

As submitted confidentially to the Securities and Exchange Commission on December 18, 2015.  
This Amendment No. 1 to the draft registration statement has not been publicly filed with the Securities and Exchange Commission  
and all information herein remains strictly confidential.

Registration No. 333-

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

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

**Oncobiologics, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**2836**  
(Primary Standard Industrial  
Classification Code Number)

**38-3982704**  
(I.R.S. Employer  
Identification Number)

**7 Clarke Drive  
Cranbury, New Jersey 08512  
(609) 619-3990**

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

**Pankaj Mohan, Ph.D.  
President and Chief Executive Officer  
Oncobiologics, Inc.  
7 Clarke Drive  
Cranbury, New Jersey 08512  
(609) 619-3990**

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

**Copies to:**

**Yvan-Claude Pierre  
Daniel I. Goldberg  
Divakar Gupta  
Cooley LLP  
1114 Avenue of the Americas  
New York, New York 10036  
(212) 479-6000**

**Stuart M. Cable  
Edwin O'Connor  
Goodwin Procter LLP  
Exchange Place  
53 State Street  
Boston, Massachusetts 02109  
(617) 570-1000**

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

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

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

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

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

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

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

**CALCULATION OF REGISTRATION FEE**

Title of each class of securities to be registered	Proposed maximum aggregate offering price <sup>(1)(2)</sup>	Amount of registration fee
Common stock, \$0.01 par value per share	\$	\$

(1) Estimated solely for the purpose of computing the amount of registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes the offering price of shares that the underwriters have the option to purchase to cover over-allotments, if any.

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

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

SUBJECT TO COMPLETION, DATED \_\_\_\_\_, 2016

PRELIMINARY PROSPECTUS

Shares



Common Stock

We are offering \_\_\_\_\_ shares of common stock. This is our initial public offering and no public market currently exists for our common stock. We expect the initial public offering price to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share. We have applied to list our common stock on the NASDAQ Global Market under the symbol "ONS."

We are an "emerging growth company" under the federal securities laws and will be subject to reduced public company reporting requirements for this prospectus and future filings.

**Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 10.**

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

	PER SHARE	TOTAL
Public Offering Price	\$ _____	\$ _____
Underwriting Discounts and Commissions <sup>(1)</sup>	\$ _____	\$ _____
Proceeds to Oncobiologics, Inc. (Before Expenses)	\$ _____	\$ _____

(1) See "Underwriting" beginning on page 132 for additional disclosure regarding underwriting discounts, commissions and estimated offering expenses.

Delivery of the shares of common stock is expected to be made on or about \_\_\_\_\_, 2016. We have granted the underwriters an option for a period of 30 days to purchase an additional \_\_\_\_\_ shares of our common stock. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be \$ \_\_\_\_\_, and the total proceeds to us, before expenses, will be \$ \_\_\_\_\_.

*Book-Running Manager*

**Jefferies**

*Lead Manager*

**Nomura**

Preliminary Prospectus dated \_\_\_\_\_, 2016

<b>TABLE OF CONTENTS</b>	<b>Page</b>
<a href="#">Prospectus Summary</a>	<a href="#">1</a>
<a href="#">Risk Factors</a>	<a href="#">10</a>
<a href="#">Special Note Regarding Forward-Looking Statements</a>	<a href="#">51</a>
<a href="#">Market and Industry Data</a>	<a href="#">52</a>
<a href="#">Use of Proceeds</a>	<a href="#">53</a>
<a href="#">Dividend Policy</a>	<a href="#">54</a>
<a href="#">Capitalization</a>	<a href="#">55</a>
<a href="#">Dilution</a>	<a href="#">57</a>
<a href="#">Selected Consolidated Financial Data</a>	<a href="#">59</a>
<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">60</a>
<a href="#">Business</a>	<a href="#">73</a>
<a href="#">Management</a>	<a href="#">96</a>
<a href="#">Executive Compensation</a>	<a href="#">103</a>
<a href="#">Certain Relationships and Related Party Transactions</a>	<a href="#">115</a>
<a href="#">Principal Stockholders</a>	<a href="#">120</a>
<a href="#">Description of Capital Stock</a>	<a href="#">122</a>
<a href="#">Shares Eligible for Future Sale</a>	<a href="#">126</a>
<a href="#">Material U.S. Federal Income and Estate Tax Considerations for Non-U.S. Holders</a>	<a href="#">129</a>
<a href="#">Underwriting</a>	<a href="#">132</a>
<a href="#">Legal Matters</a>	<a href="#">138</a>
<a href="#">Experts</a>	<a href="#">138</a>
<a href="#">Where You Can Find Additional Information</a>	<a href="#">138</a>
<a href="#">Index to Consolidated Financial Statements</a>	<a href="#">F-1</a>

We are responsible for the information contained in this prospectus and in any free-writing prospectus we prepare or authorize. We have not authorized anyone to provide you with different information, and we take no responsibility for any other information others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the cover of this prospectus.

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

Our name "Oncobiologics," the Oncobiologics logo and other trademarks or service marks of Oncobiologics, Inc. appearing in this prospectus are the property of Oncobiologics, Inc. Other trademarks, service marks or trade names appearing in this prospectus are the property of their respective owners. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

## PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary provides an overview of selected information and does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, especially the section titled "Risk Factors" and our consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment decision. Except as otherwise indicated or unless the context otherwise requires, references to "company," "we," "us," "our" or "Oncobiologics," refer to Oncobiologics, Inc. and its consolidated subsidiary.

### Overview

We are a clinical-stage biopharmaceutical company focused on identifying, developing, manufacturing and commercializing complex biosimilar therapeutics. Our current focus is on technically challenging and commercially attractive monoclonal antibodies, or mAbs, in the disease areas of immunology and oncology. A mAb is a type of protein that is produced by a single clone of cells or cell line and made to bind to a specific substance in the body. Our strategy is to cost-effectively develop these biosimilars on an accelerated timeline, which is fundamental to our success and we believe positions us to be a leading biosimilar company. We have leveraged our team's biopharmaceutical expertise to establish fully integrated in-house development and manufacturing capabilities, which we refer to as our BioSymphony Platform. We believe this platform addresses the numerous complex technical and regulatory challenges in developing and commercializing mAb biosimilars and was designed to provide significant pricing flexibility. Since inception, we have advanced two product candidates into clinical trials: ONS-3010, a Phase 3-ready biosimilar to adalimumab (Humira®), and ONS-1045, a Phase 3-ready biosimilar to bevacizumab (Avastin®). Additionally, we have identified multiple other biosimilar product candidates, including six that are in active preclinical development, two of which are expected to enter clinical trials in 2016.

### Our BioSymphony Platform

Escalating healthcare costs and healthcare reform initiatives have been major drivers for the advancement of the biosimilar market. Our BioSymphony Platform is designed to address the technical challenges and regulatory dynamics of the complex biologics industry by developing high quality mAb biosimilars on an accelerated timeline and in an efficient and cost-effective manner. The BioSymphony Platform, driven by our entrepreneurial culture, leverages our fully integrated in-house 48,000 square foot development and manufacturing facility and our team's clinical and regulatory expertise. We believe this model enables significant pricing flexibility, providing us with competitive advantages, and positions us to be a leading biosimilar company.

### Our Pipeline

We are currently developing a portfolio of eight commercially attractive mAb biosimilars, for which the corresponding reference products generated an aggregate of approximately \$35.3 billion in global revenue in 2014. We have also identified three mAb biosimilars for which we expect to initiate development by the end of 2016. Our current pipeline of mAb biosimilars for which we have completed clone selection is described in the following chart.

Biosimilar Candidate	Reference Product	2014 WW Sales (\$bn) <sup>(1)</sup>	Commercial Rights	Product Characterization	Clone Selection	Lab Scale Similarity	Phase 1	Phase 3	Upcoming Milestones/Catalysts
ONS-3010 (Adalimumab)	HUMIRA*	\$12.5	Worldwide (ex-China, India and Mexico)						Phase 3 Trial 2016
ONS-1045 (Bevacizumab)	AVASTIN*	7.0	Worldwide (ex-China, India and Mexico)						Phase 3 Trial 2016
ONS-1050 (Trastuzumab)	HERCEPTIN*	6.9	Worldwide						Phase 1 Trial 2016
ONS-4010 (Denosumab)	PROLIA*/XGEVA*	2.3	Worldwide						Phase 1 Trial 2016

(1) According to recent filings with the Securities and Exchange Commission, where available, EvaluatePharma and manufacturers' reports.

- **ONS-3010** is our adalimumab (Humira) biosimilar. Humira is a subcutaneous injectable mAb that binds to tumor necrosis factor-alpha, or TNF $\alpha$ . We have successfully completed a randomized, double-blind, single-dose and single-center Phase 1 clinical trial comparing ONS-3010 to Humira in three treatment arms. This Phase 1 clinical trial was performed at the Center for Human Drug Research in Leiden, The

Netherlands under the auspices of the Stichting Beoordeling Ethiek Biomedisch Onderzoek. In this trial, ONS-3010 met its primary and secondary endpoints, demonstrating a similar pharmacokinetic (meaning how the body affects the molecule), or PK, profile, as well as an immunogenicity profile equivalent to both U.S.- and E.U.-Humira across all three treatment arms. In addition, ONS-3010 demonstrated a rate of injection site reactions lower than that of Humira. We have received regulatory feedback and agreement on our Phase 3 clinical trial design in the sensitive plaque psoriasis patient population from the U.S. Food and Drug Administration, or FDA, the European Medical Agency, or EMA, and national agencies such as the Medicines and Healthcare Products Regulatory Agency, or MHRA, and the Swedish regulatory authority. We have also completed a site feasibility study to identify global sites (North and South America, Europe, Australia and New Zealand) in preparation for the commencement of our planned Phase 3 clinical trial in 2016.

Humira is currently approved in the United States for the following indications: rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, ankylosing spondylitis, adult crohn's disease, pediatric crohn's disease, ulcerative colitis, plaque psoriasis, and hidradenitis suppurativa. We initially intend to seek approval of ONS-3010 for the treatment of plaque psoriasis, and will seek to expand such approval to the same indications as Humira as appropriate. We have informed the regulatory authorities of our intent to seek extrapolation to all approved Humira indications, and have also discussed our interchangeability study design with the FDA. We intend to deliver ONS-3010 in the same manner as Humira, via subcutaneous injection.

- **ONS-1045** is our bevacizumab (Avastin) biosimilar. Avastin is a mAb administered by infusion that interferes with tumor growth by binding to vascular endothelial growth factor, or VEGF, a protein that stimulates the formation of new blood vessels. We have completed a randomized, double-blind, single-dose and single-center Phase 1 clinical trial. This Phase 1 trial was performed at the Center for Human Drug Research in Leiden, The Netherlands under the auspices of the Stichting Beoordeling Ethiek Biomedisch Onderzoek. In this trial, ONS-1045 met its primary and secondary endpoints demonstrating a similar PK profile, as well as an immunogenicity profile equivalent to both U.S.- and EU-Avastin. We have completed the next series of our regulatory interactions with the FDA, EMA, MHRA and the Danish Health and Medicines Agency to obtain further guidance on our confirmatory trial design and have gained agreement on the sensitive patient population in non-squamous non-small cell lung cancer. We have also begun preparatory planning with the intention to discuss our Japanese development strategy with Japan's Pharmaceuticals and Medical Devices Agency in early 2016. Additionally, we have initiated a site feasibility study (targeting North and South America, Europe and Asia) in advance of our global Phase 3 clinical trial, which we expect to commence in 2016.

Avastin is currently approved in the United States for the following indications: metastatic colorectal cancer, with intravenous 5-fluorouracil-based chemotherapy for first- or second-line treatment; metastatic colorectal cancer, with fluoropyrimidine-, irinotecan- or fluoropyrimidine-oxaliplatin-based chemotherapy for second-line treatment in patients who have progressed on a first-line Avastin containing regimen; non-squamous non-small cell lung cancer, with carboplatin and paclitaxel for first line treatment of unresectable, locally advanced, recurrent or metastatic disease; glioblastoma, as a single agent for adult patients with progressive disease following prior therapy; metastatic renal cell carcinoma with interferon alfa; cervical cancer, in combination with paclitaxel and cisplatin or paclitaxel and topotecan in persistent, recurrent, or metastatic disease; platinum-resistant recurrent epithelial ovarian, fallopian tube or primary peritoneal cancer, in combination with paclitaxel, pegylated liposomal doxorubicin or topotecan. We initially intend to seek approval of ONS-1045 for the treatment of non-squamous non-small cell lung cancer, and will seek to expand such approval to the same indications as Avastin when appropriate. We have informed the regulatory authorities of our intent to seek extrapolation to all approved Avastin indications, and have also discussed our study design with the FDA. We intend to deliver ONS-1045 in the same manner as Avastin, via infusion.

- **ONS-1050** is our trastuzumab (Herceptin) biosimilar. Herceptin is a mAb administered by infusion that binds to human epidermal growth factor receptor 2, or HER2. A clone with a "highly similar" profile to Herceptin has been chosen for further process development. Extensive analytical characterization and *in vitro* functionality studies comparing ONS-1050 to Herceptin are underway to support the biosimilarity assessment required to initiate clinical trials. We expect to commence our Phase 1 clinical trial in 2016. Herceptin currently approved in the United States for the following indications: treatment of

HER2-overexpressing breast cancer and treatment of HER2-overexpressing metastatic gastric or gastroesophageal junction adenocarcinoma. We have not yet determined the indication for which we will initially seek approval of ONS-1050, although it will be for one of the indications for which Herceptin is approved. It is our intent to then seek to expand such approval to the same indications as Herceptin via extrapolation. We intend to deliver ONS-1050 in the same manner as Herceptin, via infusion.

- In addition to the product candidates we are currently advancing through clinical development, we are leveraging our BioSymphony Platform to develop additional preclinical product candidates. We have not yet determined the initial indications for which we will seek approval for such preclinical product candidates. Our strategy will be to seek initial approval for an approved indication of the reference product, which will be determined in consultation with regulatory authorities regarding clinical trial and study design, and then seek to expand such approval to the same indications as the reference product. We also intend to deliver our biosimilars in the same manner as the reference product.
  - **ONS-4010**, a biosimilar to denosumab (Prolia<sup>®</sup>/Xgeva<sup>®</sup>), has cell lines developed with clone selection completed. We have completed preliminary characterization and reverse engineering of the amino acid sequences of the reference product. We plan to complete process development, and commence our Phase 1 clinical trial, in 2016.
  - **ONS-1055**, a biosimilar to cetuximab (Erbix<sup>®</sup>), has cell lines developed with clone selection nearing completion. We have completed preliminary characterization and reverse engineering of the amino acid sequences of the reference product. We plan to complete clone selection and process development in 2016, with lab scale comparability completed in the second half of 2016. According to manufacturers' reports, 2014 worldwide sales of Erbitux<sup>®</sup> were \$2.0 billion.
  - **ONS-3030**, a biosimilar to tocilizumab (Actemra<sup>®</sup>/Roactemra<sup>®</sup>), **ONS-3035**, a biosimilar to golimumab (Simponi<sup>®</sup>), and **ONS-3040**, a biosimilar to ustekinumab (Stelara<sup>®</sup>), are in early development. According to manufacturers' reports, 2014 worldwide sales of Actemra/Roactemra, Simponi and Stelara were \$1.3 billion, \$1.2 billion and \$2.1 billion, respectively. We are focused on reverse engineering the reference product characteristics and developing cell lines for clone selection. We anticipate completing clone selection in the first half of 2016 for ONS-3030, and reference product characterization in the first half of 2016 for each of ONS-3035 and ONS-3040.

### Our Strategy

Our goal is to utilize the BioSymphony Platform to identify, develop, manufacture and commercialize technically challenging and commercially attractive mAbs on an accelerated timeline in a cost-effective manner, initially in the disease areas of immunology and oncology. The key elements of our strategy include:

- *rapidly advancing our lead product candidates through late-stage clinical development and continuing to advance our preclinical pipeline;*
- *employing our expertise in product development to further expand our pipeline;*
- *cost effectively developing and manufacturing mAb biosimilars in an accelerated timeframe;*
- *continuing to invest in and expand our in-house manufacturing capabilities; and*
- *maximizing the value of our pipeline by retaining development and commercialization rights in the United States and continuing to selectively out-license to ex-U.S. markets.*

### Our Team

We have assembled a team of industry veterans, with decades of cumulative experience in biologics development and commercialization at such organizations as Bristol-Myers Squibb Company, Genentech, Inc., Hoffman-La Roche, NPS Pharmaceuticals, Inc. and Savient Pharmaceuticals, Inc. Our leadership team has also been instrumental in obtaining global regulatory approval for multiple complex biologics at leading multinational biopharmaceutical companies. Our Chief Executive Officer, Pankaj Mohan, Ph.D., served as a Senior Manager at Eli Lilly and Company, head of Business Operations and Portfolio Management of Biologics Process and Product Development at Bristol-Myers Squibb Company and Director of Bioprocess Engineering at Genentech, Inc. In addition, our scientific team has specific experience in process development for complex biologics, protein manufacturing and analytical research and development, which are essential components for the development and manufacturing of complex biosimilars.

