Termination) and be without prejudice:

15.4.1 to the right of Canada to sue for and recover any royalties or other sums due Canada; and

15.4.2 to the remedy of either **Party** in respect of any previous breach of the **License Agreement**.

### 15.5 **Effect on Sub-licensees**

All sub-licenses, including those granted to **Affiliates**, shall terminate with the **License Agreement**.

### 15.6 **The Company's Duties on Termination or Expiration**

A) Upon termination of the **License Agreement** by Canada, the Company shall at its own cost:

15.6.1 return immediately to Canada all **Licensed Rights** and **Confidential Information** of Canada, including copies thereof;

15.6.2 certify in writing to Canada within thirty (30) days of termination, that to the best of the Company's knowledge, all of the **Confidential Information** (including copies) of Canada has been returned;

15.6.3 deliver a detailed statement to Canada of the inventory of the products made from the exercise of the **Licensed Rights** then existing, but not sold by the Company, as of the date of expiration or termination;

15.6.4 provide Canada the right of first refusal to purchase from the Company any products made from the exercise of the **Licensed Rights** inventory at fair market value;

15.6.5 dispose of any remaining products made from the exercise of the **Licensed Rights** in inventory as specified by Canada subject always to any obligations under Article 5.0 (Fees & Royalties);

15.6.6 pay all costs due under the **License Agreement** either by the Company on its behalf or a sub-licensee, up to and including the termination date, within thirty (30) days of the termination;

15.6.7 pay all costs due under the **License Agreement**, subsequent to the termination, for any products made from the exercise of the **Licensed Rights** sold after termination, within thirty (30) days of the liability being incurred;

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15.6.8 grant back to Canada any technology rights, clinical or research data arising from the **Licensed Rights** or otherwise under the **License Agreement**;

15.6.9 assign to Canada (or her nominee) any equities, goodwill, or other rights which the Company has or alleges to have acquired in the **Licensed Rights** or derived in the **Commercialization**. The Company shall also execute such further documentation as Canada may reasonably request in order to confirm such assignment;

15.6.10 pay immediately to Canada any royalties, fees, reimbursements or other financial obligations irrespective of the fact such monies are owed, but for the termination or expiration, not yet payable; and

15.6.11 assign or transfer for [\*] in total consideration, any and all authorizations, permits, certificates or other regulatory permissions obtained in order to Commercialize, to any third party identified by Canada or to Canada itself, within ninety (90) days of termination or expiration, unless otherwise requested by Canada.

B) Upon expiration of the **License Agreement**, the Company shall at its own cost, perform the duties set out in sections 15.6.1 to 15.6.8. Further, upon expiration, the Company shall grant to Canada the right to exercise an option to negotiate with the Company an agreement dealing with the matters set out in sections 15.6.9 to 15.6.11. The **Parties** shall negotiate the agreement in good faith. The agreement shall contain mutually acceptable terms and conditions and the consideration shall be commercially reasonable.

### 15.7 **Surviving Obligations**

All obligations of the **Parties** which expressly or by their nature survive termination or expiration, shall continue in full force and effect subsequent to and notwithstanding such termination or expiration, until they are satisfied or by their nature expire. For greater clarity, and without restricting the generality of the foregoing, the following provisions survive termination or expiration:

15.7.1 Paragraph 2.2 (Carve Out);

15.7.2 Article 5.0 (Fees and Royalties);

15.7.3 Article 6.0 (Records & Audit);

15.7.4 Paragraphs 8.4 to 8.6 (Improvements — Ownership, Company Improvements -Disclosure, Company Improvements - License to Canada);

15.7.5 Article 11.0 (Confidentiality / Fiduciary & Equitable Remedies);

15.7.6 Article 13.0 (Indemnity, Insurance and Liability Allocation & Caps); and

15.7.7 Paragraph 15.6 (The Company's Duties on Termination or Expiration).

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16.1 *Negotiations*

## 16.1.1 INFORMAL NEGOTIATIONS

If a **Dispute** arises between the **Parties**, then: within 6 months from when the allegedly aggrieved **Party** knows or should know of the **Dispute**, the contact individuals in Article 20.1 (Notice) shall,

- 16.1.1.2 contact their counterpart, and attempt bona fide efforts to diligently resolve the **Dispute** through amicable negotiations;
- 16.1.1.3 provide full, frank and timely disclosure of all relevant facts, information and documents to facilitate those negotiations;
- 16.1.1.4 resolve the **Dispute** within 7 days;
- 16.1.1.5 reduce the **Dispute** to writing, and if the contact persons cannot agree on the wording of the **Dispute**, both contact persons shall submit to each other their written version of the **Dispute**.

## 16.1.2 FORMAL NEGOTIATIONS

If the **Parties** are unable to resolve the **Dispute** within fourteen (14) calendar days from the receipt by the other **Party** of the written version of the **Dispute**, then within the following thirty (30) days the Dispute shall be referred to the Chief Public Health Officer, on behalf of Canada, and to the CEO, on behalf of the Company (or their directly reporting designates), to negotiate a resolution.

- 16.1.2.2 These individuals may not delegate, substitute or direct, surrogates for them at these negotiations.
- 16.1.2.3 These individuals shall meet in person to negotiate and the **Parties** shall bear their own costs.
- 16.1.2.4 Unless otherwise agreed, the meetings shall alternate between Company, HQ, and Canada, HO, commencing in Ottawa, Ontario, for the first meeting for the first **Dispute**. There shall be one meeting only per **Dispute**, which meeting shall not exceed one (1) business day in length.
- 16.1.2.5 The **Parties** may bring no more than two consultants to a meeting. The two consultants shall not have a right of audience or otherwise to negotiate the **Dispute**.

16.2 *Mediation*

If, within thirty (30) days following the close of the meeting under paragraph 16.1.2 (Formal Negotiations), the **Parties** have not succeeded in negotiating a resolution, then the **Parties** shall jointly submit the **Dispute** to mediation.

16.3 *Skip Mediation - Direct to Arbitration*

If the **Parties** cannot agree to jointly submit the **Dispute** to mediation, then either **Party** may submit the **Dispute** to binding arbitration.

16.4 *Mediation Process*

The Parties shall

## 16.4.1 APPOINTMENT OF MEDIATOR

appoint a mutually acceptable mediator with sixty (60) days from the close of the formal negotiation meeting under sub-paragraph 16.1.2 (Formal Negotiations);

## 16.4.2 GOOD FAITH EFFORTS

participate in good faith in the mediation and negotiations related thereto;

## 16.4.3 EMPOWERED REPRESENTATIVES

representatives sent to the mediation shall be empowered or have sufficient delegated authority to resolve, compromise, negotiate or settle the **Dispute** submitted to mediation, without seeking further instructions or approvals from any superiors or committees / corporate structures, unless the nature, seriousness or financial quantum of the **Dispute** by law or corporate policies or practices requires approval from the respective corporate or government structure. In such event, such approval shall be obtained within five (5) business days of the proffer of any settlement offer;

## 16.4.4 COSTS

bear the costs of the mediation equally, except that each **Party** shall bear its own personal costs of the mediation;

## 16.4.5 FULL DISCLOSURE

a full, frank and timely manner all relevant facts, information and documents to facilitate the mediation; and

#### 16.4.6 LOCATION

The mediation shall take place in the city that was not the site of the formal negotiations for the **Dispute**.