### Our Culture and Mission

We are focused on identifying, developing and manufacturing complex biosimilar mAb therapeutics in the areas of immunology and oncology. We are dedicated to bringing cost-effective treatment options to patients and their families living with cancer and other serious diseases. The foundation of our BioSymphony Platform is our collaborative culture, which is based on the following core values:

- **Agility and Speed** — we are committed to effective execution of the development process with a focus on simplification leading to efficient decision-making.
- **Technical Excellence** — our leadership team and team of scientific experts have implemented a state-of-the-art technology platform to enable application of scientific rigor in our development and manufacturing processes.
- **Industry Experience** — our team cumulatively has decades of experience in identifying, developing, manufacturing and commercializing complex biologics.

### Risks Associated with Our Business

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

- We have a limited operating history, have incurred significant losses since our inception and expect to continue to incur significant losses for the foreseeable future.
- Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern.
- We are heavily dependent on the success of our two most advanced product candidates, ONS-3010 and ONS-1045. All of our other product candidates are still in various stages of preclinical development. If we are unable to obtain regulatory approval for, or successfully commercialize, ONS-3010 and ONS-1045, our business will be harmed.
- If we infringe or are alleged to infringe intellectual property rights of third parties, our business could be harmed. Third-party claims of intellectual property infringement may prevent or delay our development and commercialization efforts.
- The evolving regulatory approval processes of the FDA, EMA and comparable foreign authorities are lengthy, time-consuming, rigorous and inherently unpredictable. If we and our collaboration partners are ultimately unable to obtain regulatory approval for our product candidates, our business will be harmed. To our knowledge, there has been only one biosimilar product application approved by the FDA under the 351(k) pathway to date.
- Clinical development of biosimilars is different and can be more complex than clinical development programs for the reference products.
- We expect to depend on third parties for the commercialization of our biosimilar product candidates in certain major markets for ONS-3010, ONS-1045 and ONS-1050 outside the United States, and their failure to commercialize in those markets could harm our business and operating results.
- We currently have no issued patents. If we are unable to obtain and maintain effective patent rights for our product candidates or any future product candidates, we may not be able to prevent competitors from using technologies we consider important in our successful development and commercialization of our product candidates, resulting in loss of any potential competitive advantage our patents may have otherwise afforded us.
- We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced or more effective than ours. Other biosimilars or “biobetters” of the reference products we are targeting may be approved and successfully commercialized before ours, which may adversely affect our financial condition and our ability to successfully commercialize our product candidates.
- We currently have no marketing and sales organization. If we are unable to establish sales and marketing capabilities in jurisdictions for which we choose to retain commercialization rights, we may be unable to generate any revenue.
- We may need to enter into alliances with other companies that can provide capabilities and funds for the development and commercialization of our product candidates. If we are unsuccessful in forming or maintaining these alliances on favorable terms, our business could be harmed.

- We are highly dependent on the services of our key executives and personnel, including our President and Chief Executive Officer, Pankaj Mohan, Ph.D., and if we are not able to retain these members of our management or recruit additional management, clinical and scientific personnel, our business will suffer.

If we are unable to adequately address these and other risks we face, our business, financial condition, operating results and prospects may be harmed.

### **Implications of Being an Emerging Growth Company**

As a company with less than \$1.0 billion in revenues during our last fiscal year, we are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, enacted in April 2012, and therefore we intend to take advantage of certain exemptions from various public company reporting requirements, including not being required to have our internal control over financial reporting audited by our independent registered public accounting firm pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments not previously approved. We may take advantage of these exemptions for up to five years or until we are no longer an “emerging growth company.” We would cease to be an “emerging growth company” if we have more than \$1.0 billion in annual revenues, have more than \$700 million in market value of our capital stock held by non-affiliates as of the last day of our second fiscal quarter or issue more than \$1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some, but not all, of the available benefits under the JOBS Act. We have taken advantage of some reduced reporting burdens in this prospectus. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

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

### **Recent Developments**

In October 2015, we reincorporated in Delaware by merging with and into Oncobiologics, Inc., a newly formed Delaware corporation, with the Delaware corporation surviving the merger. As a result of the merger, each share of our issued and outstanding common stock converted into and became a share of common stock of the Delaware corporation on a 1-for-1 basis, each issued and outstanding share of our Series A redeemable preferred stock converted into 1,000 shares of common stock and approximately 1.4035 shares of Series A preferred stock of the Delaware corporation, and each issued and outstanding share of our Series B redeemable preferred stock converted into 1,000 shares of common stock and approximately 1.2867 shares of Series A preferred stock of the Delaware corporation. Additionally, in October 2015, effective upon our reincorporation and in connection with the dissolution of our business development subsidiary, Parilis Biopharmaceuticals, LLC, or Parilis, we issued 782,000 shares of common stock and 1,626 shares of Series A preferred stock to the holders of outstanding units in Parilis in exchange for all such units. Accordingly, immediately following the reincorporation, we had issued and outstanding 46,905,266 shares of common stock and 11,817 shares of Series A preferred stock (with a liquidation preference of \$1,000 per share).

In December 2015, we issued and sold an aggregate of 753,677 shares of our common stock to 11 accredited investors at a purchase price of \$8.42 per share, for aggregate net proceeds of approximately \$6.3 million. All of the investors who purchased shares in this offering became party to the co-sale agreement, as amended, and the investors' rights agreement, as amended.

### **Corporate Information**

We initially incorporated in January 2010 in New Jersey as Oncobiologics, Inc., and in October 2015, we reincorporated in Delaware by merging with and into a Delaware corporation. Our headquarters are located at 7 Clarke Drive, Cranbury, New Jersey, and our telephone number at that location is (609) 619-3990. Our website address is [www.oncobiologics.com](http://www.oncobiologics.com). The information contained on, or that can be accessed through, our website is not part of, and is not incorporated by reference into this prospectus and should not be considered to be part of this prospectus.



## THE OFFERING

Common stock offered by us	shares
Common stock to be outstanding immediately after this offering	shares
Over-allotment option	shares
Use of proceeds	<p>We estimate that the net proceeds from this offering will be approximately \$       million, or approximately \$       million if the underwriters exercise in full their over-allotment option to purchase additional shares, at an assumed initial public offering price of \$       per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to: fund our most advanced biosimilar product candidates through or into clinical development; expand our state-of-the-art research and development facility; fund the remaining payments pursuant to our exercise of our repurchase option under our joint participation agreement with Zhejiang Huahai Pharmaceutical Co, Ltd.; fund our other research and development activities; and the remainder for working capital and general corporate purposes. We may also use a portion of the net proceeds to acquire complementary businesses, products or technologies, although, we have no present commitments or agreements for any specific acquisitions.</p>
Risk factors	<p>You should read the section titled "Risk Factors" together with all the other information included in this prospectus before deciding to invest in shares of our common stock.</p>
Proposed NASDAQ Global Market symbol	"ONS"
The number of shares of common stock to be outstanding after this offering is based on common stock outstanding as of September 30, 2015, and excludes:	shares of
<ul style="list-style-type: none"> <li>■ 2,370,280 shares of common stock issuable upon the exercise of outstanding performance stock units, or PSUs, a form of stock appreciation right whose terms were amended subsequent to September 30, 2015 to provide for settlement in shares of common stock or cash at our discretion, with a weighted-average exercise price of \$       ;</li> <li>■       shares issuable upon vesting of restricted stock unit awards, or RSUs, granted subsequent to September 30, 2015 under our 2015 Equity Incentive Plan, or the 2015 Plan;</li> <li>■ 4,300,000 shares of common stock reserved for future issuance under the 2015 Plan, as well as any automatic increases in the number of shares of common stock reserved for future issuance under this plan; and</li> <li>■       shares of common stock reserved for future issuance under our 2016 Employee Stock Purchase Plan, or the ESPP, as well as any automatic increases in the number of shares of common stock reserved for future issuance under this plan, which will become effective upon the execution of the underwriting agreement related to this offering.</li> </ul>	
Unless otherwise noted, all information in this prospectus assumes:	
<ul style="list-style-type: none"> <li>■ a       -for-       reverse split of our capital stock to be effected prior to the closing of this offering;</li> <li>■ our reincorporation in Delaware pursuant to which each share of common stock converted into and became a share of common stock of the Delaware corporation on a 1-for-1 basis, each issued and outstanding share of our Series A redeemable preferred stock converted into 1,000 shares of common stock and</li> </ul>	

approximately 1.4035 shares of Series A preferred stock of the Delaware corporation, and each issued and outstanding share of Series B redeemable preferred stock converted into 1,000 shares of common stock and approximately 1.2867 shares of Series A preferred stock of the Delaware corporation;

- the issuance of an aggregate of 782,000 shares of common stock and 1,626 shares of Series A preferred stock in October 2015;
- the issuance and sale of an aggregate of 753,677 shares of common stock in December 2015;
- the conversion of all outstanding shares of Series A preferred stock (with an aggregate liquidation preference of \$11,817,000 and a conversion price equal to the initial public offering price) into shares of common stock immediately prior to the closing of this offering (assuming an initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus);
- the reclassification of 6,000,000 shares of redeemable common stock to common stock upon lapse of a contractual redemption right;
- that our amended and restated certificate of incorporation, which we will file in connection with the closing of this offering, and our amended and restated bylaws are effective;
- no exercise of any outstanding PSUs or vesting or settlement of RSUs; and
- no exercise of the underwriters' over-allotment option to purchase additional shares.

### SUMMARY CONSOLIDATED FINANCIAL DATA

The following table summarizes our consolidated financial data. We derived the consolidated statements of operations data for the years ended September 30, 2014 and 2015, the consolidated balance sheet data as of September 30, 2015 from our audited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read this data together with our consolidated financial statements and related notes thereto, and the sections titled "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	Year Ended September 30,	
	2014	2015
<b>Consolidated Statements of Operations Data:</b>		
Collaboration revenues	\$ 9,050,542	\$ 5,219,237
Operating expenses:		
Research and development	14,124,631	38,876,040
General and administrative	7,318,314	12,905,823
	<u>21,442,945</u>	<u>51,781,863</u>
Loss from operations	(12,392,403)	(46,562,626)
Interest expense	901,052	2,297,339
Loss before income taxes	(13,293,455)	(48,859,965)
Income tax expense (benefit)	439,018	(190,111)
Net loss	(13,732,473)	(48,669,854)
Less: Net loss attributable to noncontrolling interests	—	(1,276,571)
Net loss attributable to Oncobiologics, Inc.	(13,732,473)	(47,393,283)
Accretion of redeemable preferred stock and noncontrolling interests	(3,588,996)	(4,306,488)
Deemed dividends upon the repurchase of Series A redeemable preferred stock and redeemable noncontrolling interests	(3,336,855)	(1,298,631)
Net loss attributable to common stockholders of Oncobiologics, Inc.	<u>\$ (20,658,324)</u>	<u>\$ (52,998,402)</u>
Per share information: <sup>(1)</sup>		
Net loss per share of common stock, basic and diluted	\$ (0.70)	\$ (1.57)
Weighted-average shares outstanding, basic and diluted	<u>29,358,331</u>	<u>33,650,012</u>
Pro forma net loss per share of common stock – basic and diluted (unaudited)		
Pro forma weighted-average shares outstanding (unaudited)		

(1) See Note 3 to our audited consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net loss per common share, pro forma net loss per common share and the weighted-average number of shares used in the computation of the per share amounts.

	As of September 30, 2015		
	Actual	Pro forma <sup>(1)</sup>	Pro forma as adjusted <sup>(2)(3)</sup>
		(Unaudited)	(Unaudited)
<b>Consolidated Balance Sheet Data:</b>			
Cash	\$ 9,070,975	\$ 19,660,653	
Working capital (deficit)	(21,877,366)	(15,567,837)	
Total assets	35,008,621	41,318,150	
Debt obligations, current and long-term	21,961,828	21,961,828	
Redeemable preferred stock, common stock and noncontrolling interests	27,321,311	—	
Total stockholders' equity (deficit)	(54,873,803)	(21,242,963)	

- (1) The pro forma column reflects (i) the issuance of 7,568,000 shares of common stock and 9,961 shares of Series A preferred stock to the holders of Series A and B redeemable preferred stock upon our reincorporation in Delaware, (ii) the issuance of 782,000 shares of common stock and 1,626 shares of Series A preferred stock in October 2015, (iii) the cash proceeds of \$4,280,149 received subsequent to September 30, 2015 related to stock issued in September 2015, (iv) the issuance of 753,677 shares of common stock for aggregate net proceeds of approximately \$6.3 million in December 2015, (v) the conversion of \_\_\_\_\_ shares of Series A preferred stock into \_\_\_\_\_ shares of common stock immediately prior to the closing of this offering (assuming an initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover page of this prospectus) and (vi) the reclassification of 6,000,000 shares of redeemable common stock to common stock upon lapse of a contractual redemption right.
- (2) The pro forma as adjusted column further reflects the receipt of \$ \_\_\_\_\_ million in net proceeds from our sale of shares of common stock in this offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.
- (3) A \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of cash, working capital, total assets and total stockholders' equity on a pro forma as adjusted basis by approximately \$ \_\_\_\_\_ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, an increase (decrease) by 1,000,000 shares in the number of shares offered by us would increase (decrease) each of cash, working capital, total assets and total stockholders' equity on a pro forma as adjusted basis by approximately \$ \_\_\_\_\_ million, assuming that the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this prospectus and any related free writing prospectus, including our consolidated financial statements and the related notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding whether to invest in our common stock. The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations and growth prospects. In such an event, the market price of our common stock could decline and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.*

### Risks Related to Our Financial Condition and Capital Requirements

***We have a limited operating history, have incurred significant losses and negative cash flows from operations since our inception and expect to continue to incur significant losses and negative cash flows from operations for the foreseeable future.***

We are a biopharmaceutical company with a limited operating history and we have incurred net losses in each year since our inception in January 5, 2010, including net losses of \$13.7 million and \$47.4 million for the years ended September 30, 2014 and 2015, respectively.

We have devoted substantially all of our financial resources to identify, develop and manufacture our product candidates, including conducting, among other things, analytical characterization, process development and manufacture, formulation and clinical trials, regulatory filing and communication activities and providing general and administrative support for these operations. To date, we have financed our operations primarily through the sale of equity securities and debt financings, as well as to a limited degree, payments under our license and collaboration agreements with Zhejiang Huahai Pharmaceutical Co., Ltd., or Huahai, Laboratorios Liomont, S.A. de C.V., or Liomont, and IPCA Laboratories Limited, or IPCA. The amount of our future net losses will depend, in part, on the rate of our future expenditures and our ability to obtain funding through equity or debt financing or strategic licensing or co-development collaborations.

We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. We anticipate that our expenses will increase substantially if and as we:

- continue preclinical studies and clinical development of our identified product candidates;
- expand the number of our current clinical trials for our product candidates;
- advance our programs into larger global clinical trials;
- initiate additional preclinical, clinical or other studies for our product candidates;
- change or add clinical research service providers, testing laboratories, device suppliers, legal service providers or other vendors or suppliers;
- invest in, and maintain, our development and manufacturing facilities and infrastructure;
- seek regulatory and marketing approvals for our product candidates that successfully complete clinical trials;
- establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- seek to identify, assess, acquire or develop other biosimilar product candidates that may be complementary to our product candidates;
- make upfront, milestone, royalty or other payments under any license agreements;
- seek to create, maintain, protect and expand our intellectual property portfolio;
- engage in litigation, including patent litigation, with originator companies or others that may hold patents to the reference products for which we are developing biosimilars, or to methods of manufacture or methods of use we may employ in the production of our biosimilars;
- seek to attract and retain skilled personnel;
- create additional infrastructure to support our operations as a public company and our product development and planned future commercialization efforts; and
- experience any delays or encounter issues with any of the above, including but not limited to failed clinical trials, conflicting results, safety issues or regulatory challenges that may require longer follow-up of existing studies, additional major studies or additional supportive studies in order to pursue marketing approval.

Our failure to become and remain profitable would decrease the value of the company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations. A decline in the value of our company could also cause you to lose all or part of your investment.

***Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern.***

As described in their audit report, our auditors have included an explanatory paragraph that states that we have incurred recurring losses and negative cash flows from operations since inception and have an accumulated deficit at September 30, 2015 of \$94.1 million and \$14.2 million of indebtedness that is due on demand. These matters raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. If we cannot continue as a viable entity, our stockholders may lose some or all of their investment in us.

***We have never generated any revenue from product sales and may never be profitable.***

Although we have received upfront and milestone payments from our license and collaboration agreements, we have no products approved for commercialization and have never generated any revenue from product sales. Our ability to generate revenue and achieve profitability depends on our ability, alone or with strategic collaboration partners, to successfully complete the development of, and obtain the regulatory and marketing approvals necessary to commercialize, one or more of our product candidates. We cannot predict when we will begin generating revenue from product sales, as this depends heavily on our success in many areas, including but not limited to:

- completing preclinical and clinical development of our product candidates;
- developing and testing of our product candidate formulations;
- obtaining regulatory and marketing approvals for product candidates for which we complete clinical trials, including any delays as a result of petitions by reference product sponsors, or RPSs, or patent holders;
- obtaining extensions of approvals for our product candidates to other indications for which the reference product is approved and commercialized;
- developing a sustainable and scalable manufacturing process for any approved product candidates to support clinical development and the market demand for any such approved product candidates;
- launching and commercializing product candidates for which we obtain regulatory and marketing approval, either directly or with collaboration partners;
- obtaining adequate third-party coverage and reimbursements for our products;
- obtaining market acceptance of our product candidates as viable treatment options, including with respect to the efficacy, safety and biosimilarity of our product candidates to the reference products;
- addressing any competing technological and market developments;
- identifying, assessing and developing, or acquiring and in-licensing, new product candidates;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter;
- establishing through litigation or otherwise that we are not violating the intellectual property rights of innovators of reference products for which we are developing biosimilars, or that of other third parties;
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how; and
- attracting, hiring and retaining qualified personnel.

Even if one or more of the product candidates is approved for commercialization, we anticipate incurring significant costs to commercialize any such product. Our expenses could increase beyond our expectations if we are required by the U.S. Food and Drug Administration, or the FDA, the European Medicines Agency, or the EMA, other regulatory agencies, domestic or foreign, or by any unfavorable outcomes in intellectual property litigation filed against us, to change our manufacturing processes or assays or to perform clinical, preclinical or other types of studies in addition to those that we currently anticipate. In cases where we are successful in obtaining regulatory approvals to market one or more of our product candidates, our revenue will be dependent, in part, upon:

- the size of the markets in the territories for which we gain regulatory approval;
- the number of biosimilar and other competitors in such markets;
- the market acceptance of our products, or biosimilars in general, over the reference products;
- novel therapies for the approved indications in our biosimilar market that erode uptake;

- the accepted price for the product and the ability to get reimbursement at any price;
- the nature and degree of competition from originators and other biosimilar companies (including competition from large pharmaceutical companies entering the biosimilar market that may be able to gain advantages in the sale of biosimilar products based on brand recognition and/or existing relationships with providers, pharmacy benefit managers and payors);
- the quality and performance of our products compared to the reference products or other competing products, including the relative safety and efficacy; and
- whether we own, or have partnered, the commercial rights for that territory.

If the market for our product candidates, or our share of that market, is not as large as we expect, the number of indications approved by regulatory authorities is narrower than we expect or the target population for treatment is narrowed by competition, physician choice or treatment guidelines, we may not generate significant revenue from sales of such products to become profitable. If we are unable to successfully complete development and obtain regulatory approval for our lead product candidates, namely ONS-3010, ONS-1045 and ONS-1050, our business will be harmed.

***Even if this offering is successful, we expect that we will need to raise substantial additional funding. This additional funding may not be available on acceptable terms or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations.***

We are currently advancing our product candidates through preclinical and clinical development. Developing product candidates is an expensive, risky and lengthy process, and we expect our expenses to increase in connection with our ongoing activities, particularly as we continue the research and development of, continue and initiate clinical trials of, and seek marketing approval for, our product candidates, in particular ONS-3010, ONS-1045 and ONS-1050. Furthermore, upon the closing of this offering, we expect to incur additional costs associated with operating as a public company.

As of September 30, 2015, our cash was \$9.1 million. We expect that our existing cash along with the net proceeds from this offering will be sufficient to fund our current operations for the next 12 months. We expect that we will require additional capital to complete clinical trials, obtain regulatory approval for, and to commercialize, our product candidates, including our other preclinical product candidates and our future product candidates. However, our operating plan may change as a result of many factors currently unknown to us, and we may need to seek additional funds sooner than planned, through public or private equity or debt financings, third-party funding, marketing and distribution arrangements, as well as other collaborations, strategic alliances and licensing arrangements, or a combination of these approaches. In any event, we will require additional capital to pursue preclinical and clinical activities, pursue regulatory approval for, and to commercialize, our longer term pipeline product candidates. Even if we believe we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations.

Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may negatively impact the holdings or the rights of our stockholders, and the issuance of additional securities, whether equity or debt, by us or the possibility of such issuance may cause the market price of our shares to decline. The incurrence of indebtedness could result in increased fixed payment obligations and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage than would be desirable and we may be required to relinquish rights to some of our technologies or product candidates or otherwise agree to terms unfavorable to us, any of which may harm our business, operating results and prospects. Even if we believe we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or for specific strategic considerations.

If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our development programs or the commercialization of any product candidates. We may also be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could harm our business, financial condition and results of operations.

***Raising additional capital may cause dilution to our stockholders, including purchasers of common stock in this offering, restrict our operations or require us to relinquish rights to our technologies or product candidates.***

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity and debt financings, as well as selectively continuing to enter into collaborations, strategic alliances and licensing arrangements. We do not currently have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a common stockholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends, and may be secured by all or a portion of our assets.

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

**Risks Related to the Discovery and Development of Our Product Candidates**

***We are heavily dependent on the success of our two most advanced product candidates, ONS-3010 and ONS-1045. All of our other product candidates are still in various stages of preclinical development. If we are unable to obtain regulatory approval for, or successfully commercialize, ONS-3010 and ONS-1045, our business will be harmed.***

Biosimilar product development is a highly speculative undertaking and involves a substantial degree of risk. We have initiated preparatory activities for our confirmatory Phase 3 clinical trial of ONS-3010, our adalimumab (Humira) biosimilar candidate, and ONS-1045, our bevacizumab (Avastin) biosimilar candidate. It may be several years, if ever, before we complete Phase 3 clinical trials and have a product candidate ready to file for market approval with the relevant regulatory agencies. If we obtain regulatory approval to market a biosimilar product candidate, our future revenue will depend upon the size of any markets in which our product candidates may receive approval and our ability to achieve sufficient market acceptance, pricing, reimbursement from third-party payors and adequate market share for our product candidates in those markets. Even if one or more of our product candidates gain regulatory approval and are commercialized, we may never become profitable.

To date, we have invested substantially all of our efforts and financial resources to identify, develop and manufacture our product candidates. Our future success is dependent on our ability to develop, obtain regulatory approval for, and commercialize and obtain adequate third-party coverage and reimbursement for one or more product candidates. We currently do not have any approved products and generate no revenue from sales of any products, and we may never be able to develop or commercialize a marketable product.

Our product candidates are in varying stages of development and will require significant additional investment before we generate any revenue from product sales, if at all. Notably, we must continue clinical development, including managing preclinical and clinical manufacturing activities, obtain regulatory approvals, manufacture adequate commercial supplies, build a commercial organization and conduct significant marketing efforts. We have initiated Phase 3 preparatory activities for ONS-3010 and ONS-1045, and we expect to commence a Phase 1 clinical trial of ONS-1050 in 2016. We are not permitted to market or promote any of our product candidates before we receive regulatory approval from the FDA or comparable foreign regulatory authorities, and we may never receive such regulatory approval for any of our product candidates. We have not submitted any marketing applications for our product candidates to the FDA or comparable foreign regulatory authorities and any application we submit may not be approved.

We plan to seek regulatory approval to commercialize our product candidates in the United States, the European Union, or the EU, and in additional foreign countries where we or our partners have commercial rights. To obtain regulatory approval, we and our collaboration partners must comply with numerous and varying regulatory requirements of such countries regarding safety, efficacy, chemistry, manufacturing and controls, clinical trials, commercial sales and pricing and distribution of our product candidates. Even if we are successful in obtaining approval in one jurisdiction, we cannot ensure that we will obtain approval in any other jurisdictions. If we are unable to obtain approval for our product candidates in multiple jurisdictions, our revenue and results of operations could be negatively impacted.



We cannot be certain that any of our product candidates will be successful in clinical trials or receive regulatory approval. Further, our product candidates may not receive regulatory approval even if they are successful in clinical trials. If we do not receive regulatory approvals for our product candidates, we may not be able to continue our operations.

***The development, manufacture and commercialization of biosimilar products under various global regulatory pathways pose unique risks. To our knowledge, there has been only one biosimilar product application approved by the FDA under the 351(k) pathway to date.***

*United States Regulatory Framework for Biosimilars*

We and our collaboration partners intend to pursue market authorization globally. In the United States an abbreviated pathway for approval of biosimilar products was established by the Biologics Price Competition and Innovation Act of 2009, or BPCIA, enacted on March 23, 2010, as part of the Patient Protection and Affordable Care Act. The BPCIA established this abbreviated pathway under section 351(k) of the Public Health Service Act, or PHSA. Subsequent to the enactment of the BPCIA, the FDA issued draft guidance regarding the demonstration of biosimilarity as well as the submission and review of biosimilar applications. To our knowledge, there has been only one biosimilar product application approved by the FDA under the 351(k) pathway to date. Moreover, market acceptance of biosimilar products in the United States is unclear. Numerous states are considering or have already enacted laws that regulate or restrict the substitution by state pharmacies of biosimilars for reference products already licensed by the FDA. Market success of biosimilar products will depend on demonstrating to patients, physicians, payors and relevant authorities that such products are similar in quality, safety and efficacy as compared to the reference product.

The BPCIA requires a biosimilar applicant to demonstrate biosimilarity with respect to a reference product that has been approved by FDA in the United States. Biosimilars approved in the EU and other non-U.S. jurisdictions may not be approved in the United States without additional "bridging" studies demonstrating biosimilarity to an FDA-approved reference product. Biosimilars approved in the United States may also not be approved in foreign jurisdictions without additional bridging studies. The requirements for such bridging studies are not well defined, which may delay the global marketing of our product candidates.

We will continue to analyze and incorporate into our biosimilar development plans any final regulations or guidance issued by the FDA, pharmacy substitution policies enacted by state governments and other applicable requirements established by relevant authorities. The costs of development and approval, along with the probability of success for our biosimilar product candidates, will be dependent upon application of any laws and regulations issued by the relevant regulatory authorities.

Biosimilar products may also be subject to extensive patent clearances and patent infringement litigation, which may delay and could prevent the commercial launch of a product. Moreover, the BPCIA prohibits the FDA from accepting an application for a biosimilar candidate to a reference product within four years of the reference product's licensure by the FDA. In addition, the BPCIA provides reference biologics with 12 years of exclusivity from the date of their licensure, during which time the FDA cannot approve any application for a biosimilar candidate to the reference product. For example, the FDA would not be able to grant approval of any application submitted for an adalimumab (Humira) biosimilar, a bevacizumab (Avastin) biosimilar or a trastuzumab (Herceptin) biosimilar, until 12 years after the original biologics license application or the BLAs, for these drugs were approved, which occurred on December 31, 2002 in the case of Humira, February 26, 2004 in the case of Avastin and September 25, 1998 in the case of Herceptin. However, in the past, legislative proposals have been introduced to cut this 12-year period of exclusivity down to seven years and prohibit additional periods of exclusivity due to minor changes in product formulations, a practice often referred to as "evergreening." In addition, the Federal Circuit has recently interpreted the BPCIA as requiring (under certain circumstances) the biosimilar applicant to give the RPS 180 days' notice of commercial launch after receiving approval from FDA. This could result in an additional six months of market exclusivity for the reference product. Patent infringement litigation under the BPCIA may also be complex and time-consuming. RPSs may seek preliminary injunctions barring launch during the pendency of such litigation, which could substantially delay market entry.

The BPCIA is complex and only beginning to be interpreted and implemented by the FDA and courts. As a result, its ultimate impact, implementation and meaning are evolving and subject to significant uncertainty. Future implementation decisions by the FDA or court decisions could result in delays in the development or commercialization of our product candidates or increased costs to assure regulatory compliance and could adversely affect our operating results by restricting or significantly delaying our ability to market new biosimilar products.

*Regulatory Framework for Biosimilars Outside the United States*

In 2004, the European Parliament issued legislation allowing the approval of biosimilar therapeutics. Since then, the European Commission has granted marketing authorizations for more than 21 biosimilars pursuant to a set of general and product class-specific guidelines for biosimilar approvals issued over the past few years. Because of their extensive experience in the review and approval of biosimilars, the EU has more final guidelines than the FDA, including specific product data requirements needed to support approval.

Generally speaking, under current EU regulations, an application for regulatory approval of a biosimilar drug cannot be submitted in the EU until expiration of an eight year data exclusivity period for the reference product, measured from the date of the reference product's initial marketing authorization. Furthermore, once approved, the biosimilar cannot be marketed until expiration of a 10-year period following the initial marketing authorization of the reference product, such 10-year period being extendible to 11 years if the reference product received approval of an additional therapeutic indication within the first eight years following its initial marketing authorization, representing a significant clinical benefit in comparison with existing therapies. However, we understand that reference products approved prior to November 20, 2005 (which would include, for example, Humira, approved in the EU on August 9, 2003) are subject to a 10-year period of data exclusivity. While the data exclusivity periods for Humira have now expired in the EU, the reference product is presently still subject to unexpired patents.

In the EU, the approval of a biosimilar for marketing is based on an opinion issued by the EMA and a decision issued by the European Commission. Therefore, the marketing approval will cover the entire European Economic Area, or EEA. However, substitution of a biosimilar for the reference product is a decision that is made at the Member State level. Additionally, a number of countries do not permit the automatic substitution of biosimilars for the reference product. Therefore, even if we obtain marketing approval for the entire EEA, we may not receive substitution in one or more European nations, thereby restricting our ability to market our products in those jurisdictions.

Other regions, including Canada, Mexico, China, Japan and Korea, also have their own legislation outlining a regulatory pathway for the approval of biosimilars. In some cases, other countries have either adopted European guidance (Singapore and Malaysia) or are following guidance issued by the World Health Organization (Cuba and Brazil). While there is overlap in the regulatory requirements across regions, there are also some areas of non-overlap. Additionally, we cannot predict whether countries that we may wish to market in, which do not yet have an established or tested regulatory framework, could decide to issue regulations or guidance and/or adopt a more conservative viewpoint than other regions. Therefore, it is possible that even if we obtain agreement from one health authority to an accelerated or optimized development plan, we will need to defer to the most conservative view to ensure global harmonization of the development plan. Also, for regions where regulatory authorities do not yet have sufficient experience in the review and approval of a biosimilar product, these authorities may rely on the approval from another region such as the United States or the EU, which could delay our approval in that region.

***Due to our limited resources and access to capital, we have, and will continue to need to, prioritize development of certain product candidates; and these decisions may prove to have been wrong and may harm our business.***

Because we have limited resources and access to capital to fund our operations, we must decide which product candidates to pursue and the amount of resources to allocate to each. We are currently primarily focused on the development of mAb biosimilars and, in particular, ONS-3010, ONS-1045 and ONS-1050. Our decisions concerning the allocation of research, collaboration, management and financial resources toward particular product candidates or therapeutic areas may not lead to the development of viable commercial products and may divert resources away from better opportunities. Similarly, our potential decisions to delay, terminate or collaborate with third parties in respect to certain product development programs may also prove not to be optimal and could cause us to miss valuable opportunities. If we make incorrect determinations regarding the market potential of our product candidates or misread trends in the biosimilar industry, our business, financial condition and results of operations could be harmed.

***The evolving regulatory approval processes of the FDA, EMA and comparable foreign authorities are lengthy, time-consuming, rigorous and inherently unpredictable. If we and our collaboration partners are ultimately unable to obtain regulatory approval for our product candidates, our business will be harmed.***

The research, development, testing, manufacturing, labeling, packaging, approval, promotion, advertising, storage, marketing, distribution, post-approval monitoring and reporting and export and import of biologic products are subject to extensive regulation by the FDA and other regulatory authorities in the United States, by the EMA and Competent Authorities in the EEA, and by other regulatory authorities in other countries, where regulations differ from country to country. We are not permitted to market our product candidates in the United States until we receive approval from the FDA, or in the EEA until we receive European Commission or EEA Competent Authority approvals.

The exact amount of time required to obtain approval by the FDA and comparable foreign authorities is unpredictable, may take years following the completion of clinical trials and depends upon numerous factors, which may not be within our control. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions, which could cause delays in the approval or the decision not to approve an application. We have not obtained regulatory approval for any of our product candidates, and it is possible that none of our current or future product candidates will ever obtain regulatory approval.

Applications for our product candidates could fail to receive regulatory approval for many reasons, including but not limited to the following:

- the data collected from clinical trials of our product candidates may not be sufficient to support the submission of a BLA, a biosimilar product application under the 351(k) pathway of the PHSa, a biosimilar marketing authorization under Article 6 of Regulation (EC) No. 726/2004 and/or Article 10(4) of Directive 2001/83/EC in the EEA or other submission or to obtain regulatory approval in the United States, the EEA or elsewhere;
- the FDA, EMA or other foreign regulatory authorities may disagree with the design or implementation of our clinical trials;
- the population studied in the clinical trial may not be sufficiently representative to assure safety in the full population for which we seek approval;
- the FDA, EMA or other foreign regulatory authorities may disagree with our interpretation of data from analytical and bioanalytical studies, preclinical studies or clinical trials;
- we may be unable to demonstrate to the FDA, EMA or other foreign regulatory authorities that our product candidate is highly similar to biological reference products already licensed by the regulatory authority pursuant to marketing applications, notwithstanding minor differences in clinically inactive components;
- we may be unable to extrapolate or obtain approval of other indication for which the reference product is approved by the FDA, EMA or other foreign regulatory authority to other indications for which the reference product is approved;
- we may be unable to obtain an interchangeability designation by the FDA or other foreign regulatory authority for our product candidate, which may deter physicians, providers and payors from prescribing our product candidates;
- the FDA or comparable foreign regulatory authorities may fail to deem our manufacturing processes, test procedures and specifications or our manufacturing facilities adequate for approval; and
- the approval policies or regulations of the FDA, EMA or other foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

This lengthy approval process, as well as the unpredictability of the results of clinical trials, may result in our failure to obtain regulatory approval to market any of our product candidates, which would significantly harm our business. Moreover, any delays in the commencement or completion of clinical testing could significantly impact our product development costs and commercial return potential, and could result in the need for additional financing.