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### 16.5 Unsuccessful Mediation —Remit to Arbitration

The **Dispute** shall be referred to binding arbitration by either or both **Parties** if the **Parties** are not successful in resolving the **Dispute** through mediation.

### 16.6 Arbitration - - Structure

After negotiation and if applicable, mediation), any subsisting **Dispute** between the **Parties**, shall be referred to arbitration by a written submission signed by either Canada or the Company.

#### 16.6.1 FORUM LAWS PROCEDURAL RULES

The arbitration tribunal shall be governed by the UN Commercial Arbitration Code, referred to in the Commercial Arbitration Act, R.S.C. 1985, c.C-34.6 (“Code”).

#### 16.6.2 NUMBER OF ARBITRATORS

The arbitration tribunal shall consist of one arbitrator chosen by the **Parties**.

#### 16.6.3 ISSUE BEFORE ARBITRATOR

The scope of the arbitration shall be limited to the resolution of the **Dispute** submitted to arbitration.

#### 16.6.4 APPLICABLE SUBSTANTIVE LAW

The arbitration tribunal shall decide the **Dispute** (including limitations, set-off claims) in accordance with the laws in force in the Province of Ontario and any applicable federal laws.

#### 16.6.5 NO EQUITY

The arbitration tribunal shall not be authorized to decide *ex aequo et bono* or as *amiable compositeur*.

#### 16.6.6 ARBITRAL INTERIM ORDERS

Subject to subparagraph 16.6.5 (No Equity) the arbitration tribunal shall have all the powers of a court at law or in equity, including the power to make interim orders, orders of injunction (either mandatory or prohibitory), rectification, expungement and orders for interest. However in no case will the final decision breach the strictures of subparagraph 16.6.5 (No Equity).

#### 16.6.7 LOCATION

The proceedings shall take place in the city that was not the site of the mediation (or if there was no mediation, in the city that was not the site of the negotiation meeting), unless the **Parties** agree otherwise.

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#### 16.6.8 LANGUAGE

The language used in the proceedings shall be English.

#### 16.6.9 NOTICES

All written communication shall be delivered to the **Parties** hereto in the manner provided for in Article 20.1 (Notice).

#### 16.6.10 COSTS

The costs of the tribunal’s fees and expenses shall be shared equally by the **Parties**. The **Parties** shall bear their own costs except that the losing **Party** shall pay all costs, fees, levies and **Taxes** arising from and necessitated by the enforcement of the arbitration tribunal’s award, including, without limitation, registration enforcement charges or other judicial levies.

### 16.7 Emergencies / Judicial Jurisdiction

The **Parties** are not precluded from bringing an application to a Court having jurisdiction for interim or interlocutory relief, in law or in equity, including, without limitation, injunctive relief, if such relief is urgently required to preserve the rights or property of either or both of the **Parties**, pending the final determination of those rights in a subsequent arbitral proceeding as contemplated in this Article.

## 16.8 Final & Binding

Subject to the Code, the **Parties** hereto agree that the award and determination of the arbitration tribunal shall be:

- 16.8.1 final and binding on both **Parties**;
- 16.8.2 without right of appeal;
- 16.8.3 the exclusive remedy between the **Parties**, regarding any claims, counterclaims, issues or accountings presented or pled to the arbitration tribunal, and

the judgment upon the award rendered by the arbitration tribunal may be entered in any Court having jurisdiction thereof or having jurisdiction over either of the **Parties**.

## 16.9 Arbitral Decision Deadline

The arbitration tribunal retainer shall contain the obligation that the arbitration tribunal render a written decision with reasons within thirty (30) days from the close of the hearing or submission of written argument.

- 16.9.1 If the facts and law are either too complicated or voluminous to allow a properly considered decision within thirty (30) days, then the decision shall be rendered in not less than one hundred and eighty (180) days, but the arbitrator shall notify the

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**Parties** of the longer decision period by not later than the close of final arguments.

## 16.10 Power to Settle

The **Parties'** representatives at any arbitration throughout the arbitration shall be empowered or have sufficient delegated authority to resolve, compromise, negotiate or settle the **Dispute** submitted to arbitration, without seeking further instructions or approvals from any superiors or committees / corporate structures. The representatives shall either be the same persons as in paragraph 16.1.2 (Formal Negotiations) or their immediate subordinates.

- 16.10.1 Notwithstanding the foregoing, if the nature, seriousness or financial quantum of the **Dispute** in law or corporate policies/practices requires approval from the Board of Directors, or the Chief Public Health Officer, as the case may be, then, such approval shall be obtained within five (5) business days of the proffer of any settlement offer.
- 16.10.2 If applicable, the arbitration tribunal shall withhold its final decision until the **Parties** have ceased negotiating a settlement.

## 16.11 Adjournment to Empower Representative

Breach of paragraph 16.10 (Power to Settle, [Duly empowered representative]), shall entitle the other **Party** to seek an adjournment of the arbitration proceedings, to give the breaching **Party** time to appoint a duly empowered representative within the thirty (30) days. All costs directly traceable to such delay, including arbitration tribunal costs and the non-breaching **Party's** costs, shall be paid forthwith by the breaching **Party**.

## 16.12 Deemed Abandonment

Failure of the breaching **Party** to appoint such a representative within the thirty (30) day period shall be deemed a withdrawal or abandonment of the **Dispute** by the breaching **Party** and the arbitrator shall render a formal decision, finding in favour of the non-breaching **Party**.

## 16.13 General ADR Conditions

### 16.13.1 NO LITIGATION

If either **Party** has submitted the **Dispute** to court, which **Dispute** should properly have been submitted for resolution by arbitration, then the court filing **Party** shall discontinue the court proceedings forthwith, upon notice from the other **Party**, and both **Parties** shall remit the **Dispute** to arbitration hereunder.

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### 16.13.2 OBLIGATIONS DURING ALTERNATE DISPUTE RESOLUTION (ADR)

During the progress of ADR, the **Parties** hereto shall continue to diligently perform their obligations under the **License Agreement**.

### 16.13.3 PRIVILEGE

Neither **Party** shall be required to disclose documents that are privileged or created in contemplation of litigation. If a **Party** does disclose such a document during ADR, that disclosure shall not be construed as a waiver of any privilege unless the disclosing **Party** so elects in writing.

### 16.13.4 CONFIDENTIALITY

The **Parties** shall keep confidential the existence of the proceeding under this article, and any element of the ADR (including, without limitation, all conduct, statements, promises, offers, views, pleadings, briefs, documents, testimonies, identity of witnesses, submissions, awards and opinions, whether oral or written), made in the course of the ADR, except as may be lawfully required in judicial or regulatory proceedings relating to the arbitration or otherwise. Without limiting the generality of the foregoing, and for greater clarity, neither **Party** may make any publicly accessible statements / publications nor any shareholder or press announcements concerning any element of the ADR beyond the fact of the ADR.

16.13.5 ADR DISCLOSURES NOT ADMISSIBLE IN SUBSEQUENT PROCEEDINGS

Subject to subparagraph 16.13.6 (Normally Admissible Evidence), all conduct, statements, promises, offers, views and opinions, whether oral or written, made in the course of the ADR by either **Party**, or the mediator or arbitrator, are not discoverable or admissible for any purposes, including impeachment, in any subsequent litigation or other proceedings involving the **Parties**.