In addition, if we change the regulatory pathway through which we intend to seek approval of any of our product candidates, or alter their composition or method of manufacturing, we may have to conduct additional clinical trials, which may delay our ability to submit a marketing application for the product. Even if we or our collaboration partners were to obtain approval for any of our product candidates, regulatory agencies may limit the scope of such approval for fewer or more limited indications than we request, may grant approval contingent on the completion of costly additional clinical trials or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Any of the foregoing could harm the commercial prospects for our product candidates.

***If we are not able to demonstrate the biosimilarity of our product candidates to the satisfaction of regulatory authorities, we will not obtain regulatory approval for commercial sale of our product candidates and our future results of operations will be adversely affected.***

Our future results of operations depend heavily on our ability to obtain regulatory approval for and to commercialize our biosimilar product candidates. To obtain regulatory approval for the commercial sale of these product candidates, we will be required to demonstrate to the satisfaction of regulatory authorities, among other relevant groups such as physicians and payors, that our biosimilar product candidates are highly similar to biological reference products already licensed by the regulatory authority pursuant to marketing applications, notwithstanding minor differences in clinically inactive

components, and that there are no clinically meaningful differences as compared to the marketed reference products in terms of the safety, purity and potency of such reference products. Each jurisdiction may apply different criteria to assess biosimilarity, based on a preponderance of the data that can be interpreted subjectively in some cases.

Although we have had several interactions with both the FDA and EMA for our lead product candidates and will continue to meet with regulators as necessary, we cannot be assured that results from our scientific studies will meet the rigorous requirements for approval. In addition, we cannot be certain of potential future changes to regulatory requirements that may require additional work before approval can be granted. It is also uncertain if regulatory authorities will grant the full reference label to our biosimilar product candidates when they are approved. For example, an infliximab (Remicade<sup>®</sup>) biosimilar molecule was approved in the EU for the full reference label but did not receive the full reference label when approved in Canada. A similar outcome could occur with respect to one or more of our product candidates, which would have a negative impact on our ability to commercialize our products.

***The structure of complex mAb biologics is inherently variable and highly dependent on the processes and conditions used to manufacture them. If we are unable to develop manufacturing processes that achieve a requisite degree of biosimilarity to the reference product, and within a range of variability considered acceptable by regulatory authorities, we may not be able to obtain regulatory approval for our products.***

MAb biologics are inherently heterogeneous and their structures are highly dependent on the cell line and production process conditions. Products from one production facility can differ within an acceptable range from those produced in another facility. Similarly, physicochemical differences can also exist among different lots produced within a single facility. The physicochemical complexity and size of biologic therapeutics create significant technical and scientific challenges in the context of their replication as biosimilar products.

The inherent variability in the protein structure from one production lot to another is a fundamental consideration with respect to establishing biosimilarity to a reference product to support regulatory approval requirements. For example, the glycosylation of the protein, meaning the manner in which sugar molecules are attached to the protein when it is produced, can be critical to the half-life, efficacy, immunogenicity and safety of the therapeutic and is therefore a key consideration for biosimilarity. Also, small changes in the structure or folding of the protein backbone of a mAb can impact its affinity, specificity and immunogenicity. Defining and understanding the variability of a reference product in order to match its glycosylation profile and other critical quality attributes requires significant skill in cell biology, protein purification and analytical protein chemistry. Furthermore, manufacturing proteins with reliable and consistent product quality at scale is challenging and highly dependent on the skill of the cell biologist and process scientist.

There are extraordinary technical challenges in developing complex mAb biologics that not only must achieve an acceptable degree of similarity to the reference product in terms of structural characteristics, but also the ability to develop manufacturing processes that can replicate the necessary structural characteristics within an acceptable range of variability sufficient to satisfy regulatory authorities.

Given the challenges caused by the inherent variability in protein production, we may not be successful in developing our product candidates if regulators conclude that we have not achieved a sufficient level of biosimilarity to the reference product, or that the processes we use to manufacture our product candidates are unable to produce our product candidates within an acceptable range of variability. These challenges may result in a failure to obtain regulatory approval for our products and could harm our business.

***Clinical drug development is a lengthy and expensive process and we may encounter substantial delays in our clinical trials or may fail to demonstrate safety and efficacy to the satisfaction of applicable regulatory authorities.***

Before obtaining marketing approval from regulatory authorities for the sale of our product candidates, we and our collaboration partners must conduct clinical trials to demonstrate the safety and efficacy of the product candidates in humans.

We cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, if at all. A failure of one or more clinical trials can occur at any stage of testing, and our future clinical trials may not be successful. Events that may prevent successful or timely completion of clinical development include but are not limited to:

- inability to generate sufficient preclinical, toxicology or other in vivo or in vitro data to support the initiation of human clinical trials;
- delays in reaching a consensus with regulatory agencies on study design;
- delays in reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and clinical trial sites;

- delays in obtaining required Institutional Review Board, or IRB, approval at each clinical trial site;
- imposition of a clinical hold by regulatory agencies, after review of an investigational new drug, or IND, application or amendment or equivalent filing, or an inspection of our clinical trial operations or trial sites, or as a result of adverse events reported during a clinical trial;
- delays in recruiting suitable patients to participate in our clinical trials;
- difficulty collaborating with patient groups and investigators;
- failure by our CROs, other third parties or us to adhere to clinical trial requirements;
- failure to perform in accordance with the FDA's good clinical practice, or GCP, requirements or applicable regulatory guidelines in other countries;
- delays in having subjects complete participation in a study or return for post-treatment follow-up, or subjects dropping out of a study;
- occurrence of adverse events associated with the product candidate that are viewed to outweigh its potential benefits;
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols;
- the cost of clinical trials of our product candidates being greater than we anticipate;
- inability to obtain sufficient quantities of reference product for the comparator arm of our studies;
- clinical trials of our product candidates producing negative or inconclusive results, which may result in us deciding or regulators requiring us to conduct additional clinical trials or abandon product development programs; and
- delays in manufacturing, testing, releasing, validating or importing/exporting and/or distributing sufficient stable quantities of our product candidates and reference products for use in clinical trials or the inability to do any of the foregoing.

Any inability to successfully complete preclinical studies and clinical development could result in additional costs to us or impair our ability to generate revenue. In addition, if we make manufacturing or formulation changes to our product candidates, we may need to conduct additional clinical trials to bridge our modified product candidates to earlier versions.

***Clinical development of biosimilars is different and can be more complex than clinical development programs for the reference products.***

Clinical trials to show comparability of a biosimilar candidate to an approved reference product are new and differ from the clinical trials to gain approval for a new biologic. This may lead to difficulties in designing, initiating and enrolling trials for our product candidates. Some of these difficulties include:

- finding eligible patients willing to participate in clinical trials for biosimilar drugs;
- finding investigators willing to participate in biosimilar trials and who have access to appropriate patients;
- competition for sites and patients where new and competitive therapies are being tested;
- designing, enrolling and completing a clinical trial to demonstrate biosimilarity and, where appropriate, interchangeability; and
- working with investigators that are not as experienced in conducting biosimilarity or interchangeability trials, or with the regulations applicable to such clinical trials.

These requirements and difficulties may lead to data quality issues or an inability to start or finish a clinical trial, or may lead to significant delays, which in turn may lead to the inability to produce data for approval of our biosimilar product candidates.

***The results of previous clinical trials may not be predictive of future results, and the results of our current and planned clinical trials may not satisfy the requirements of the FDA, EMA or other foreign regulatory agencies.***

Clinical failure can occur at any stage of clinical development. Clinical trials may produce negative or inconclusive results, and we or any of our current and future collaborators may decide, or regulators may require us, to conduct additional clinical or preclinical testing. We will be required to demonstrate with substantial evidence through well-controlled clinical trials that our product candidates are as safe and effective for use in a specific patient population as the respective reference products before we can seek regulatory approvals for their commercial sale. Success in early clinical trials does not mean that future larger registration clinical trials will be successful because product candidates in later-stage clinical trials may fail to demonstrate equivalent safety and efficacy to the satisfaction of the FDA, EMA and other foreign regulatory agencies despite having progressed through initial clinical trials. Product candidates that have shown promising

results in early clinical trials may still fail in subsequent confirmatory clinical trials. Similarly, the outcome of preclinical testing and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical industry, including those with greater resources and experience than us, have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier clinical trials.

In addition, the design of a clinical trial can determine whether its results will support approval of a product and flaws in the design of a clinical trial may not become apparent until the clinical trial is well advanced. We may be unable to design and execute a clinical trial to support regulatory approval. In some instances, there can be significant variability in safety or efficacy results between different trials of the same product candidate due to numerous factors, including but not limited to changes in trial protocols, differences in size and type of the patient populations, adherence to the dosing regimen and the rate of dropout among clinical trial participants.

Further, our product candidates may not be approved even if they achieve their primary endpoints in Phase 3 clinical trials or registration trials. The FDA, EMA and other foreign regulatory agencies may disagree with our trial design and our interpretation of data from preclinical studies and clinical trials. In addition, any of these regulatory authorities may change the requirements for the approval of a product candidate even after reviewing and providing comments or advice on a protocol for a Phase 3 clinical trial that has the potential to result in FDA or other agencies' approval. We initially intend to seek approval for ONS-3010 for the treatment of plaque psoriasis and ONS-1045 for the treatment of non-squamous, non-small cell lung cancer. We have not yet determined the indication for which we will seek initial approval for ONS-1050 or our preclinical biosimilar product candidates. We plan to extrapolate to all indications in the approved product labeling of the reference product based on the sensitive population agreed by the FDA and EMA in the confirmatory clinical study. During review of the registration application, our justification for the extrapolation may not be accepted. Any of the regulatory authorities may approve a product candidate for fewer indications than we request or may grant approval contingent on the performance of costly post-marketing clinical trials. In addition, the FDA, EMA and other foreign regulatory agencies may not approve the additional indication extrapolations that we believe would be necessary or desirable for the successful commercialization of our product candidates.

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

As with most pharmaceutical products, use of our product candidates could be associated with side effects or adverse events, which can vary in severity and frequency. Side effects or adverse events associated with the use of our product candidates may be observed at any time, including in clinical trials or when a product is commercialized. Undesirable side effects caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other foreign authorities. Results of our studies could reveal a high and unacceptable severity and prevalence of side effects, toxicity or other safety issues, and could require us to perform additional studies or halt development or sale of these product candidates or expose us to product liability lawsuits that will harm our business. In such an event, we may be required by regulatory agencies to conduct additional animal or human studies regarding the safety and efficacy of our product candidates that we have not planned or anticipated or our studies could be suspended or terminated, and the FDA or comparable foreign regulatory authorities could order us to cease further development of or deny or withdraw approval of our product candidates for any or all targeted indications. There can be no assurance that we will resolve any issues related to any product-related adverse events to the satisfaction of the FDA or any other regulatory agency in a timely manner, if ever, which could harm our business, prospects and financial condition.

Additionally, product quality characteristics have been shown to be sensitive to changes in process conditions, manufacturing techniques, equipment or sites and other related considerations, and as such, any manufacturing process changes we implement prior to or after regulatory approval could impact product safety.

Additionally, if one or more of our product candidates receives marketing approval, and we or others later identify undesirable side effects caused by such products, a number of potentially significant negative consequences could result, including but not limited to:

- regulatory authorities may withdraw approvals of such product;
- regulatory authorities may require additional warnings on the label;

- we may be required to create a Risk Evaluation and Mitigation Strategy plan, which could include a medication guide outlining the risks of such side effects for distribution to patients, a communication plan for healthcare providers and/or other elements to assure safe use;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product candidate, if approved, and could significantly harm our business, results of operations and prospects.

If we receive approval, regulatory agencies including the FDA, EMA and other foreign regulatory agency regulations require that we report certain information about adverse medical events if those products may have caused or contributed to those adverse events. The timing of our obligation to report would be triggered by the date we become aware of the adverse event as well as the nature of the event. We may fail to report adverse events we become aware of within the prescribed timeframe. We may also fail to appreciate that we have become aware of a reportable adverse event, especially if it is not reported to us as an adverse event or if it is an adverse event that is unexpected or removed in time from the use of our products. If we fail to comply with our reporting obligations, the FDA, EMA or other foreign regulatory agencies could take action including but not limited to criminal prosecution, the imposition of civil monetary penalties, seizure of our products or delay in approval or clearance of future products.

***If other biosimilars of adalimumab (Humira), bevacizumab (Avastin) or trastuzumab (Herceptin) are determined to be interchangeable and our biosimilar product candidates for these reference products are not, our business would suffer.***

The FDA or other relevant regulatory authorities may determine that a proposed biosimilar product is "interchangeable" with a reference product, meaning that the biosimilar product may be substituted for the reference product without the intervention of the healthcare provider who prescribed the reference product, if the application includes sufficient information to show that the product is biosimilar to the reference product and that it can be expected to produce the same clinical result as the reference product in any given patient. If the biosimilar product may be administered more than once to a patient, the applicant must demonstrate that the risk in terms of safety or diminished efficacy of alternating or switching between the biosimilar product and the reference product is not greater than the risk of using the reference product without such alternation or switch. To make a final determination of biosimilarity or interchangeability, regulatory authorities may require additional confirmatory information beyond what we plan to initially submit in our applications for approval, such as more in-depth analytical characterization, animal testing or further clinical trials. Provision of sufficient information for approval may prove difficult and expensive.

We cannot predict whether any of our biosimilar product candidates will meet regulatory authority requirements for approval as a biosimilar product or as an interchangeable product in any jurisdiction. Furthermore, legislation governing interchangeability could differ by jurisdiction on a state or national level worldwide.

The concept of "interchangeability" is important in the U.S. market, potentially the largest global market for biosimilars, because the first biosimilar determined to be interchangeable with a particular reference product for any condition of use is eligible for a period of market exclusivity with respect to other interchangeable biosimilars. The FDA may not designate a second or subsequent biosimilar product as interchangeable with the reference product until the earlier of: (1) one year after the first commercial marketing of the first interchangeable product; (2) 18 months after resolution of a patent infringement suit instituted under 42 U.S.C. § 262(l)(6) against the applicant that submitted the application for the first interchangeable product; (3) 42 months after approval of the first interchangeable product, if a patent infringement suit instituted under 42 U.S.C. § 262(l)(6) against the applicant that submitted the application for the first interchangeable product is still ongoing; or (4) 18 months after approval of the first interchangeable product if the applicant that submitted the application for the first interchangeable product has not been sued under 42 U.S.C. § 262(l)(6). Thus, a determination that another company's product is interchangeable with the reference biologic before we obtain such a designation may delay the potential determination that our products are interchangeable with the reference product, which could harm our results of operations and delay, prevent or limit our ability to generate revenue.

***If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of our current or future product candidates, and our existing insurance coverage may not be sufficient to satisfy any liability that may arise.***

Drug-related side effects could affect patient recruitment for clinical trials, the ability of enrolled patients to complete our studies or result in potential product liability claims. We currently carry product liability insurance in the amount of \$10.0 million per product candidate and we are required to maintain product liability insurance pursuant to certain of our license agreements. We may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us

against losses due to liability. A successful product liability claim or series of claims brought against us could negatively impact our results of operations and business. In addition, regardless of merit or eventual outcome, product liability claims may result in impairment of our business reputation, withdrawal of clinical trial participants, costs due to related litigation, distraction of management's attention from our primary business, initiation of investigations by regulators, substantial monetary awards to patients or other claimants, the inability to commercialize our product candidates and decreased demand for our product candidates, if approved for commercial sale. Furthermore, we may also not be able to take advantage of limitations on product liability lawsuits that apply to generic drug products, which could increase our exposure to liability for products deemed to be dangerous or defective.

***Failure to obtain regulatory approval in any targeted jurisdiction would prevent us from marketing our products to a larger patient population and reduce our commercial opportunities.***

We and our collaboration partners have not initiated marketing efforts in any jurisdiction. Subject to product approvals and relevant patent expirations, we or our collaboration partners intend to first market our products in the EU and Japan followed by the United States.

In order to market our products in the EU, the United States and other jurisdictions, we and our collaboration partners must obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. The EMA is responsible for the regulation and recommendation for approval of human medicines in the EU. This procedure results in a single marketing authorization that is valid in all EU countries, as well as in Iceland, Liechtenstein and Norway. The time required to obtain approval abroad may differ from that required to obtain FDA approval. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval and we may not obtain foreign regulatory approvals on a timely basis, if 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 foreign countries or by the FDA. We or our collaboration partners may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize our products within the EU, the United States or in other jurisdictions. Failure to obtain these approvals would harm our business, financial condition and results of operations.

Approval in the United States requires a demonstration of biosimilarity to a U.S.-approved reference product. EMA approval requires a demonstration of biosimilarity to an EMA-approved reference product. Accordingly, for our global clinical program, bridging studies will be required in order to use the clinical testing in one jurisdiction in another. The bridging studies must demonstrate that the data demonstrating biosimilarity against the EMA-approved reference product are sufficient to demonstrate biosimilarity to the FDA-approved reference product, and vice versa. The need for such bridging studies may delay or limit our ability to market our products globally.

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

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

Manufacturers and manufacturing facilities are required to comply with extensive FDA, and comparable foreign regulatory authority, requirements, including ensuring that quality control and manufacturing procedures conform to current Good Manufacturing Practices, or cGMP, regulations. As such, we will be subject to continual review and inspections to assess compliance with cGMP and adherence to commitments made in any non-disclosure agreement, BLA or marketing authorization application, or MAA. Accordingly, we and our collaborators and suppliers must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control.

Any regulatory approvals that we or our collaboration partners receive for our product candidates may be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval or may contain requirements for potentially costly additional clinical trials and surveillance to monitor the safety and efficacy of the product candidate. We will be required to report certain adverse reactions and production problems, if any, to the FDA and comparable foreign regulatory authorities. Any new legislation addressing drug safety issues could result in delays in product development or commercialization or increased costs to assure compliance. We will have to comply with requirements concerning advertising and promotion for our products. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved label. As such, we are not allowed to promote our products for indications or uses for which they do not have approval. If our product candidates are approved, we must submit new or supplemental applications and obtain



approval for certain changes to the approved products, product labeling or manufacturing process. We could also be asked to conduct post-marketing clinical trials to verify the safety and efficacy of our products in general or in specific patient subsets. An unsuccessful post-marketing study or failure to complete such a study could result in the withdrawal of marketing approval.

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

- issue untitled and warning letters;
- impose civil or criminal penalties;
- suspend or withdraw regulatory approval;
- suspend any of our ongoing clinical trials;
- refuse to approve pending applications or supplements to approved applications submitted by us;
- impose restrictions on our operations, including closing our manufacturing facilities; or
- seize or detain products or require a product recall.

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

***Adverse events involving a reference product, or other biosimilars of such reference product, may adversely affect our business.***

In the event that use of a reference product, or other biosimilar for such reference product, results in unanticipated side effects or other adverse events, it is likely that our biosimilar product candidate will be viewed comparably and may become subject to the same scrutiny and regulatory sanctions as the reference product or other biosimilar, as applicable. Discovery of such unanticipated side effects or other adverse events in a reference product may result in changes to its approved labeling or indications, or even withdrawal of the reference product from the market. Additionally, if a biosimilar is approved for the same reference product as one of our product candidates and unanticipated side effects or other adverse events are associated with such third-party biosimilar in the future, the development and market for our product candidate could be adversely affected.

As a result, we may become subject to regulatory supervisions, clinical holds, product recalls or other regulatory actions for matters outside of our control that affect the reference product, or other biosimilar, as applicable, if and until we are able to demonstrate to the satisfaction of our regulators that our biosimilar product candidate is not subject to the same issues leading to the regulatory action as the reference product or other biosimilar, as applicable.

***We may elect to seek licensure of our biosimilar products under the 351(a) (novel biologic) approval pathway instead of the 351(k) (biosimilar) approval pathway. This approval pathway may require us to undertake more expensive clinical trials and may present greater risk of failure than the 351(k) (biosimilar) approval pathway.***

While we have elected to proceed under the 351(k) (biosimilar) approval pathway for ONS-3010, ONS-1045 and ONS-1050, we may elect for future products to pursue a 351(a) (novel biologic) approval pathway for a variety of clinical, regulatory and business reasons. The 351(a) (novel biologic) approval pathway generally requires three study phases (as contrasted with the two-study phases generally accepted by FDA for an application submitted under the 351(k) (biosimilar) pathway). Moreover, the 351(a) pathway generally does not allow for the possibility that a clinical trial in one indication can be extrapolated to multiple indications as is generally the case under the 351(k) (biosimilar) approval pathway. Pursuing licensure under the 351(a) (novel biologic) approval pathway may present disadvantages in terms of the requirements for additional clinical and nonclinical trials, clinical trial cost and failure risk, as well as the likelihood that multiple clinical trials would be required to obtain approval for all of the indications approved for the reference drug.

## Risks Related to Commercialization of Our Product Candidates

***We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced or more effective than ours. Other biosimilars or “biobetters” of the reference products we are targeting may be approved and successfully commercialized before ours, which may adversely affect our financial condition and our ability to successfully commercialize our product candidates.***

We expect to enter highly competitive pharmaceutical markets. Successful competitors in the pharmaceutical markets have demonstrated the ability to effectively discover, obtain patents, develop, test and obtain regulatory approvals for products, as well as an ability to effectively commercialize, market and promote approved products. Numerous companies, universities and other research institutions are engaged in developing, patenting, manufacturing and marketing of products competitive with those that we are developing. Many of these potential competitors are large, experienced pharmaceutical companies that enjoy significant competitive advantages, such as substantially greater financial, research and development, manufacturing, personnel and marketing resources. These companies also have greater brand recognition and more experience in conducting preclinical testing and clinical trials of product candidates and obtaining FDA and other regulatory approvals of products.

We have competitors both in the United States and internationally, including major multinational pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies. Some of the pharmaceutical and biotechnology companies we expect to compete with include, for example, Sandoz International GmbH, or Sandoz, Hospira, Inc., or Hospira, Amgen Inc., Pfizer Inc., Boehringer Ingelheim GmbH, or Boehringer, Teva Pharmaceutical Industries, Ltd., Samsung Bioepis, Ltd. (a Merck/Biogen/Samsung biosimilar venture) and Hanwha Chemical Corporation, as well as other smaller companies such as Coherus Biosciences, Inc. and Celltrion, Inc. We are currently aware that such competitors are engaged in the development of biosimilar product candidates to adalimumab (Humira), bevacizumab (Avastin) and trastuzumab (Herceptin), and expect that some of these competitors will commercialize their biosimilar products prior to us, which could materially harm our ability to gain market share.

Many of our competitors have substantially greater financial, technical and other resources, such as larger research and development staff and experienced marketing and manufacturing organizations. Additional mergers and acquisitions in the pharmaceutical industry may result in even more resources being concentrated in our competitors. As a result, these companies may obtain regulatory approval more rapidly than we are able to and may be more effective in selling and marketing their products. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Our competitors may succeed in developing, acquiring or licensing on an exclusive basis, products that are more effective or less costly than any product candidate that we may develop; they may also obtain patent protection that could block our products; and they may obtain regulatory approval, product commercialization and market penetration earlier than we do. Biosimilar product candidates developed by our competitors may render our potential product candidates uneconomical, less desirable or obsolete, and we may not be successful in marketing our product candidates against competitors. Competitors may also assert in their marketing or medical education programs that their biosimilar products demonstrate a higher degree of biosimilarity to the reference products than do ours or other competitor’s biosimilar products, thereby seeking to influence healthcare practitioners to select their biosimilar products rather than ours or other competitors. Competitors may also develop “biobetter” versions of reference products we are targeting. A biobetter is a product that contains alterations to the reference product’s chemical structure or delivery system that provide a clinical benefit over the original reference product. Biobetters developed by our competitors may compete advantageously against our products and limit our market success.

We expect other companies to seek approval to manufacture and market biosimilar versions of Humira, Avastin and Herceptin, in some cases, in advance of our commercialization timeline. If other biosimilars of Humira, Avastin or Herceptin are approved and successfully commercialized before ONS-3010, ONS-1045 or ONS-1050, respectively, we may never achieve significant market share for these products, our revenue would be reduced and, as a result, our business, prospects and financial condition could be harmed.

***If efforts by developers and manufacturers of reference products to delay or limit the use of biosimilars are successful, our sales of biosimilar products may suffer.***

Many developers and manufacturers of reference products have increasingly used legislative, regulatory and other means to delay regulatory approval and to seek to restrict competition from manufacturers of biosimilars. These efforts may include or have included:

- settling patent lawsuits with biosimilar companies, resulting in such patents remaining an obstacle for biosimilar approval by others;

- submitting Citizen Petitions to request the FDA Commissioner to take administrative action with respect to prospective and submitted biosimilar applications;
- appealing denials of Citizen Petitions in United States federal district courts and seeking injunctive relief to reverse approval of biosimilar applications;
- restricting access to reference brand products for equivalence and biosimilarity testing that interferes with timely biosimilar development plans;
- attempting to influence potential market share by conducting medical education with physicians, payors, regulators and patients claiming that biosimilar products are too complex for biosimilar approval or are too dissimilar from reference products to be trusted as safe and effective alternatives;
- implementing payor market access tactics that benefit their brands at the expense of biosimilars;
- seeking state law restrictions on the substitution of biosimilar products at the pharmacy without the intervention of a physician or through other restrictive means such as excessive recordkeeping requirements or patient and physician notification;
- seeking federal or state regulatory restrictions on the use of the same nonproprietary name as the reference brand product for a biosimilar or interchangeable biologic;
- seeking changes to the United States Pharmacopeia, an industry-recognized compilation of drug and biologic standards;
- obtaining new patents covering existing products or processes that could extend patent exclusivity for a number of years or otherwise delay the launch of biosimilars; and
- influencing legislatures so that they attach special patent extension amendments to unrelated federal legislation.

***If an improved version of a reference product, such as Humira, Avastin or Herceptin, is developed or if the market for the reference product significantly declines, sales or potential sales of our biosimilar product candidates may suffer.***

Originator companies may develop improved, or “biobetter,” versions of a reference product or change the product formulation as part of a life cycle extension strategy and may obtain regulatory approval of the improved version under a new or supplemental BLA filed with the applicable regulatory authority. If the originator company succeeds in obtaining an approval of an improved biologic product, it may capture a significant share of the collective reference product market in the applicable jurisdiction and significantly reduce the market for the reference product and thereby the potential size of the market for our biosimilar product candidates. In addition, the improved product may be protected by additional patent rights that may subject our follow-on biosimilar product to claims of infringement.

Biologic reference products may also face competition as technological advances are made that may offer patients a more convenient form of administration or increased efficacy or as new products are introduced. As new products are approved that compete with the reference products to our biosimilar product candidates, sales of the reference products may be adversely impacted or rendered obsolete. If the market for the reference product is impacted, we may lose significant market share or experience limited market potential for our approved biosimilar products or product candidates, and the value of our product pipeline could be negatively impacted. As a result of the above factors, our business, prospects and financial condition could be harmed.

***The commercial success of any current or future product candidate will depend upon the degree of market acceptance by physicians, patients, third-party payors and others in the medical community.***

Even with the requisite approvals from the FDA and comparable foreign regulatory authorities, the commercial success of our product candidates will depend in part on the medical community, patients and third-party payors accepting our product candidates as medically useful, cost-effective and safe. Any product that we bring to the market may not gain market acceptance by physicians, patients, third-party payors and others in the medical community. The degree of market acceptance of any of our product candidates, if approved for commercial sale, will depend on a number of factors, including but not limited to:

- the safety and efficacy of the product as demonstrated to be “highly similar” in clinical trials, and potential advantages over competing treatments and the reference product;
- labeling or naming imposed by FDA or other regulatory agencies that suggest clinical differences between the product and the reference product;
- the publication of unfavorable safety or efficacy data concerning our product by third-parties;
- the prevalence and severity of any side effects, including any limitations or warnings contained in a product’s approved labeling;

- the clinical indications for which approval is granted;
- whether we achieve an interchangeability designation in the United States, and if such designation has a material effect on the perception of equivalence;
- the possibility that a competitor may achieve interchangeability and we may not;
- relative convenience and ease of administration as compared to the reference product;
- the extent to which our product may be more or less similar to the reference product than competing biosimilar product candidates;
- recognition and acceptance of our product candidates over our competitors' products;
- prevalence of the disease or condition for which the product is approved;
- the cost of treatment, particularly in relation to competing treatments;
- the willingness of the target patient population to try biosimilar therapies and of physicians to prescribe these therapies;
- the strength of marketing and distribution support and timing of market introduction of competitive products;
- the extent to which the product is approved for inclusion on formularies of hospitals and managed care organizations;
- publicity concerning our products or competing products and treatments;
- the extent to which third-party payors provide coverage and adequate reimbursement for our product candidates, if approved; and
- our ability to maintain compliance with regulatory requirements.

Moreover, the market success of a biosimilar product, including widespread patient and doctor acceptance, may ultimately depend on whether it receives an interchangeability designation. This is particularly true if one or more competing biosimilars receives such a designation. Future laws and drug formulary rules requiring or facilitating automatic substitution of biosimilars for reference products at the pharmacy level may also be limited to biosimilars that have received an interchangeable designation.

The labeling requirements for a biosimilar product have not been fully developed and there is uncertainty as to how much of the reference product label a biosimilar applicant may or must copy, and the extent to which the applicant must distinguish its product from the reference product. The naming of biosimilars is also subject to significant uncertainty, and it is unclear whether biosimilar products will be required to bear names that distinguish them from their reference products. Differences between the labels and names of the biosimilar and reference product may make it more difficult for us to achieve market uptake for our product.

Even if our product candidate displays an equivalent or more favorable efficacy and safety profile in preclinical and clinical trials, market acceptance of the product candidate will not be fully known until after it is launched and may be negatively affected by a potential poor safety experience and the track record of other biosimilar product candidates. If market acceptance of our product is less than that of the reference product or competing biosimilars, the price of the product may need to be reduced or we may need to implement additional marketing endeavors in order to accrue market share, which will negatively affect profitability. Our efforts to educate the medical community and third-party payors on the benefits of our product candidates may require significant resources, may be under-resourced compared to large well-funded pharmaceutical entities and may never be successful. If our product candidates are approved but fail to achieve an adequate level of acceptance by physicians, patients, third-party payors and others in the medical community, we will not be able to generate sufficient revenue to become or remain profitable.

***We currently have no marketing and sales organization. If we are unable to establish sales and marketing capabilities in jurisdictions for which we choose to retain commercialization rights, we may be unable to generate any revenue.***

We currently have no marketing or sales organization. Our products have not yet been approved for sale, and we, as a company, have no experience selling and marketing our product candidates. To successfully commercialize any products that may result from our development programs, we will need to develop these capabilities, either on our own or with others. If our product candidates receive regulatory approval, we intend to establish a sales and marketing organization with technical expertise and supporting distribution capabilities to commercialize our product candidates in major markets where we may choose to retain commercialization rights. Doing so will be expensive, difficult and time-consuming. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of our products.

Further, given our lack of prior experience in marketing and selling biosimilar products, our initial estimate of the size of the required sales force may be materially more or less than the size of the sales force actually required to effectively commercialize our product candidates. As such, we may be required to hire substantially more sales representatives and medical support liaisons to adequately support the commercialization of our product candidates or we may incur excess costs as a result of hiring more sales representatives than necessary. With respect to certain geographical markets, we may enter into collaborations with other entities to utilize their local marketing and distribution capabilities, but we may be unable to enter into such agreements on favorable terms, if at all. If our future collaboration partners do not commit sufficient resources to commercialize our future products, if any, and we are unable to develop the necessary marketing capabilities on our own, we will be unable to generate sufficient product revenue to sustain our business. If we are unable to establish sales and marketing capabilities for any approved product, whether on our own or through collaborations, our results of operations will be negatively impacted.

***We may need to enter into alliances with other companies that can provide capabilities and funds for the development and commercialization of our product candidates. If we are unsuccessful in forming or maintaining these alliances on favorable terms, our business could be harmed.***

Because we have limited or no internal capabilities for late-stage product development, manufacturing, sales, marketing and distribution, we have found it necessary to enter into alliances with other companies. For example, we have entered into service agreements with inVentiv Health Clinical, LLC to assist us in conducting our Phase 1 and Phase 3 clinical trials for ONS-3010 and ONS-1045. We do not have any agreements for the development and commercialization of our biosimilar product candidates for any major ex-U.S. markets, such as the EU and Japan. To date, we only have such agreements for smaller ex-U.S. markets. In particular, we have entered into a license agreement with Huahai to develop and commercialize ONS-3010 and ONS-1045 in China. We have also entered into a license agreement with Liomont to develop and commercialize ONS-3010 and ONS-1045 in Mexico. Further, we have entered into license and collaboration agreements with IPCA to develop and commercialize ONS-3010, ONS-1045 and ONS-1050 in India, Sri-Lanka, Myanmar, Nepal and Bhutan. In the future, we may also find it necessary to form alliances or joint ventures with major pharmaceutical companies to jointly develop and/or commercialize specific biosimilar product candidates. In such alliances, we would expect our collaboration partners to provide substantial capabilities in regulatory affairs, as well as sales and marketing. We may not be successful in entering into any such alliances. Even if we do succeed in securing such alliances, we may not be able to maintain them if, for example, development or approval of a product candidate is delayed or sales of an approved product are disappointing. If we are unable to secure or maintain such alliances we may not have the capabilities necessary to continue or complete development of our product candidates and bring them to market, which may have an adverse effect on our business.

In addition to commercialization capabilities, we may depend on our alliances with other companies to provide substantial additional funding for development and potential commercialization of our product candidates. We may not be able to obtain funding on favorable terms from these alliances, and if we are not successful in doing so, we may not have sufficient funds to develop a particular product candidate internally or to bring product candidates to market. Failure to bring our product candidates to market will prevent us from generating sales revenue, and this will substantially harm our business. Furthermore, any delay in entering into these alliances could delay the development and commercialization of our product candidates and reduce their competitiveness even if they reach the market. As a result, our business and operating results may be harmed.