16.13.6 NORMALLY ADMISSIBLE EVIDENCE

Evidence that would otherwise be discoverable or admissible and was not created for an ADR, is not excluded from discovery or admission solely as a result of its use in the ADR.

16.14 **Limitation**

All **Disputes** must be submitted to ADR within one (1) year from the time of the facts giving rise to the **Dispute**. Failure to submit the **Dispute** within the one (1) year period means a loss of all rights to submit the **Dispute** to ADR or litigation.

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16.15 **Material Breach**

The failure, neglect or unwillingness of a **Party** to use or diligently participate in and prosecute a **Dispute** through ADR is a material breach of the **License Agreement**.

17.0 INTENT AND INTERPRETATION

17.1 **Entire Agreement**

The **License Agreement** constitutes the entire and exclusive agreement between the **Parties** pertaining to the **Commercialization** and licensing and supersedes all prior agreements, conditions, obligations, understandings, and negotiations both written and oral. The **License Agreement** sets forth all obligations, undertakings, conditions, representations and warranties forming part of, or in any way affecting or relating to the **Commercialization**. The **Parties** acknowledge that with respect to the **Commercialization** there are no agreements, obligations, undertakings, representations or warranties whether collateral, oral or written, between the Company and Canada other than those expressly set out in the **License Agreement**.

17.2 **No Third Parties**

Neither the **License Agreement** or any provision thereof is intended to confer upon any person other than the **Parties**, any rights or remedies hereunder.

17.3 **No Pre-Contractual Inducing Representations**

The **License Agreement** supersedes and revokes all negotiations, arrangements, letters of intent, offers, proposals, brochures, term sheets, representations, memoranda of understandings and information conveyed, whether oral or in writing or electronically, between the **Parties**, or any other person purporting to represent the Company or Canada. Each of the **Parties** agrees that:

17.3.1 neither has been induced to enter into the **License Agreement** by any representations whatsoever not set expressly forth in the **License Agreement**;

17.3.2 neither has relied on any such representations;

17.3.3 no such representations shall be used in the interpretation or construction of the **License Agreement**; and

17.3.4 no claims (including, without limitation, loss of profits, indirect, incidental, consequential damages and economic loss) arising directly or indirectly, from any such representation, negligent or otherwise, shall accrue in law or equity, or be pursued by the Company, and Canada shall have no liability for any such claims.

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17.4 **Due Diligence Search**

The Company agrees that it has conducted its own due diligence examinations in order to satisfy itself of the full, true and plain disclosure of all facts pertinent to the **Licensed Rights** and all representations made by Canada.

17.5 **Independent Legal Advice**

It is acknowledged by the **Parties** that each has had legal advice to the full extent deemed necessary by each **Party**. Furthermore, the **Parties** acknowledge that neither acted under any duress in negotiating, drafting and executing the **License Agreement**.

#### **17.6 No Adverse Presumption in Case of Ambiguity**

There shall be no presumption that any ambiguity in the **License Agreement** be resolved in favour of either of the **Parties**. For greater certainty, the *contra proferentum* rule shall not be applied in any interpretation of the **License Agreement**.

#### **17.7 Severability**

If a jurisdiction declares, finds or holds any part of the **License Agreement** invalid, void, unenforceable or contrary to public policy for any other reason, then:

##### **17.7.1 NON-MATERIAL**

if the invalid provision is not material or fundamental to the **License Agreement**, the invalid provision shall not affect the validity of the remainder which remainder shall continue in full force and effect and be construed as if the **License Agreement** had been executed without the invalid provision in that jurisdiction only;

##### **17.7.2 MATERIAL**

if the invalid provision is material to the **License Agreement** then that provision shall be “read down” or replaced with a provision which accomplishes, to such extent as is possible, the original legal and business purpose of such provision in a valid and enforceable manner, in that jurisdiction and the remainder of the **License Agreement** shall remain binding on the **Parties**; and

##### **17.7.3 FUNDAMENTAL**

if the invalid provision is fundamental to the **License Agreement**, including any of the elements of a bare license, then:

17.7.3.2 the jurisdiction which found the invalidity shall be deleted from the **Territory**; or

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17.7.3.3 if the jurisdiction cannot be deleted from the **Territory**, or there is more than one jurisdiction, then the **License Agreement** shall terminate.

#### **17.8 Successors and Assigns**

The **License Agreement** will be for the benefit of and be binding upon the heirs, executors, administrators, permitted successors, permitted assigns, and permitted **Affiliates** of the Company and other legal representatives, as the case may be, of each of the **Parties**. Every reference in the **License Agreement** to any **Party** includes the heirs, executors, permitted administrators, permitted successors, permitted assigns, and **Affiliates** and other permitted legal representatives of the **Party**.

#### **17.9 Plurality and Gender**

Reference to a **Party** will be read as if all required changes in the singular and plural and all grammatical changes rendered necessary by gender had been made.

#### **17.10 Not a Joint Venture**

The **Parties** expressly disclaim any intention to create a partnership, joint venture or joint enterprise. The **Parties** acknowledge and agree that:

17.10.1 nothing contained in the **License Agreement** nor any acts of any **Party** shall constitute or be deemed to constitute the **Parties** as partners, joint venturers or principal and agent in any way or for any purpose;

17.10.2 no **Party** has the authority to act for, or to assume any obligation or responsibility on behalf of any other **Party**; and

17.10.3 the relationship between the **Parties** is that of licensor and licensee.

#### **17.11 Minister Not Fettered**

Nothing in the **License Agreement** shall derogate or otherwise fetter the ability of Canada to regulate, administer, manage or otherwise deal with public health and all attendant matters thereto.

#### **17.12 Federal Legislation**

The application to the **License Agreement** of any Federal act or regulation includes any subsequent amendment, revision, substitution, consolidation to that act or regulation, notwithstanding that such amendment, revision or substitution occurred after the execution of the **License Agreement** or may have a retroactive effect.

#### **17.13 Right to Legislate**

Nothing in the **License Agreement** shall prohibit, restrict or affect the right or power of the Parliament of Canada to enact any laws whatsoever with respect to any area of law

for which the Parliament of Canada has legislative jurisdiction, even if the enactment of any such law affects the *License Agreement*, its interpretation, or the rights, obligations, liabilities, vested or not, accrued or accruing, of the *Parties*.

#### 17.14 *Compliance with Law*

The *Parties* shall comply with all applicable laws, as those laws may be amended, revised, consolidated, substituted, from time to time, even if such amendment, revision, consolidation, substitution derogates prospectively or retroactivity from the *Parties'* vested or accrued rights, obligations and liabilities under the *License Agreement*.

#### 17.15 *No Implied Obligations*

No implied terms or obligations of any kind, by or on behalf of either of the *Parties*, shall arise from anything in the *License Agreement*. The express covenants and agreements herein contained and made by the *Parties* are the only covenants and agreements upon which any rights against either of the *Parties* may be founded.