***Policies and practices governing the naming of biosimilar product candidates are neither fully established nor fully harmonized and are subject to debate and change. Failure to achieve a nonproprietary name sufficiently close to the reference product or be competitively disadvantaged in this regard, could adversely affect the commercial performance of our biosimilar product candidate.***

United States Adopted Name, or USAN, and International Nonproprietary Names, or INN, two important bodies involved in nonproprietary nomenclature, have no policy for the naming of biosimilar product candidates, and products are named on a case by case basis. Non-glycosylated proteins can follow the approach established for small molecule generics, which is to retain the same nonproprietary name if it is synthesized by a different route provided the substance is the same. Glycosylated proteins from different sources are given distinct names, as these proteins are expected to differ in their glycosylation profile. The same approach is valid for all other modifications to the protein that can occur in a cell after the cell has finished making the protein. A system currently under discussion at the World Health Organization that would enable the clear definition of all similar biotherapeutic proteins would include the INN of the reference product in the first part of the name, and some form of biological qualifier that could uniquely identify the substance. Currently the FDA and EMA have final authority regarding names in the United States and the EU, respectively, and it is unclear how they will handle nonproprietary nomenclature in the future. However, recent draft FDA guidance has recommended an approach to

distinguish product manufacturers of the reference biologic, biosimilars, interchangeable, and related biologics by establishing nonproprietary names that are distinct from the reference product. For the reference biologic, FDA intends to use as a "core name" the name adopted by the USAN Council for the drug substance. For a biosimilar, interchangeable, or related biologic, the core name is the name of the drug substance contained in the relevant previously licensed product. Under FDA's proposed approach, the nonproprietary name designated for reference biologics, related biologics, and biosimilars will include a unique suffix in addition to the core name. FDA is seeking comment on whether the nonproprietary name for an interchangeable product should include a unique suffix, or should share the same suffix as its reference product. This policy could suggest to payors, providers and patients that our biosimilar product is different from the reference product, which may negatively affect the price we can charge, our sales and market share, which could harm our business. Notably, by affixing a random four letter suffix to the USAN, there is a potential for misuse that could cause misreporting of adverse events or otherwise to the wrong biosimilar product. If our biosimilars were wrongly reported as having caused adverse events or other negative outcomes, it could affect our brand and negatively harm our business.

***The third-party coverage and reimbursement status of newly approved products is uncertain. Failure to obtain or maintain adequate coverage and reimbursement for new or current products could limit our ability to market those products and decrease our ability to generate revenue.***

Pricing, coverage and reimbursement of our biosimilar product candidates, if approved, may not be adequate to support our commercial infrastructure. Our per-patient prices may not be sufficient to recover our development and manufacturing costs and potentially achieve profitability. The availability and adequacy of coverage and reimbursement by governmental and private payors are essential for most patients to be able to afford expensive treatments such as ours, if approved. Accordingly, sales of our product candidates will depend substantially, both domestically and abroad, on the extent to which the costs of our product candidates will be paid for by health maintenance, managed care, pharmacy benefit and similar healthcare management organizations or reimbursed by government authorities, private health insurers and other third-party payors. If coverage and reimbursement are not available, or are available only at insufficient levels, we may not be able to successfully commercialize our product candidates. Coverage decisions may depend upon clinical and economic standards that disfavor new drug products when more established or lower cost therapeutic alternatives are already available or subsequently become available. Even if coverage is provided, the approved reimbursement amount may not be adequate to allow us to establish or maintain pricing sufficient to realize a return on our investment.

There is significant uncertainty related to third-party coverage and reimbursement of newly approved products. In the United States, third-party payors, including private and governmental payors such as the Medicare and Medicaid programs, play an important role in determining the extent to which new drugs and biologics will be covered and reimbursed. The Medicare program covers certain individuals aged 65 or older or those who are disabled or suffering from end-stage renal disease. The Medicaid program, which varies from state to state, covers certain individuals and families who have limited financial means and/or certain disabilities. The Medicare and Medicaid programs increasingly are used as models for how private payors and other governmental payors develop their coverage and reimbursement policies for drugs and biologics. It is difficult to predict at this time what third-party payors will decide with respect to the coverage and reimbursement for our biosimilar product candidates, if approved. In addition, in the United States, no uniform policy of coverage and reimbursement for biologics exists among third-party payors. Therefore, coverage and reimbursement for biologics can differ significantly from payor to payor. As a result, the process for seeking favorable coverage determinations often is time-consuming and costly and may require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be obtained. Our inability to promptly obtain coverage and profitable reimbursement rates from both government-funded and private payors for any approved products that we develop could have an adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

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

Moreover, increasing efforts by governmental and third-party payors in the United States and abroad to control healthcare costs may cause such organizations to limit both coverage and the level of reimbursement for new products approved and, as a result, they may not cover or provide adequate payment for our product candidates. While cost containment practices

generally benefit biosimilars, severe cost containment practices may adversely affect our product sales. We expect to experience pricing pressures in connection with the sale of any of our product candidates due to the trend toward managed healthcare, the increasing influence of health maintenance organizations and additional legislative changes.

***Our biosimilar product candidates, if approved, will face price competition from both the respective reference products and other biosimilars. This price competition could exceed our capacity to respond, negatively impacting our market share and revenue as well as adversely affecting the overall financial health and attractiveness of the market for the biosimilar.***

Successful competitors in the biosimilar market will likely have the ability to effectively compete on price through payors and their third-party administrators who exert downward pricing pressure. It is possible our competitors' compliance with price discounting demands in exchange for market share could exceed our capacity to respond in kind and reduce market prices beyond our expectations. In addition, the RPS may compete effectively on price and limit our ability to accrue market share. Such practices may limit our and our collaboration partners' ability to increase market share and will also impact profitability.

#### **Risks Related to Our Reliance on Third Parties**

***We rely on third parties to conduct our preclinical and clinical trials and perform other tasks for us. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or comply with regulatory requirements, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be harmed.***

We have relied upon and plan to continue to rely upon CROs to monitor and manage data for our ongoing preclinical and clinical programs. We rely on these parties for execution of our preclinical and clinical trials and we can only control certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal, regulatory and scientific requirements and standards and our reliance on the CROs does not relieve us of our regulatory responsibilities. We and our CROs and other vendors are required to comply with cGMP, GCP, and Good Laboratory Practices, or GLP, which are regulations and guidelines enforced by the FDA, the Competent Authorities of the Member States of the EEA and comparable foreign regulatory authorities for all of our product candidates in clinical development. Regulatory authorities enforce these regulations through periodic inspections of study sponsors, principal investigators, study sites and other contractors. If we, any of our CROs, service providers or investigators fail to comply with applicable regulations or GCPs, the data generated in our preclinical and clinical trials may be deemed unreliable and the FDA, EMA or comparable foreign regulatory authorities may require us to perform additional preclinical and clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with GCP requirements. In addition, our clinical trials must be conducted with products produced under cGMP regulations. Failure to comply by any of the participating parties or ourselves with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process. Moreover, our business may be implicated if our CROs or any other participating parties violate federal or state fraud and abuse or false claims laws and regulations or healthcare privacy and security laws.

If any of our relationships with any of these third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs or do so on commercially reasonable terms. In addition, our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our on-going preclinical and clinical programs. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to our protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. CROs may also generate higher costs than anticipated. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenue could be delayed.

Changing or adding additional CROs involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays may occur, which can negatively impact our ability to meet our desired clinical development timelines. We may encounter challenges or delays in the future and these delays or challenges may have an adverse effect on our business, financial condition and prospects.

***We manufacture bulk drug substance for preclinical and clinical supplies of our product candidates in our in-house facility. We also intend to manufacture bulk drug substance for commercial sale in our facility. Our business could be harmed if our facility is damaged or we otherwise fail to manufacture our product candidates at the necessary quantity or quality levels.***

If we are unable to manufacture sufficient supplies of our product candidates, our development efforts would be delayed, which would adversely affect our business and prospects. In addition, our failure to comply with applicable regulations

could result in sanctions being imposed on us, including fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our product candidates or any other product candidates or products that we may develop.

If any of our product candidates are approved, in order to produce the quantities necessary to meet anticipated market demand, we may need to increase our manufacturing capacity. If we are unable to produce our product candidates and in sufficient quantities to meet the requirements for the launch of these products or to meet future demand, our revenue and gross margins could be adversely affected.

Our manufacturing depends on our suppliers. For single-use technology, we depend on specialty-manufactured bags and our reliability on the supply of such bags can impact manufacturing. In addition, the quality of such bags may vary, and in certain rare circumstances, the bag components may leak into the product, which would make the product unsuitable. We also depend on the timely supply and quality of all raw materials, which are crucial to the successful manufacturing of our products. Further, we depend on our fill-finish partners to ensure quality products and our partners' failure to deliver a consistent supply of high-quality products is a risk to the business.

We have never manufactured commercial scale quantities in our facilities and we may face challenges in ensuring a consistent supply for global markets.

***Any adverse developments affecting the manufacturing operations of our biosimilar product candidates could substantially increase our costs and limit supply for our product candidates.***

The process of manufacturing our product candidates is complex, highly regulated and subject to several risks, including but not limited to:

- failure to establish contracts with fill-finish contract manufacturing organization or CMOs, and device vendors;
- product loss due to contamination, equipment failure or improper installation or operation of equipment or vendor or operator error;
- failure to maintain fermentation or other manufacturing conditions necessary to achieving biosimilarity to the reference product;
- infringing intellectual property rights of third parties relating to manufacturing and quality testing;
- failure to achieve or maintain compliance with FDA's requirements for acceptance of our manufacturing facilities; and
- labor shortages, natural disasters and power failures.

Even minor deviations from normal manufacturing processes for any of our product candidates could result in reduced production yields, product defects and other supply disruptions. In addition, if we require a change in CMO, this will add time along with financial and personnel resources to change manufacturing sites. If microbial, viral or other contaminations are discovered in our product candidates or in our manufacturing facilities, our facilities may need to be closed for an extended period of time to investigate and remedy the contamination.

Any adverse developments affecting manufacturing operations for our product candidates may result in shipment delays, inventory shortages, lot failures, withdrawals or recalls or other interruptions in the supply of our product candidates. We may also have to take inventory write-offs and incur other charges and expenses for product candidates that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives.

***We expect to depend on third parties for the commercialization of our biosimilar product candidates in certain major markets for ONS-3010, ONS-1045 and ONS-1050 outside the United States, and their failure to commercialize in those markets could harm our business and operating results.***

One prong of our strategy is to maximize the value of our pipeline by retaining development and commercialization rights in the United States and continuing to selectively out-license to ex-U.S. markets. Accordingly, we will need to identify third-parties and then negotiate the terms of the development and commercialization agreements for major ex-U.S. markets, such as the EU and Japan. We may not be successful in identifying contract counterparties, and we may not be able to reach agreements with such parties on terms that are as favorable to our company as we would anticipate. Although we currently have in place licensing agreements for commercialization of ONS-3010 and ONS-1045, these are for smaller markets where we would not otherwise intend to commercialize our biosimilar product candidates, such as China, Mexico and India, among others. If these entities fail to exercise commercially reasonable efforts to market and sell our products in their respective licensed jurisdictions or are otherwise ineffective in doing so, our business will be harmed and we may not be able to adequately remedy the harm through negotiation, litigation, arbitration or termination of the license agreements.



Moreover, any disputes with our collaboration partners concerning the adequacy of their commercialization efforts will substantially divert the attention of our senior management from other business activities and will require us to incur substantial legal costs to fund litigation or arbitration proceedings.

In the event that any of our license agreements terminate, we may need to find another partner in those markets to commercialize and in certain instances, manufacture our biosimilar product candidates. Further, upon any such termination, our contract counterparties may still have the right to commercialize these biosimilar product candidates in such markets, which may affect our ability to commercialize in the same markets.

***We recently entered into a new lease for additional manufacturing and research and development space and our business may be interrupted if these facilities are not ready for occupation in time to implement our expansion efforts, which could impact our ability to advance our early-stage preclinical pipeline and any future product candidates.***

We have entered into a lease for a new facility in our current industrial complex, which commences in March 2016. We intend to build-out this facility as an additional state-of-the-art development infrastructure, which we will occupy in phases as needed. There can be no assurance that the new space will be prepared and ready in time for our move-in. Further, the expansion could disrupt our current development and manufacturing operations, resulting in an inability to meet our deadlines and leading to a slow realization of the efficiencies and capacity anticipated from such expansion. Adverse consequences resulting from a delay in the expansion could harm our relationships with our license and collaboration partners, and further affect our ability to develop and commercialize our biosimilar product candidates. In addition, such expansions of our manufacturing and research and development capabilities may increase our costs. Any of the above could delay regulatory approval and commercialization of our current early-stage preclinical and future biosimilar product candidates. All of the foregoing could result in substantial costs to us and could result in material interruption to our business and operations.

***We currently engage single source suppliers for clinical trial services and multiple source suppliers for fill-finish manufacturing and product testing of our biosimilar product candidates. The loss of any of these suppliers, or any future single source suppliers, could harm our business.***

Our clinical stage biosimilar product candidates are currently fill-finished by Hospira and Ajinomoto Althea, Inc., or Althea. As such, we are heavily dependent on Hospira and Althea for supplying us with finished product candidates. Although we believe that there are alternate sources for this service, we cannot assure you that identifying and establishing new relationships would not result in significant delay in the development of our biosimilar product candidates. Additionally, we may not be able to enter into arrangements with alternative vendors on commercially reasonable terms, or at all. A delay in the development of our biosimilar product candidates or having to enter into a new agreement with a different third party on less favorable terms than we have with our current suppliers could negatively impact our business.

***We are subject to significant regulation with respect to manufacturing our product candidates. Our manufacturing facilities may not continue to meet regulatory requirements or may not be able to meet supply demands.***

Components of a finished therapeutic product approved for commercial sale or used in late-stage clinical trials must be manufactured in accordance with cGMP and other applicable regulations. 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. Poor control of production processes can lead to the introduction of contaminants or to inadvertent changes in the properties or stability of our product candidates that may not be detectable in final product testing. We must supply all necessary documentation in support of a BLA or MAA on a timely basis and must adhere to GLP and cGMP regulations enforced by the FDA and other regulatory agencies through their facilities inspection program. We have never produced a commercially approved pharmaceutical product at our facilities and therefore have not obtained the requisite regulatory authority approvals to do so. Our facilities and quality systems must pass a pre-approval inspection for compliance with the applicable regulations as a condition of regulatory approval of our product candidates or any of our other potential products. In addition, the regulatory authorities may, at any time, audit or inspect our manufacturing facility or our associated quality systems for compliance with the regulations applicable to the activities being conducted. If our facilities do not pass a pre-approval facility inspection, regulatory approval of the products may not be granted or may be substantially delayed until any violations are corrected to the satisfaction of the regulatory authority, if ever.

The regulatory authorities also may, at any time following approval of a product for sale, audit our manufacturing facilities. 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, the relevant regulatory authority may require remedial measures that may be costly and time-consuming for us 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 our facility. Any such remedial measures could harm our business.

If we fail to maintain regulatory compliance, the FDA or other applicable regulatory authority can impose regulatory sanctions including, among other things, refusal to approve a pending application for a new biologic product, withdrawal of an approval or suspension of production. As a result, our business, financial condition and results of operations may be harmed.

These factors could cause us to incur higher costs and could cause the delay or termination of clinical trials, regulatory submissions, required approvals or commercialization of our product candidates.

### **Risks Related to Intellectual Property**

***If we infringe or are alleged to infringe intellectual property rights of third parties, our business could be harmed. Third-party claims of intellectual property infringement may prevent or delay our development and commercialization efforts.***

Our commercial success depends in large part on avoiding infringement of the patents and proprietary rights of third parties. There have been many lawsuits and other proceedings involving patent and other intellectual property rights in the pharmaceutical industry, including patent infringement lawsuits, interferences, oppositions and reexamination proceedings before the U.S. Patent and Trademark Office, or USPTO, and corresponding foreign patent offices. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing product candidates. As the pharmaceutical industry expands and more patents are issued, the risk increases that our product candidates may be subject to claims of infringement of the patent rights of third parties.

Our research, development and commercialization activities may infringe or otherwise violate or be claimed to infringe or otherwise violate patents owned or controlled by other parties. The companies that originated the products for which we intend to introduce biosimilar versions, such as AbbVie, Inc., or AbbVie, and Genentech, Inc., or Genentech, as well as other competitors (including other companies developing biosimilars) have developed worldwide patent portfolios of varying sizes and breadth, many of which are in fields relating to our business, and it may not always be clear to industry participants, including us, which patents cover various types of products, formulations, manufacturing processes or methods of use.

Third parties may assert that we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims to compositions, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our product candidates. We have conducted patent searches for third-party patents with respect to each of our lead product candidates, and are aware of third-party patent families with claims that, if valid and enforceable, could be construed to cover such product candidates or their respective methods of manufacture or use. Some of these patents have expiration dates that could extend reference product exclusivity past our anticipated product launch dates. We cannot guarantee that any of our analyses are complete and thorough, nor can we be sure that we have identified each and every patent and pending application in the United States and abroad that is relevant or necessary to the commercialization of our product candidates. Moreover, because patent applications can take many years to issue, there may be currently pending patent applications that may later result in issued patents covering our product candidates. We have not yet completed freedom to operate analysis on our early-stage pipeline or products we are evaluating for inclusion in our future biosimilar product pipeline and therefore, we do not know whether or to what extent these products may be subject to unexpired patents. The existence of any patent with valid and enforceable claims covering one or more of our product candidates could cause substantial delays in our ability to introduce a biosimilar candidate into the U.S. market if the term of such patent extends beyond our desired product launch date.

There may also be patent applications that have been filed but not published and if such applications issue as patents, they could be asserted against us. For example, in most cases, a patent filed today would not become known to industry participants for at least 18 months given patent rules applicable in most jurisdictions that do not require publication of patent applications until 18 months after filing. Moreover, we may face claims from non-practicing third-party entities that have no relevant product revenue and against whom our own patent portfolio may have no deterrent effect. In addition, the scope of patent claims is subject to interpretation by the courts, and the interpretation is not always uniform. If we are sued for patent infringement, we would need to demonstrate that our product candidates, products or methods either do not infringe the asserted patent claims or that the claims are invalid and/or unenforceable, and we may not be successful. Proving that a patent is invalid or unenforceable is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. In proceedings before courts in the EU, the burden of proving invalidity of a patent also usually rests on the party alleging invalidity. Even if we are successful in litigation, we may incur substantial costs and the time and attention of our management and scientific personnel could be diverted, which could harm our business. In addition, we may not have sufficient resources to bring these actions to a successful conclusion.

Third parties could bring claims against us that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial monetary damages. The outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance. If a patent infringement suit were brought against us, we could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit. Ultimately, we could be prevented from commercializing a product or be forced to cease some aspect of our business operations if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on commercially acceptable terms or at all. If, as a result of patent infringement claims or to avoid potential claims, we choose or are required to seek licenses from third parties, these licenses may not be available on acceptable terms or at all. Even if we are able to obtain a license, the license may obligate us to pay substantial license fees or royalties or both, and the rights granted to us might be nonexclusive, which could result in our competitors gaining access to the same intellectual property.

Parties making claims against us may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize one or more of our product candidates. Defense of these claims, regardless of their merit, would likely involve substantial litigation expense and would likely be a substantial diversion of employee resources from our business. In the event of a successful claim of infringement against us, we may, in addition to being blocked from the market, have to pay substantial monetary damages, including treble damages and attorneys' fees for willful infringement, pay royalties, redesign our infringing products or obtain one or more licenses from third parties, which may be impossible or require substantial time and monetary expenditure.

In addition to infringement claims against us, we may become a party to other patent litigation and other proceedings, including interference, derivation or post-grant proceedings declared or granted by the USPTO and similar proceedings in foreign countries, regarding intellectual property rights with respect to our current or future products. An unfavorable outcome in any such proceedings could require us to cease using the related technology or to attempt to license rights to it from the prevailing party or could cause us to lose valuable intellectual property rights. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms, if any license is offered at all. Litigation or other proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. We may also become involved in disputes with others regarding the ownership of intellectual property rights.

Third parties may submit applications for patent term extensions in the United States or other jurisdictions where similar extensions are available and/or Supplementary Protection Certificates in the EU states (including Switzerland) seeking to extend certain patent protection that, if approved, may interfere with or delay the launch of one or more of our biosimilar product candidates.

The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Patent litigation and other proceedings may fail, and even if successful, may result in substantial costs and distract our management and other employees. The companies that originated the products for which we intend to introduce biosimilar versions, as well as other competitors (including other biosimilar companies) may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could impair our ability to compete in the marketplace.

***So called "submarine" patents may be granted to our competitors that may significantly alter our launch timing expectations, reduce our projected market size, cause us to modify our product or process or block us from the market altogether.***

The term "submarine" patent has been used in the pharmaceutical industry and in other industries to denote a patent issuing from a U.S. application with an effective filing date prior to June 8, 1995 that was not published, publically known or available prior to its grant. Submarine patents add substantial risk and uncertainty to our business. Submarine patents may be issued to our competitors covering our biosimilar product candidates or our pipeline candidates and thereby cause significant market entry delay, defeat our ability to market our product candidates or cause us to abandon development and/or commercialization of a product candidate.

The issuance of one or more submarine patents may harm our business by causing substantial delays in our ability to introduce a biosimilar candidate into the U.S. market.

***We may not identify relevant patents or may incorrectly interpret the relevance, scope or expiration of a patent, which might adversely affect our ability to develop and market our products.***

We cannot guarantee that any of our patent searches or analyses, including but not limited to the identification of relevant patents, the scope of patent claims or the expiration of relevant patents, are complete and thorough, nor can we be certain that we have identified each and every patent and pending application in the United States and abroad that is relevant to or necessary for the commercialization of our product candidates in any jurisdiction.

The scope of a patent claim is determined by an interpretation of the law, the written disclosure in a patent and the patent's prosecution history. Our interpretation of the relevance or the scope of a patent or a pending application may be incorrect, which may negatively impact our ability to market our products or pipeline candidates. We may incorrectly determine that our products are not covered by a third party patent. Further, we may conclude that a well-informed court or other tribunal would find the claims of a relevant third-party patent to be invalid based on prior art, enablement, written description, or other ground, and that conclusion may be incorrect, which may negatively impact our ability to market our products or pipeline molecules.

Many patents may cover a marketed product, including but not limited to the composition of the product, methods of use, formulations, cell line constructs, vectors, growth media, production processes and purification processes. The identification of all patents and their expiration dates relevant to the production and sale of a reference product is extraordinarily complex and requires sophisticated legal knowledge in the relevant jurisdiction. It may be impossible to identify all patents in all jurisdictions relevant to a marketed product. We may not identify all relevant patents, or incorrectly determine their expiration dates, which may negatively impact our ability to develop and market our products.

Our failure to identify and correctly interpret relevant patents may negatively impact our ability to develop, market and commercialize our products.

***We may become involved in lawsuits to protect or enforce any future patents, which could be expensive, time-consuming and unsuccessful.***

Although we have no issued patents, when and if we do obtain issued patents, we may discover that competitors are infringing those patents. Expensive and time-consuming litigation may be required to enforce our patents. If we or one of our collaboration partners were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that the patent covering our product candidate is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including but not limited to lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could include an allegation that someone involved in the prosecution of the patent withheld relevant or material information related to the patentability of the invention from the USPTO or made a misleading statement during prosecution. The outcome following legal assertions of invalidity and unenforceability is unpredictable, and there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly and decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patent claims do not cover the invention. An adverse outcome in a litigation or proceeding involving our patents could limit our ability to assert our patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Any of these occurrences could adversely affect our competitive business position, business prospects and financial condition. Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy.

Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during any litigation we initiate to enforce our patents. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a negative impact on the price of our common stock. Moreover, there can be no assurance that we will have sufficient

financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

***We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.***

We employ individuals and retain independent contractors and consultants and members on our board of directors who were previously employed at universities or other pharmaceutical companies, including our competitors or potential competitors. For example, our Chief Executive Officer, Pankaj Mohan, Ph.D., our Chief Medical Officer, Kenneth M. Bahrt, M.D., our Senior Vice President of Business Strategy & Development, Stephen J. McAndrew, Ph.D., our Senior Vice President of Process Development & Manufacturing, Scott Gangloff, and our Vice President of Regulatory Affairs, Elizabeth A. Yamashita, are former employees of Bristol-Myers Squibb Company. Further, Dr. Mohan and Dr. Bahrt are former employees of Genentech, which developed bevacizumab (Avastin), for which we seek to develop ONS-1045 as a biosimilar, and trastuzumab (Herceptin), for which we seek to develop ONS-1050 as a biosimilar. Additionally, Dr. McAndrew was a former employee of Roche. Two members of our board of directors, Scott Canute and Dr. Mohan, were former employees of Eli Lilly and Company and Ms. Yamashita was a former employee of ImClone Systems Inc., a subsidiary of Eli Lilly and Company, which developed cetuximab (Erbix), for which we seek to develop ONS-1055 as a biosimilar. Although we try to ensure that our employees, consultants and independent contractors do not use the proprietary information or know-how of others in their work for us and we are not currently subject to any claims that they have done so, we may in the future be subject to such claims. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could adversely impact our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

In addition, while we typically require our employees, consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, which may result in claims by or against us asserting ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our senior management and scientific personnel.

***We currently have no issued patents. If we are unable to obtain and maintain effective patent rights for our product candidates or any future product candidates, we may not be able to prevent competitors from using technologies we consider important in our successful development and commercialization of our product candidates, resulting in loss of any potential competitive advantage our patents may have otherwise afforded us.***

While our principal focus in matters relating to intellectual property is to avoid infringing the valid and enforceable rights of third parties, we also rely upon a combination of patents, trade secret protection and confidentiality agreements to protect our own intellectual property related to our product candidates and development programs. Our ability to enjoy any competitive advantages afforded by our own intellectual property depends in large part on our ability to obtain and maintain patents and other intellectual property protection in the United States and in other countries with respect to various proprietary elements of our product candidates, such as, for example, our product formulations and processes for manufacturing our products and our ability to maintain and control the confidentiality of our trade secrets and confidential information critical to our business.

We have sought to protect our proprietary position by filing patent applications in the United States and abroad related to our products that are important to our business. This process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. There is no guarantee that any patent application we file will result in an issued patent having claims that protect our products; and, as a result, we may not be able to effectively prevent others from commercializing competitive products. Additionally, while the basic requirements for patentability are similar across jurisdictions, each jurisdiction has its own specific requirements for patentability. We cannot guarantee that we will obtain identical or similar patent protection covering our products in all jurisdictions where we file patent applications.

The patent positions of biopharmaceutical companies generally are highly uncertain and involve complex legal and factual questions for which legal principles remain unresolved. As a result, the patent applications that we own or license may fail

to result in issued patents with claims that cover our product candidates in the United States or in other foreign countries for many reasons. There is no assurance that all potentially relevant prior art relating to our patents and patent applications has been found, considered or cited during patent prosecution, which can be used to invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue, and even if such patents cover our product candidates, third parties may challenge their validity, enforceability or scope, which may result in such patent claims being narrowed, found unenforceable or invalidated. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property, provide exclusivity for our product candidates or prevent others from designing around our claims. Any of these outcomes could impair our ability to prevent competitors from using the technologies claimed in any patents issued to us, which may have an adverse impact on our business.

Patents granted by the European Patent Office may be opposed by any person within nine months from the publication of their grant and, in addition, may be challenged before national courts at any time. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property or prevent others from designing around our claims. If the breadth or strength of protection provided by the patents and patent applications we hold, license or pursue with respect to our product candidates is threatened, it could threaten our ability to prevent third parties from using the same technologies that we use in our product candidates. In addition, recent changes to the patent laws of the United States provide additional procedures for third parties to challenge the validity of issued patents based on patent applications filed after March 15, 2013. If the breadth or strength of protection provided by the patents and patent applications we hold or pursue with respect to our current or future product candidates is challenged, then it could threaten our ability to prevent competitive products from using our proprietary technology. Further, because patent applications in the United States and most other countries are confidential for a period of time, typically for 18 months after filing, we cannot be certain that we were the first to either (i) file any patent application related to our product candidates or (ii) invent any of the inventions claimed in our patents or patent applications. Furthermore, for applications filed before March 16, 2013 or patents issuing from such applications, an interference proceeding can be provoked by a third party or instituted by the USPTO to determine who was the first to invent any of the subject matter covered by the patent claims of our applications and patents. If third parties have filed such applications after March 15, 2013, a derivation proceeding in the United States can be initiated by such third parties to determine whether our invention was derived from theirs.

We do not have any issued patents, but we have filed patent applications, which are currently pending, directed to various aspects of our product candidates. We cannot offer any assurances about which, if any, patents will be issued, the breadth of any such patent or whether any issued patents will be found invalid and unenforceable or will be threatened or infringed by third parties. Any successful actions by third parties to challenge the validity or enforceability of any patents that may be issued to us could deprive us of the ability to prevent others from using the technologies claimed in such issued patents. Further, if we encounter delays in regulatory approvals, the period of time during which we could market a product candidate under patent protection could be reduced.

While our business is based primarily on the timing of our biosimilar product launches to occur after the expiration of relevant patents, we have filed two patent applications directed to our own proprietary formulations and processes for our product candidates when we have believed securing such patents may afford a competitive advantage. For example, the companies that originated Humira and Avastin (AbbVie and Genentech, respectively) own patents directed to formulations for these products. Rather than wait for the expiration of these formulation patents, we have developed our own proprietary formulations for these products that we believe are not covered by third party patents, including AbbVie or Genentech's formulation patents; and we have filed patent applications directed to our formulations. We cannot guarantee that our proprietary formulations will avoid infringement of third party patents. Moreover, because competitors may be able to develop their own proprietary product formulations, it is uncertain whether issuance of any of our pending patent applications directed to formulations of adalimumab (Humira) and bevacizumab (Avastin) would cover the formulations of any competitors. For example, we are aware that Sandoz is developing biosimilar versions of adalimumab (Humira) and has filed patent applications directed to formulations of adalimumab (Humira). We are also aware that Boehringer is developing a biosimilar version of adalimumab (Humira) and has filed a patent application directed to formulations of adalimumab (Humira). We have also filed patent applications, none of which have yet issued, directed to aspects of our downstream manufacturing processes for various biosimilars, including ONS-3010. In contrast to our patent applications directed to formulations of ONS-3010, the proprietary technologies embodied in our process-related patent filings, while directed to inventions we believe may provide us with competitive advantage, were not developed by us to avoid third-party patents. As in the case of our formulation patent filings, it is highly uncertain and we cannot predict whether our patent filings on process enhancements will afford us a competitive advantage against third parties.

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

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case.

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

Filing, prosecuting, defending and enforcing patents on product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Further, licensing partners may choose not to file patent applications in certain jurisdictions in which we may obtain commercial rights, thereby precluding the possibility of later obtaining patent protection in these countries. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States or importing products made using our inventions into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and may also export infringing products to territories where we have patent protection, but the ability to enforce our patents is not as strong as that in the United States. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not being approved, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Governments of some foreign countries may force us to license our patents to third parties on terms that are not commercially reasonable or acceptable to us. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

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

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involves both technological and legal complexity. Therefore, obtaining and enforcing biopharmaceutical patents is costly, time-consuming and inherently uncertain. In addition, the United States has recently enacted and is currently implementing wide-ranging patent reform legislation, including the Leahy-Smith America Invents Act, or the America Invents Act, signed into law on September 16, 2011.

As of March 16, 2013, the United States transitioned to a "first-to-file" system for deciding which party should be granted a patent when two or more patent applications claiming the same invention are filed by different parties. A third party that files a patent application in the USPTO before us could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by the third party. The change to "first-to-file" from "first-to-invent" is one of the changes to the patent laws of the United States resulting from the America Invents Act. Among some of the other significant changes to the patent laws are changes that limit where a patentee may file a patent infringement suit and provide opportunities for third parties to challenge any issued patent in the USPTO via procedures including post-grant and inter partes review. These adversarial actions at the USPTO review patent claims without the presumption of validity afforded to U.S. patents in lawsuits in U.S. federal courts, and use a lower burden of proof than used in litigation in U.S. federal courts. Therefore, it is generally considered easier for a competitor or third party to have a patent invalidated in a Patent Office post-grant review or inter partes review proceeding than invalidated in a litigation in a U.S. federal court. If

any of our patents are challenged by a third party in such a USPTO proceeding, there is no guarantee that we or our licensors or collaborators will be successful in defending the patent, which would result in a loss of the challenged patent right. It is not yet clear what, if any, impact the America Invents Act will have on the operation of our business. However, the America Invents Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of any issued patents, all of which could harm our business and financial condition.

Further, recent court rulings in cases such as *Association for Molecular Pathology v. Myriad Genetics, Inc.* (Myriad I); *BRCA1- & BRCA2-Based Hereditary Cancer Test Patent Litig.*, (Myriad II); and *Promega Corp. v. Life Technologies Corp.* have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations.

In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on future actions by the United States Congress, the Federal Courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce existing patents and patents that we might obtain in the future.

***If we are unable to maintain effective proprietary rights for our product candidates or any future product candidates, we may not be able to compete effectively in our markets.***

While we have filed patent applications to protect certain aspects of our own proprietary formulation and process developments, we also rely on trade secret protection and confidentiality agreements to protect proprietary scientific, business and technical information and know-how that is not or may not be patentable or that we elect not to patent. However, confidential information and trade secrets can be difficult to protect. Moreover, the information embodied in our trade secrets and confidential information may be independently and legitimately developed or discovered by third parties without any improper use of or reference to information or trade secrets. We seek to protect the scientific, technical and business information supporting our operations, as well as the confidential information relating specifically to our product candidates by entering into confidentiality agreements with parties to whom we need to disclose our confidential information, such as, our employees, consultants, board members, contractors, potential collaborators and financial investors. However we cannot be certain that such agreements have been entered into with all relevant parties. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems, but it is possible that these security measures could be breached. While we have confidence in these individuals, organizations and systems, agreements or security measures may be breached and we may not have adequate remedies for any breach. Our confidential information and trade secrets thus may become known by our competitors in ways we cannot prove or remedy.

Although we expect all of our employees and consultants to assign their inventions to us, and all of our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information or technology to enter into confidentiality agreements, we cannot provide any assurances that all such agreements have been duly executed. We cannot guarantee that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. For example, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Misappropriation or unauthorized disclosure of our trade secrets could impair our competitive position and may harm our business. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating any trade secret. We cannot guarantee that our employees, former employees or consultants will not file patent applications claiming our inventions. Because of the "first-to-file" laws in the United States, such unauthorized patent application filings may defeat our attempts to obtain patents on our own inventions.