#### 17.16 *Access to Information*

Notwithstanding any provision to the contrary in the *License Agreement*, the Company acknowledges that Canada is subject to the Access to Information Act, R.S.C. 1985, c.A-1 and related acts, and may be required to release, in whole or in part, the *License Agreement* and any other information or documents in Canada's possession or control relating to the *License Agreement* and the *Parties*.

#### 17.17 *Forum Conveniens & Applicable Laws*

Subject to Article 16 (ADR) any *Dispute*, shall be governed firstly by applicable Canadian Federal laws, and secondly by the laws of the Province of Ontario.

The *Parties* expressly exclude from the *License Agreement*:

- 17.17.1 application of the United Nations Convention on Contracts for the International Sale of Goods;
- 17.17.2 International Sales of Goods Act; and
- 17.17.3 any conflict of laws, venue, forum non-conveniens, rules or principles which might refer *Disputes* to the laws of another jurisdiction.

#### 17.18 *Attornment*

The *License Agreement* shall be governed by and construed in accordance with the laws in force in the Province of Ontario, Canada and shall be treated in all respect as an Ontario, Canada contract. Subject to Article 16 (Alternate *Dispute* Resolution (ADR)) the *Parties* irrevocably and unconditionally attorn to and submit to the exclusive jurisdiction of the courts of Ontario, Canada and all courts competent to hear appeals therefrom with respect to any *Dispute* now or hereinafter arising under the *License Agreement*. The *Parties* waive any right each may have to object to an action being

brought in those courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

#### 17.19 *USA Jury Trial*

If the *License Agreement* or any aspect of it becomes a subject of judicial proceedings whether in contract, tort, equity or otherwise, in the United States of America despite the ADR article and Forum Conveniens (paragraph 17.17), then the Company irrevocably waives any and all rights it has to a trial by jury in the United States. The Company agrees and consents that due to the technical and legal nature, including cross jurisdictional issues of the *License Agreement* or any aspect thereof, any such proceedings will be heard before a judge sitting alone.

#### 17.20 *USA Jury Trial / Treble Damages Addendum*

For greater clarity, the Company waives any right to a trial by jury of any claim, demand action or caution of action

- 17.20.1 arising under the *License Agreement*; or
- 17.20.2 in any way connect with or related or incidental to the dealings of the *Parties* in respect of the *License Agreement* or any other agreements or the transactions related hereto or thereto in each case whether now existing or hereafter;
- 17.20.3 whether in contract, tort, equity or otherwise.

The Company agrees and consents that any such claim, demand, action or cause of action shall be decided by a court without a jury. Canada may file an original counterpart of the *License Agreement* with the court as written evidence of the consent of the *Parties* to the waiver of their right to a trial by jury. In addition, the Company irrevocably waives any rights to triple/treble damages or punitive damages under U.S. or any other law.

#### 17.21 *Waiver of Counterclaims*

The Company waives any and all of its rights to interpose any claims, deductions, setoffs or counterclaims of any nature in any *Dispute* with respect to the *License Agreement*.

## 17.22 Due Diligence Audits

If in a subsequent transaction a third **Party** requires to review this **License Agreement** as part of a due diligence chain of title search, the Company hereby authorizes the release of this **License Agreement** subject to deleting any financial or proprietary or other **Confidential Information** contained herein.

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## 17.23 Recitals Accurate

The **Parties** acknowledge the truth and accuracy of the recitals and further acknowledge that the recitals may be used by a court, mediator or arbitrator to help resolve any **Dispute**.

## 17.24 Force Majeure

### 17.24.1 EVENTS

Subject to making all payments required under the **License Agreement**, neither **Party** shall be in breach of any of its obligations under the **License Agreement** where the failure to perform or delay in performing any obligation is due, wholly or in part, directly or indirectly to the occurrence of a force majeure event including, without limitation:

- 17.24.1.2 war, whether declared or not, civil war, revolution, acts of piracy / terrorism, acts of sabotage;
- 17.24.1.3 natural disasters such as violent or destructive storms, cyclones, earthquakes, tidal waves floods, destruction by lightning;
- 17.24.1.4 explosions, fires, destruction of machines, factories, and any kind of installation;
- 17.24.1.5 boycotts, strikes and lock-outs of all kinds, go-slows, occupation of factories and premises, and work stoppages which occur in the enterprise of the **Party** seeking relief;
- 17.24.1.6 acts of governmental bodies, agencies, boards, whether lawful or unlawful other than those of the Public Health Agency of Canada,

but does not include:

- 17.24.1.7 the lack of regulatory or other approvals, licenses, permits and authorizations necessary for the performance of the **License Agreement** which are issued by a public authority of any kind whatsoever for which the Company did not apply for or diligently prosecute;
- 17.24.1.8 the inability of the affected **Party** to obtain financing or any other financial inability on the part of either **Party** to meet its obligations under the **License Agreement**;
- 17.24.1.9 force majeure events that the affected **Party** knew or should have reasonably known at the time of negotiating the **License Agreement** were probable or avoidable or the effects of which could be minimized, and the affected **Party** took no steps to deal with such force majeure events, including without limitation obtaining the appropriate insurance, using updated machinery;
- 17.24.1.10 the portion of the breach or delay due to the failure of the affected **Party** to take all necessary reasonable steps to minimize, overcome or control the effects of the force majeure event.

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### 17.24.2 DUTY TO NOTIFY

The **Party** affected by a force majeure event as contemplated in subparagraph 17.24.1 (Force Majeure) shall:

- 17.24.2.2 give notice to the other **Party** of such force majeure and its effects on the affected **Party**'s ability to perform as soon as practicable after the force majeure and its effects upon the affected **Party**'s ability to perform become known to that **Party**. Notice shall be given when the ground of relief ceases;
- 17.24.2.3 take all reasonable efforts to correct, compensate or minimize the effect of the force majeure event.

### 17.24.3 COMMENCEMENT OF RELIEF

The affected **Party** shall in the affected jurisdiction only:

- 17.24.3.2 be excused of its obligations under the **License Agreement** to the extent necessitated by the force majeure event from the time of the force majeure event or if notice was not given as soon as practical, from the receipt of such notice. Failure to give notice makes the failing **Party** liable in damages for losses suffered by the other **Party** which otherwise could have been avoided; and
- 17.24.3.3 complete or continue performance of its obligations and duties under the **License Agreement** as soon as practical after the cessation, removal, or overcoming of the force majeure event.

### 17.24.4 TERMINATION OF AGREEMENT

If the force majeure event continues in excess of sixty (60) consecutive days, or in the aggregate 60 days over any consecutive 200 days, then at any time thereafter Canada shall have the option to renegotiate the **License Agreement** with the Company reasonably and

in good faith. If the **Parties** are unable to agree to the terms of the proposed amended **License Agreement** within 60 days from the notice to negotiate, then the **License Agreement** may be terminated by Canada on the 61st day.

#### 17.24.5 POSTPONEMENT OF OBLIGATIONS

Any obligations of a **Party** under the **License Agreement** shall be postponed automatically to the extent and for the period and only within the jurisdiction or jurisdictions that the affected **Party** is prevented from meeting those obligations by reason of any cause beyond its reasonable control (other than lack of funds and applicable regulatory approval). The affected **Party** shall immediately notify the other **Party** of the commencement, nature of such cause and probable consequence. The affected **Party** shall also use its

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reasonable best efforts to render performance in a timely manner, utilizing all resources reasonably required in the circumstances.

#### 17.25 Waiver

No condoning, excusing, or overlooking by either of the **Parties** of any default by the other **Party**, at any time or times, in performing or observing any of the **Parties'** respective covenants, will operate as a waiver renunciation, surrender, of or otherwise affect the rights of the **Parties** in respect of any continuing or subsequent default. No waiver of these rights will be inferred from anything done or omitted by the **Parties**, except by an express waiver in writing.

#### 17.26 No Estoppel Due to Third Party Practices

No custom, practice or usage regarding other **License Agreements** between Canada and other **Parties** shall preclude at any time the strict enforcement of the **License Agreement** by Canada or the Company.

#### 17.27 Contract Always Speaks

Where a matter or thing is expressed in the present tense, it shall be applied to the circumstances as they arise, so that effect may be given to the **License Agreement** according to its true spirit, intent and meaning.

#### 17.28 Time is of the Essence

Time is of the essence in the **License Agreement** with respect to the financial and **Commercialization** obligations of the Company.

#### 17.29 Headings

17.29.1 All headings in the **License Agreement** have been inserted as a matter of convenience and for reference only, and in no way define, limit, enlarge, modify, the scope or meaning of the **License Agreement** or any of its provisions.

17.29.2 Nevertheless an arbitrator or Judge may use any or all of the table of contents, recitals, and headings when reviewing the covenants, statements, representations & warranties and conditions subsequent to better understand the commercial and legal intent of the **License Agreement's** provisions.

#### 17.30 Internal References

Any reference in the **License Agreement** to an Article, paragraph, sub-paragraph, will mean an Article, paragraph or sub-paragraph of the **License Agreement**, unless otherwise expressly provided.

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#### 17.31 Precedence Over Appendices

If there is a conflict or ambiguity between the **License Agreement** proper and any appendix thereto, the interpretation consistent with **License Agreement** proper (taking into consideration the statements in the recitals and headings) shall prevail and apply, notwithstanding any wording to the contrary in the applicable appendix.

#### 17.32 Appendices

Subject to paragraph 17.31 (Precedence Over Appendices) the documents attached hereto as Appendix A, B, C and D form an integral part of this **License Agreement** as fully as if they were set forth herein *in extenso*, and consist of:

Appendix "A" — DESCRIPTION OF THE LICENSED RIGHTS  
Appendix "B" — CONFIDENTIALITY AGREEMENTS  
Appendix "C" — BUSINESS PLAN  
Appendix "D" — AFFILIATES

## 18.0 LEGAL RIGHTS

### 18.1 Amendments

No modification or waiver of any provision of the **License Agreement** will be inferred from anything done or omitted by either of the **Parties**, except by an express amendment in writing, duly executed by the **Parties** in advance.

### 18.2 **No Assignment Without Consent**

The **License Agreement** is personal to the Company. The Company shall not assign the **License Agreement** or any of the Company's rights, duties or obligations under the **License Agreement** to a third party without the prior written consent of Canada, such consent not to be unreasonably withheld. Any attempt to assign this **License Agreement** or any of the Company's rights, duties or obligations under the **License Agreement** without the prior written consent of Canada is void.

### 18.3 **Mode of Assignment / Approval Conditions**

Without derogating from paragraph 18.2 (Assignment), the Company shall not assign (or transfer, sell, encumber, pledge, grant a security interest sub-license or otherwise deal) or permit any such assignment, in whole or in part, of the **License Agreement** or any of its interest, rights or obligations hereunder, whether such assignment takes place by way of:

- 18.3.1 sale of assets;
- 18.3.2 sale of shares;
- 18.3.3 amalgamation, merger or other reorganization of the Company;

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- 18.3.4 merger, transfer, conversion, assignment, redemption, issuance, sale, cancellation, pledge, conversion or other dealings with any securities of the Company;
  - 18.3.5 operation of law;
  - 18.3.6 acquisition by a person or persons acting in concert of a majority interest of the securities of the Company by a person or persons acting in concert who did not hold such a majority interest at the time of the initial public offering (IPO) or at any time after the IPO.
  - 18.3.7 operation of contract; or
  - 18.3.8 otherwise in any manner or structure whatsoever;

without the prior written consent of Canada, which consent subject to subparagraph 18.3.9 will not be unreasonably withheld.

- 18.3.9 Any consent from Canada shall be contingent and effective only upon receipt by Canada of payment of [\*].
- 18.3.10 Consent to any assignment will not be construed as consent to any other assignment.

### 18.4 **No Consent — Material Breach**

Failure of the Company to obtain the prior written consent of Canada to any assignment shall be deemed to be a material breach of the **License Agreement**.

### 18.5 **Assignment Prejudicial - Compensation**

It will not be unreasonable for Canada to refuse to consent to any assignment if it is foreseeable that the assignment might negatively affect Canada in any way, or put Canada in breach of any contract with a third party or derogate from the **Commercialization**. Notwithstanding the foregoing, Canada may still consent in exchange for payment of both [\*].

### 18.6 **No Comfort Letter**

Notwithstanding anything to the contrary in the **License Agreement**, Canada shall be under no obligation whatsoever to sign any a comfort letter or other undertaking to a third party for the benefit of the Company. If Canada so elects pursuant to its unfettered discretion, then the Company shall pay or provide security in the amount of liability so accepted or incurred by Canada.

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### 18.7 **Subcontracting**

The Company has the right to subcontract any portion, but not all, of the **License Agreement**, subject to the following:

- 18.7.1 subcontracting activities (including subcontracts entered into with contract research organizations) shall be carried out by the Company in a manner that is consistent with the Company's obligations under paragraphs 2.4 to 2.7 of the **License Agreement**;
- 18.7.2 the Company shall notify Canada in writing of any significant subcontracts or subcontractors of whom the Company is aware may have an interest in the technology or a collaboration with Canada;
- 18.7.3 the subcontract cannot be a *de facto* assignment; and

18.7.4 no rights, obligations, power or control vested in the Company shall be contingently or otherwise transferred to any third party.

#### **18.8 No Third Party Rights**

Nothing expressed or implied in the **License Agreement** is intended to, or shall be construed to confer on or give to, any person other than the **Parties**, any rights or remedies under or by reason of the **License Agreement**.

#### **18.9 Remedies Cumulative**

All rights, powers and remedies provided by the **License Agreement** are cumulative with, and not exclusive of, the rights, powers or remedies provided by law or equity independently of the **License Agreement**.

#### **18.10 Mutual Assistance**

The **Parties** will at all times hereafter, upon every reasonable request of the other, make, do, and execute or cause to be procured, made, done, and executed, all such further acts, deeds and assurances for the carrying out of the terms, covenants and agreements of the **License Agreement**, according to the true intent and meaning of the **License Agreement**. These obligations shall continue post termination or expiry until all pre and post termination obligations are satisfied.

#### **18.11 Counterpart**

The **License Agreement** may be executed simultaneously in counterpart, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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### **19.0 CROWN GENERAL**

#### **19.1 No Bribes**

The Company warrants that no bribe, gift, or other inducement has been paid, given, promised or offered to any Government official or employee for the obtaining of this **License Agreement**.

#### **19.2 No Share to Members of Parliament**

Pursuant to the Parliament of Canada Act, R.S.C. 1985, c.P-1, no member of the House of Commons or Senate will be admitted to any share or part of the **License Agreement** or to any benefit arises from the **License Agreement**.

#### **19.3 Public Office Holders**

It is a term of this **License Agreement** that no former public Office holder, who is not in compliance with the post employment provisions of the Conflict of Interest and Post Employment Code for Public Office Holders, shall derive a direct benefit from this **License Agreement**.

### **20.0 NOTICE**

#### **20.1 Addresses / Contacts**

Wherever in this **License Agreement** it is required or permitted that notice or demand be given, or served by either **Party** to or on the other **Party**, such notice or demand will be in writing and will be validly given or sufficiently communicated if hand delivered or forwarded by certified mail, priority post mail, telegram, or facsimile or sent by overnight delivery by a nationally recognized courier as follows:

The addresses for delivery are:

**To the Company:**

Nicholas Vahanian  
Chief Medical Officer  
BioProtection Systems Corporation  
2901 S. Loop Dr., Suite 3360  
Ames, IA, USA  
50010  
Telephone: (515) 598-2922  
Facsimile: (515) 296-3820  
Email: nvahanian@linkp.com

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**To Canada:**

Dorothea Blandford, PhD  
Director, Intellectual Property Management & Business Development Operations  
Public Health Agency of Canada

1015 Arlington Street, Suite 2420  
Winnipeg, Manitoba  
Canada R3E 3R2  
Telephone: (204) 789-2096  
Facsimile: (204) 789-2097  
Email: dorothea\_blanciford@hc-sc.gc.ca

The Parties shall send an e-mail version of the notice or demand at least 24 hours prior to the hard or facsimile copy, but failure to send the email version does not invalidate or otherwise make subsequent service of the notice defective,

**20.2 Deemed Delivery**

Notice will be deemed to have been delivered:

- 20.2.1 if delivered by hand, upon receipt;
- 20.2.2 if sent by electronic transmission, forty-eight (48) hours after the time of confirmed transmission, excluding from the calculation weekends and public holidays;
- 20.2.3 if sent by certified mail, four (4) days after the mailing thereof, provided that if there is a postal strike or other disruption, such notice will be delivered by hand or electronic transmission.

**20.3 Change of Address**

The *Parties* may change their respective addresses for delivery by delivering notice of change as provided in this paragraph.

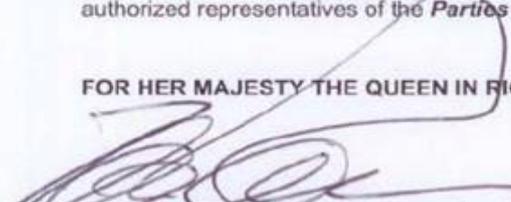
**21.0 EXECUTION**

**IN WITNESS WHEREOF** this *License Agreement* has been executed in duplicate by the duly authorized representatives of the *Parties*, on the date(s) set out below.

**FOR HER MAJESTY THE QUEEN IN RIGHT OF CANADA:**

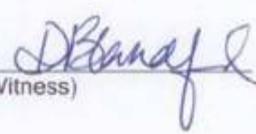
authorized representatives of the *Parties* on the date(s) set out below.

**FOR HER MAJESTY THE QUEEN IN RIGHT OF CANADA:**



Frank A. Plummer, O.C. O.M.  
MD LL.D, FRCPC, FRSC  
Chief Science Advisor

30-Apr-2010  
(Date)



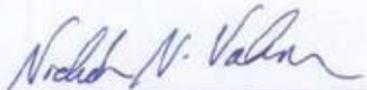
(Witness)

Frank A. Plummer, O.C. O.M.  
MD LL.D, FRCPC, FRSC  
Chief Science Advisor

(Date)

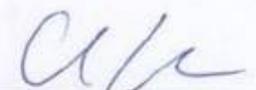
(Witness)

**FOR THE COMPANY:**



Nicholas Vahanian, MD  
Chief Medical Officer

5/4/2010  
(Date)



(Witness)

Nicholas Vahanian, MD  
Chief Medical Officer

(Date)

(Witness)

I have authority to bind the corporation

**APPENDIX "A" DESCRIPTION OF THE LICENSED RIGHTS**

[\*]

## APPENDIX "B" CONFIDENTIALITY AGREEMENTS

(APPENDED OVER THE NEXT 8 PAGES)

Public Health  
Agency of CanadaAgence de la santé  
publique du Canada

Office of Director  
Business Development and Operations  
National Microbiology Laboratory  
1015 Arlington Street  
Winnipeg, Manitoba R3E 3R2

April 14, 2010

Nicholas Vahanian  
BioProtection Systems Corporation  
Iowa State University Research Park,  
2901 South Loop Drive, Suite 3360,  
Ames, Iowa 50010

**RE: Non Disclosure Agreement dated, November 18, 2008 between the Public Health Agency of Canada (referred to as "PHAC"), and BioProtection Systems Corporation (referred to as "BPS").**

Dear Dr Vahanian,

PHAC and BPS have executed a Non Disclosure Agreement dated November 18, 2008. The parties hereby agree to amend the Agreement as follows:

- i) Section 9C, "The term of this Agreement shall commence on its effective date and remain in force for **eighteen (18)** months thereafter, except that the Agreement shall remain effective with respect to the confidential information disclosed under this Agreement for the remainder of any period of confidentiality pursuant to subparagraph 9b above."

Shall be replaced by

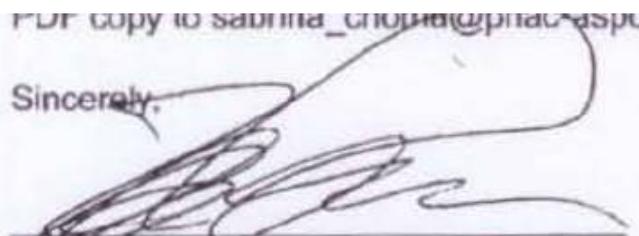
Section 9C "The term of this Agreement shall commence on its effective date and remain in force for **sixty (60)** months thereafter, except that the Agreement shall remain effective with respect to the confidential information disclosed under this Agreement for the remainder of any period of confidentiality pursuant to subparagraph 9b above."

All other terms and conditions of the Agreement will remain in full force and effect and shall continue the duration of the Agreement. This letter, upon execution by both parties, shall form part of the Agreement and the two documents shall be read together.

If the foregoing amendment is satisfactory, please counter sign this letter on behalf of the Participants in the spaces provided, and return the signed letter to our office via electronic PDF copy to [sabrina\\_choma@phac-aspc.gc.ca](mailto:sabrina_choma@phac-aspc.gc.ca)

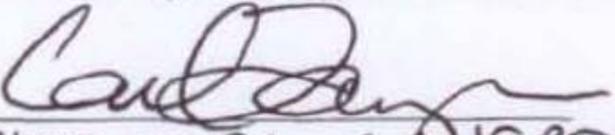
Sincerely,

PDF copy to [sabrina\\_choma@phac-aspc.gc.ca](mailto:sabrina_choma@phac-aspc.gc.ca)  
Sincerely,

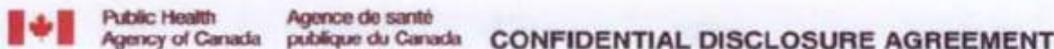


Frank A. Plummer OC, MD, LL.D, FRCP(C), FRSC  
Scientific Director General  
National Microbiology Laboratory

Acknowledged and agreed to on behalf of BPS:

  
Name: CARL LANGREN  
Title: CHIEF FINANCIAL OFFICER

Name: Carl Langren  
Title: Chief Financial Officer



THE PARTIES ARE: Her Majesty the Queen in Right of Canada as represented by the Minister of Health (“Public Health Agency of Canada”)

Whose address is:  
National Microbiology Laboratory  
Canadian Science Centre for Human and Animal Health Canada  
1015 Arlington Street, Winnipeg, MB R3E 3R2, CANADA  
(called “PHAC”) OF THE FIRST PART

AND: BioProtection Systems Corporation

Whose address is  
Iowa State University Research Park, 2901 South Loop Drive,  
Suite 3360, Ames Iowa 50010  
(called the “Participant”) OF THE SECOND PART

**Effective Date: November 1, 2008**

In order to protect certain confidential information the Parties identified above, agree on terms about confidentiality which fairly protects both parties.

1. Disclosing Party: The party(ies) disclosing confidential information (“Disclosing Party”) is/are: Public Health Agency at Canada, National Microbiology Laboratory, 1015 Arlington Street, Winnipeg. MB 133E 3R2, and BioProtection Systems Corporation, 2901 South Loop Drive, Suite 3360, Ames, Iowa 50010.
2. Primary Representative: The representative(s) of each party for coordinating the disclosure and/or receipt of confidential information are: Dr. Steven Jones and Dr. Dorothea Blandford and Dr. Nicholas Vahanian.
3. Description of Confidential Information: The subject matter of the confidential information disclosed under this Agreement is described as:  
Public Health Agency of Canada: [\*].  
Participant: scientific and technical information relating to the pipeline products; business information.
4. Use of Confidential Information: The party receiving the confidential information (“Recipient”) shall keep the confidential information in strict confidence and shall make use of the confidential information only for the following purpose: to discuss scientific and business arrangements in view of negotiating a license agreement.
- 5a. Standard of Care: Recipient shall protect the disclosed confidential information by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized

use, dissemination, or publication of the confidential information, as Recipient uses to protect its own confidential information of a like nature.

5b. In particular, and without limiting the generality of the foregoing, Recipient shall not copy, reproduce, divulge, publish or circulate (or permit anyone else to do so) any of the confidential information disclosed to it by the Disclosing Party, except to such of its employees [and/or contractors and consultants] as may require access to the confidential information on a strict need-to-know basis for the uses contemplated in paragraph 4.

6. Markings: Recipient’s obligations shall extend to confidential information that is described in paragraph 3, and that (a) if set out in written, graphical, photographic or other tangible form (including, without limitation thereto, machine readable object code), is marked “Confidential” or “Proprietary” by the Disclosing Party, or (b) if disclosed orally, is identified as confidential or proprietary at the time of disclosure and a written summary thereof marked “Confidential” or “Proprietary” is furnished by the Disclosing Party to Recipient within thirty (30) days after such oral disclosure.

7. Exclusions: This Agreement imposes no obligation upon Recipient with respect to information that: (a) was in Recipient's possession before receipt from the Disclosing Party; (b) is or becomes a matter of public knowledge through no fault of Recipient; (c) is rightfully received by Recipient from a third party without a duty of confidentiality; (d) is disclosed by the Disclosing Party to a third party without a duty of confidentiality on the third party; (e) is independently developed by Recipient; (f) is disclosed under operation of law, including the Access to Information Act of Canada; or (g) is disclosed by Recipient with the Disclosing Party's prior written approval.

8. Warranty: Each Disclosing Party warrants that it has the right to make the disclosures under this Agreement.

NO OTHER WARRANTIES ARE MADE BY EITHER PARTY UNDER THIS AGREEMENT. ANY INFORMATION EXCHANGED UNDER THIS AGREEMENT IS PROVIDED "AS IS".

NEITHER PARTY PROVIDES ANY OTHER REPRESENTATION, WARRANTY, ASSURANCE OR GUARANTEE OF ANY KIND WITH RESPECT TO THE CONFIDENTIAL INFORMATION IT DISCLOSES.

9a. Rights: Neither party acquires any intellectual property rights under this Agreement except the limited rights necessary to carry out the purposes set forth in paragraph 4. This Agreement shall not restrict reassignment of Recipient's employees.

9b. The obligations set out in paragraphs 4 and 5 above shall become effective with respect to any confidential information immediately upon its disclosure by the Disclosing Party to Recipient and shall continue for a period of three (3) years thereafter.

9c. The term of this Agreement shall commence on its effective date and remain in force for 18 months thereafter, except that the Agreement shall remain effective with respect to the

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confidential information disclosed under this Agreement for the remainder of any period of confidentiality pursuant to subparagraph 9b above.

9d. Upon request made by the Disclosing Party during the term of the Agreement, Recipient shall return the confidential information and all copies thereof to the Disclosing Party or, at the option of the Disclosing Party, destroy the confidential information and all copies thereof, and Recipient shall certify in writing within five (5) days of the receipt of the request from the Disclosing Party that it has complied with that request.

Miscellaneous

10. The only terms concerning confidentiality relating to the information described in paragraph 3 are in this Agreement and in the Access to Information Act of Canada.

11. This Agreement imposes no obligation on either party to purchase, sell, licence, transfer or otherwise dispose of any technology, services or products, and neither this Agreement nor the disclosure or receipt of confidential information under this Agreement constitutes or implies any undertaking or commitment by either party to enter into any further activity, arrangement or course of action with the other party or with any third party.

12. Both parties shall adhere to all applicable laws, regulations and rules relating to the export of technical data, and shall not export or re-export any technical data, any products received from the Disclosing Party, or the direct product of such technical data to any prescribed country listed in such applicable laws, regulations and rules unless properly authorized.

13. This Agreement does not create any agency or partnership relationship.

14. This Agreement cannot be modified except by a document signed by both Parties that explicitly refers to this Agreement.

<p>SIGNED by the Participant in duplicate at Ames, Iowa</p> <p>This <u>18<sup>th</sup></u> day of <u>November</u> 200<u>7</u><sup>sc</sup></p> <p><b>BioProtection Systems Corporation</b></p> <p>Per <u>Nicholas N. Vahanian</u></p> <p>Nicholas N. Vahanian, M.D. Chief Medical Officer,</p>	<p>SIGNED by the Public Health Agency of Canada in duplicate at Winnipeg, Manitoba</p> <p>This <u>1</u> day of <u>November</u> 200<u>7</u></p> <p><b>Her Majesty the Queen in Right of Canada as Represented by the Minister of Health</b></p> <p>Per: <u>Frank A. Plummer</u></p> <p>Frank A Plummer, OC, MD, LLD, FRCP (C), FRSC Scientific Director General National Microbiology Laboratory</p>
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**THE PARTIES ARE:** Her Majesty the Queen in Right of Canada as represented by the Minister of Health (“Public Health Agency of Canada”)

Whose address is  
National Microbiology Laboratory  
Canadian Science Centre for Human and Animal Health Canada  
1015 Arlington Street, Winnipeg, MB R3E 3R2, CANADA  
(called “**PHAC**”) OF THE FIRST PART

**AND:** BioProtection Systems Corporation

Whose address is  
Iowa State University Research Park, 2901 South Loop Drive,  
Suite 3360, Ames Iowa 50010  
(called the “**Participant**”) OF THE SECOND PART

**Effective Date: May 1, 2007**

In order to protect certain confidential information the Parties identified above, agree on terms about confidentiality which fairly protects both parties.

1. Disclosing Party: The party(ies) disclosing confidential information (“Disclosing Party”) is/are: Public Health Agency of Canada, National Microbiology Laboratory, 1015 Arlington Street, Winnipeg, MB R3E 3R2, and BioProtection Systems Corporation, 2901 South Loop Drive, Suite 3360, Ames, Iowa 50010.

2. Primary Representative. The representative(s) of each party for coordinating the disclosure and/or receipt of confidential information are: Dr. Heinz Feldmann and Dr. Dorothea Blandford and Dr. Nicholas Vahanian.

3. Description of Confidential Information: The subject matter of the confidential information disclosed under this Agreement is described as: Public Health Agency of Canada: [\*]  
Participant: scientific and technical information relating to the pipeline products: business information.

4. Use of Confidential Information: The party receiving the confidential information (“Recipient”) shall keep the confidential information in strict confidence and shall make use of the confidential information only for the following purpose: to discuss scientific and business arrangements in view of negotiating a license agreement.

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5a. Standard of Care: Recipient shall protect the disclosed confidential information by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized use, dissemination, or publication of the confidential information, as Recipient uses to protect its own confidential information of a like nature.

5b. In particular, and without limiting the generality of the foregoing, Recipient shall not copy, reproduce, divulge, publish or circulate (or permit anyone else to do so) any of the confidential information disclosed to it by the Disclosing Party, except to such of its employees [and/or contractors and consultants] as may require access to the confidential information on a strict need-to-know basis for the uses contemplated in paragraph 4.

6. Markings: Recipient’s obligations shall extend to confidential information that is described in paragraph 3, and that (a) if set out in written, graphical, photographic or other tangible form (including, without limitation thereto, machine readable object code), is marked “Confidential” or “Proprietary” by the Disclosing Party, or (b) if disclosed orally, is identified as confidential or proprietary at the time of disclosure and a written summary thereof marked “Confidential” or “Proprietary” is furnished by the Disclosing Party to Recipient within thirty (30) days after such oral disclosure.

7. Exclusions: This Agreement imposes no obligation upon Recipient with respect to information that: (a) was in Recipient’s possession before receipt from the Disclosing Party; (b) is or becomes a matter of public knowledge through no fault of Recipient; (c) is rightfully received by Recipient from a third party without a duty of confidentiality; (d) is disclosed by the Disclosing Party to a third party without a duty of confidentiality on the third party; (e) is independently developed by Recipient; (f) is disclosed under operation of law, including the Access to information Act of Canada; or (g) is disclosed by Recipient with the Disclosing Party’s prior written approval.

8. Warranty: Each Disclosing Party warrants that it has the right to make the disclosures under this Agreement.

NO OTHER WARRANTIES ARE MADE BY EITHER PARTY UNDER THIS AGREEMENT, ANY INFORMATION EXCHANGED UNDER THIS AGREEMENT IS PROVIDED “AS IS”.

NEITHER PARTY PROVIDES ANY OTHER REPRESENTATION, WARRANTY, ASSURANCE OR GUARANTEE OF ANY KIND WITH RESPECT TO THE CONFIDENTIAL INFORMATION IT DISCLOSES.

9a. Rights: Neither party acquires any intellectual property rights under this Agreement except the limited rights necessary to carry out the purposes set forth in paragraph 4. This Agreement shall not restrict reassignment of Recipient’s employees.

9b. The obligations set out in paragraphs 4 and 5 above shall become effective with respect to any confidential information immediately upon its disclosure by the Disclosing Party to Recipient and shall continue for a period of three (3) years thereafter.

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9c. The term of this Agreement shall commence on its effective date and remain in force for 18 months thereafter, except that the Agreement shall remain effective with respect to the confidential information disclosed under this Agreement for the remainder of any period of confidentiality pursuant to subparagraph 9b above.

9d. Upon request made by the Disclosing Party during the term of the Agreement, Recipient shall return the confidential information and all copies thereof to the Disclosing Party or, at the option of the Disclosing Party, destroy the confidential information and all copies thereof, and Recipient shall certify in writing within five (5) days of the receipt of the request from the Disclosing Party that it has complied with that request.

#### Miscellaneous

10. The only terms concerning confidentiality relating to the information described in paragraph 3 are in this Agreement and in the Access to Information Act of Canada.

11. This Agreement imposes no obligation on either party to purchase, sell, licence, transfer or otherwise dispose of any technology, services or products, and neither this Agreement nor the disclosure or receipt of confidential information under this Agreement constitutes or implies any undertaking or commitment by either party to enter into any further activity, arrangement or course of action with the other party or with any third party.

12. Both parties shall adhere to all applicable laws, regulations and rules relating to the export of technical data, and shall not export or re-export any technical data, any products received from the Disclosing Party, or the direct product of such technical data to any prescribed country listed in such applicable laws, regulations and rules unless properly authorized.

13. This Agreement does not create any agency or partnership relationship

14. This Agreement cannot be modified except by a document signed by both Parties that explicitly refers to this Agreement.

<p>SIGNED by the Participant in duplicate at Ames, Iowa</p> <p>This <u>30<sup>th</sup></u> day of <u>April</u> 2007</p> <p><b>BioProtection Systems Corporation</b></p> <p>Per <u>Nicholas N. Vaharian</u></p> <p>Nicholas N. Vaharian, M.D. Chief Medical Officer,</p>	<p>SIGNED by the Public Health Agency of Canada in duplicate at Winnipeg, Manitoba</p> <p>This <u>27</u> day of <u>April</u> 2007</p> <p><b>Her Majesty the Queen in Right of Canada as Represented by the Minister of Health</b></p> <p>Per: <u>Frank A. Plummer</u></p> <p>Frank A. Plummer, OC, MD, LLD, FRCP (C), FRSC Scientific Director General National Microbiology Laboratory</p>
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**APPENDIX "C" BUSINESS PLAN**  
**(TO FOLLOW WITHIN 30 DAYS OF EXECUTION)**

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**APPENDIX "D" AFFILIATES**

NewLink Genetics Corporation, 2901 South Loop Drive, Suite 3900, Ames, Iowa, USA 50010

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## SUBSIDIARIES OF NEWLINK GENETICS CORPORATION

The table below sets forth all subsidiaries of NewLink Genetics Corporation and the state or other jurisdiction of incorporation or organization of each.

Subsidiary	Jurisdiction of Incorporation
BioProtection Systems Corporation	Delaware

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**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
NewLink Genetics Corporation:

We consent to the use of our report included herein and to the reference to our firm under the heading "Experts" in the prospectus.

Our report refers to the adoption of new guidance on the presentation and disclosure of noncontrolling interests.

/s/ KPMG LLP  
Des Moines, Iowa  
December 20, 2010

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