***We may be subject to claims challenging the inventorship of our patent filings and other intellectual property.***

We may in the future be subject to claims that former employees, collaborators or other third parties have an interest in our patent applications or patents we may be granted or other intellectual property as an inventor or co-inventor. For example, we may have inventorship or ownership disputes arise from conflicting obligations of consultants or others who are involved in developing our product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship or ownership. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of or right to use valuable intellectual property. Such an



outcome could harm our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

***If we fail to comply with our obligations in the agreements under which we license intellectual property and other rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could lose license rights that are important to our business.***

We are party to a non-exclusive intellectual property license agreement with Selexis SA, or Selexis, pertaining to cell line expression technology, that is important to our business, and we expect to enter into additional license agreements in the future. Our license agreement with Selexis imposes, and we expect that future license agreements will impose, various milestone payments, royalty payments and other obligations on us. If we fail to comply with our obligations under these agreements or if we are subject to a bankruptcy, we may be required to make certain payments to the licensor of our license or the licensor may have the right to terminate the license, in which event we would not be able to develop or market products covered by the license. Additionally, the milestone and other payments associated with these licenses will make it less profitable for us to develop our product candidates.

In the event we breach any of our obligations under these agreements, we may incur significant liability to our licensing partners. Disputes may arise regarding intellectual property subject to a licensing agreement, including but not limited to:

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

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

***We may not be successful in obtaining or maintaining necessary rights to our product candidates through acquisitions and in-licenses.***

We currently have rights to certain intellectual property through licenses from third parties, including Selexis, to develop ONS-3010 and ONS-1045. Because we may find that our programs require the use of proprietary rights held by third parties, the growth of our business may depend in part on our ability to acquire, in-license or use these proprietary rights. We may be unable to acquire or in-license compositions, methods of use, processes or other third party intellectual property rights from third parties that we identify as necessary for our product candidates. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire third-party intellectual property rights that we may consider attractive. These established companies may have a competitive advantage over us due to their size, financial resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment.

If we are unable to successfully obtain rights to required third party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of that program and our business and financial condition could suffer.

***Our ability to market our products in the United States may be significantly delayed or prevented by the BPCIA patent dispute resolution mechanism.***

The BPCIA created a new, elaborate and complex patent dispute resolution mechanism for biosimilars that could prevent us from launching our product candidates in the United States or could substantially delay such launches. This mechanism has been referred to as the "patent dance." Uncertainty over how courts will construe the patent dance, for example whether it is the exclusive pathway for litigation involving 351(k) biosimilar applications, may cause our assumptions regarding the scope, timing and expense of patent litigation to be incorrect, and may cause delays in the launch of products subject to such litigation.

Currently, the patent dance is not mandatory, although this may change in the future. The patent dance mandates patent disclosure and briefing requirements that are demanding and time-sensitive. The following is an overview of the patent exchange and patent briefing procedures:

- **Disclosure of the Biosimilar Application.** Within 20 days after receiving a notice from the FDA that its application has been accepted for review, a 351(k) biosimilar applicant provides a copy of its application information to the RPS. Providing of this information begins the patent dance. If the 351(k) biosimilar applicant chooses not to disclose such information, or opts out of later steps of the patent dance, the RPS may bring an immediate suit for patent infringement that will proceed under the conventional procedural rules for patent infringement actions.
- **Identification of Pertinent Patents.** Within 60 days of the date of receipt of the application, the RPS must identify the patents owned or controlled by it that it reasonably believes could be asserted against the biosimilar applicant.
- **Statement by the Biosimilar Applicant.** Following the receipt of the RPS's patent list, the biosimilar applicant must state either that it will not market its product until the relevant patents have expired or alternatively provide its arguments of stating why the patents are invalid, unenforceable or would not be infringed by the proposed biosimilar product candidate. The biosimilar applicant may also provide the RPS with a list of patents it reasonably believes the RPS could assert against the biosimilar product.
- **Statement by the RPS.** In the event the biosimilar applicant has asserted that the patents are invalid, unenforceable or would not be infringed by the proposed follow-on product, the RPS must provide the biosimilar applicant with a response within 60 days. The response must provide the legal and factual basis of the opinion that such patent will be infringed by the commercial marketing of the proposed biosimilar.
- **Patent Resolution Negotiations.** If the RPS provides its detailed views that the proposed biosimilar would infringe valid and enforceable patents, then the parties are required to engage in good faith negotiations to identify which of the identified patents will be the subject of a patent infringement action. If the parties agree on the patents to be litigated, the RPS must bring an action for patent infringement within 30 days.
- **Simultaneous Exchange of Patents.** If those negotiations do not result in an agreement within 15 days, then the biosimilar applicant must notify the RPS of how many patents (but not the identity of those patents) that it wishes to litigate. Within five days, the parties are then required to exchange lists identifying the patents to be litigated. The number of patents identified by the RPS may not exceed the number provided by the biosimilar applicant. However, if the biosimilar applicant previously indicated that no patents should be litigated, then the RPS may identify one patent.
- **Commencement of Patent Litigation.** The RPS must then commence patent infringement litigation within 30 days. That litigation will involve all of the patents on the RPS's list and all of the patents on the biosimilar applicant's list. The biosimilar applicant must then notify the FDA of the litigation. The FDA must then publish a notice of the litigation in the Federal Register.
- **Notice of Commercial Marketing.** If the biosimilar applicant opts out of the patent dance, the BPCIA requires the biosimilar applicant to provide notice to the RPS after FDA licensure, and at least 180 days in advance of its first commercial marketing of its proposed follow-on biologic. It is not clear whether the biosimilar applicant must give notice if it complies with the patent dance, but courts may interpret the BPCIA to require such notice. If notice is not given, the RPS may immediately commence a patent infringement action on any patent that was listed (or listable) by the RPS during the dance, but not part of the first wave of patents being litigated. The RPS is allowed to seek a preliminary injunction blocking such marketing based upon any such patents. The litigants are required to "reasonably cooperate to expedite such further discovery as is needed" with respect to the preliminary injunction motion.

Biosimilar companies such as ours have the option of applying for U.S. regulatory approval for our products under either a traditional 351(a) BLA approval route, or under the recently enacted streamlined 351(k) approval route established by the BPCIA. The factors underpinning such a decision are extremely complex and involve, among other things, balancing legal risk (in terms of, e.g., the degree and timing of exposure to potential patent litigation by the RPS) against regulatory risks (in terms of, e.g., the development costs and the differing scope of regulatory approval that may be afforded under 351(a) rather than 351(k)).

A significant legal risk in pursuing regulatory approval under the 351(k) regulatory approval route is that the above-summarized patent exchange process established by the BPCIA could result in the initiation of patent infringement litigation prior to FDA approval of a 351(k) application, and such litigation could result in blocking the market entry of our

products. In particular, while the 351(k) route is more attractive to us (rather than 351(a)) for reasons related to development time and costs and the potential broader scope of eventual regulatory approval for our biosimilar product candidates, the countervailing risk in such a regulatory choice is that the complex patent exchange process mandated by the BPCIA could ultimately prevent or substantially delay us from launching our products in the United States.

Preparing for and conducting the patent exchange, briefing and negotiation process outlined above will require extraordinarily sophisticated legal counseling and extensive planning, all under extremely tight deadlines. Moreover, it may be difficult for us to secure such legal support if large, well-funded RPSs have already entered into engagements with highly qualified law firms or if the most highly qualified law firms choose not to represent biosimilar applicants due to their long standing relationships with RPSs.

Furthermore, we could be at a serious disadvantage in this process as an RPS, such as AbbVie (in the case of ONS-3010) or Genentech (in the case of ONS-1045 or ONS-1050), may be able to apply substantially greater legal and financial resources to this process than we could.

Whether courts will view the BPCIA process as the sole avenue for a biosimilar entity and the RPS to identify and potentially litigate such patents remains uncertain, although a Federal Circuit panel has recently held that a biosimilar applicant may opt out of the patent dance. A binding and non-reviewable judicial determination to that effect could increase patent infringement risks for companies, including ours, seeking to introduce biosimilar versions of reference products.

If we file a 351(k) regulatory approval application for one or more of our products, we may consider it necessary or advisable to adopt the strategy of selecting one or more patents of the RPS to litigate in the above described BPCIA process (for example in steps 3 and 7 of the process, as outlined above), either to assert our non-infringement of such patents or to challenge their validity; but we may ultimately not be successful in that strategy and could be prevented from marketing the product in the United States.

The complex, untested and uncertain rules of the BPCIA patent provisions, coupled with the inherent uncertainty surrounding the legal interpretation of any RPS patents that might be asserted against us in this new process, may significantly delay or defeat our ability to market our products in the United States.

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

#### ***We may not be successful in our efforts to identify, develop or commercialize additional product candidates.***

Although a substantial amount of our effort will focus on the continued clinical testing, potential approval and commercialization of our existing product candidates, the success of our business also depends upon our ability to identify, develop and commercialize additional product candidates. Research programs to identify new product candidates require substantial technical, financial and human resources. We may focus our efforts and resources on potential programs or product candidates that ultimately prove to be unsuccessful. Our development efforts may fail to yield additional product candidates suitable for clinical development and commercialization for a number of reasons, including but not limited to the following:

- we may not be successful in identifying potential product candidates that pass our strict screening criteria;
- we may not be able to overcome technological hurdles to development or a product candidate may not be capable of producing commercial quantities at an acceptable cost, or at all;
- we may not be successful in identifying a reference product as to which we can determine how to create a biosimilar;
- we may not be able to assemble sufficient resources to acquire or discover additional product candidates;
- our product candidates may not succeed in preclinical or clinical testing;
- our potential product candidates may fail to show sufficient biosimilarity to reference molecules; and
- competitors may develop alternatives that render our product candidates obsolete or less attractive or the market for a product candidate may change such that a product candidate may not justify further development.

If any of these events occur, we may be forced to abandon our development efforts for a program or programs or we may not be able to identify, develop or commercialize additional product candidates, which would harm our business and could potentially cause us to cease operations.

#### ***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 new compliance initiatives.***

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, 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 Global Market, or NASDAQ, have imposed various requirements on public companies. In July 2010, the Dodd-Frank Wall Street Reform and Consumer 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 pay parity. Recent legislation permits smaller "emerging growth companies" such as us to implement many of these requirements over a longer period and up to five years from the pricing of this offering. We intend to take advantage of this new legislation but cannot guarantee that we will not be required to implement these requirements sooner than budgeted or planned and thereby incur unexpected expenses. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain our current levels of such coverage.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, we will be required to perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report, commencing in our annual report on Form 10-K for the year ending September 30, 2017, on the effectiveness of our internal controls over financial reporting, if then required by Section 404 of the Sarbanes-Oxley Act, or Section 404. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group and rely on independent contractors for control monitoring and for the preparation and review of our consolidated financial statements. We are actively seeking additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to augment our current staff. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner or if we identify or our independent registered public accounting firm identifies deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities, which would require additional financial and management resources.

New laws and regulations as well as changes to existing laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act and rules adopted by the SEC and by NASDAQ, would likely result in increased costs to us as we respond to their requirements.

***We are highly dependent on the services of our key executives and personnel, including our President and Chief Executive Officer, Pankaj Mohan, Ph.D., and if we are not able to retain these members of our management or recruit additional management, clinical and scientific personnel, our business will suffer.***

We are highly dependent on the principal members of our management and scientific and technical staff, particularly, our President and Chief Executive Officer, Dr. Mohan. The loss of service of any of our management or key scientific and technical staff could harm our business. In addition, we are dependent on our continued ability to attract, retain and motivate highly qualified additional management, clinical and scientific personnel. If we are not able to retain our management and to attract, on acceptable terms, additional qualified personnel necessary for the continued development of our business, we may not be able to sustain our operations or grow.

We may not be able to attract or retain qualified personnel in the future due to the intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses. Our industry has experienced a high rate of turnover of management personnel in recent years. If we are not able to attract, retain and motivate necessary personnel to accomplish our business objectives, we may experience constraints that will significantly impede the achievement of our development objectives, our ability to raise additional capital and our ability to implement our business strategy.

Our future performance will also depend, in part, on our ability to successfully integrate newly hired executive officers into our management team and our ability to develop an effective working relationship among senior management. Our failure to integrate these individuals and create effective working relationships among them and other members of management could result in inefficiencies in the development and commercialization of our product candidates, harming future regulatory approvals, sales of our product candidates and our results of operations. Additionally, we do not currently maintain "key person" life insurance on the lives of our executives or any of our employees.

***We will need to expand our organization and we may experience difficulties in managing this growth, which could disrupt our operations.***

As of September 30, 2015, we had 73 full-time employees. As our development and commercialization plans and strategies develop, we expect to need additional managerial, operational, sales, marketing, financial, legal and other resources. Our management may need to divert a disproportionate amount of its attention away from our day-to-day operations and devote a substantial amount of time to managing these growth activities. We may not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, operational inefficiencies, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our expected growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of our current and potential future product candidates. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our ability to generate and grow revenue could be reduced and we may not be able to implement our business strategy. Our future financial performance and our ability to commercialize product candidates and compete effectively will depend, in part, on our ability to effectively manage any future growth.

***Two members of our board of directors, including our Chief Executive Officer, are directors of Sonnet Biotherapeutics, Inc. In addition, there is significant overlap between our current stockholders and the shareholders of Sonnet. Their interests may conflict with those of our other stockholders.***

On April 6, 2015, pursuant to a contribution agreement, we contributed certain of our assets, unrelated to our biosimilar business, to Sonnet Biotherapeutics, Inc., or Sonnet, a company focused on the development of bi- or tri-specific antibody fragments that have potential utility in oncology, in exchange for all of Sonnet's outstanding equity interests. We then distributed the equity interests to our stockholders on a pro rata basis. Two of our current directors, Pankaj Mohan, Ph.D., who is also our Chief Executive Officer, and Donald J. Griffith, our former Chief Financial Officer, currently serve as members of the board of directors of Sonnet. In addition, Mr. Griffith serves as the President, Chief Executive Officer and Treasurer of Sonnet. Neither Dr. Mohan nor Mr. Griffith intend to resign from their respective positions in Sonnet. In addition, Dr. Mohan currently holds approximately 57% of the outstanding capital stock of Sonnet. These relationships could result in conflicts of interest between their obligations to our company and Sonnet. In addition, there is significant overlap between our current stockholders and the shareholders of Sonnet. Sonnet's interests and the interests of its shareholders may be different from ours or those of our other stockholders and this could result in conflicts. The resolution of any of these conflicts may not always be in our or your best interest.

***Healthcare legislative reform measures may harm our business and results of operations.***

In the United States, there have been and continue to be a number of legislative initiatives to improve the access to and quality of healthcare, and to contain healthcare costs. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or together, the PPACA, was passed, which substantially changes the way health care is financed by both governmental and private insurers and significantly impacts the U.S. pharmaceutical industry. The PPACA, among other things, imposes a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected, increases the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program, extends the rebate program to individuals enrolled in Medicaid managed care organizations, adds a provision to increase the Medicaid rebate for line extensions or reformulated drugs, establishes annual fees and taxes on manufacturers and importers of certain branded prescription drugs and biologic agents, and promotes a new Medicare Part D coverage gap discount program. The PPACA also expands eligibility for Medicaid programs and introduced a new Patient Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

In addition, other legislative changes have been proposed and adopted in the United States since the PPACA was enacted. For example, on August 2, 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2012 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers up to 2% per fiscal year, which went into effect on April 1, 2013 and will stay in effect through 2024 unless additional Congressional action is taken. Additionally, on January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which among other things, further reduced Medicare payments to certain providers, including physicians, hospitals and cancer treatment centers.

We expect that the PPACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and lower reimbursement, and additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government-funded programs may result in

a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms could result in reduced demand for our product candidates or additional pricing pressures, and may prevent us from being able to generate revenue, attain profitability or commercialize our drugs.

***We may be subject, directly or indirectly, to federal and state healthcare laws and regulations, including fraud and abuse, false claims, physician payment transparency and health information privacy and security laws. If we are unable to comply or have not fully complied with such laws, we could face substantial penalties.***

If we obtain FDA approval for any of our product candidates and begin commercializing those products in the United States, our operations may be directly or indirectly through our customers subject to various federal and state fraud and abuse laws, including without limitation, the federal Anti-Kickback Statute, the federal False Claims Act and physician sunshine laws and regulations. These laws may impact, among other things, our proposed sales, marketing and education programs. In addition, we may be subject to patient data privacy and security regulation by both the federal government and the states in which we conduct our business. The healthcare laws that may affect our ability to operate include but are not limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in cash or in kind, to induce, reward, or in return for either the referral of an individual for, or the purchase, recommendation, order or furnishing of an item or service reimbursable, in whole or in part, under a federal healthcare program, such as the Medicare and Medicaid programs;
- federal civil and criminal false claims laws and civil monetary penalty laws, including the civil False Claims Act, which prohibit, among other things, individuals or entities from knowingly presenting or causing to be presented claims for payment from Medicare, Medicaid or other government health programs that are false or fraudulent and which may apply to entities that provide coding and billing advice to customers;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal statutes that prohibit, among other things, executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, and its implementing regulations, which imposes certain requirements, including mandatory contractual terms, relating to the privacy, security and transmission of individually identifiable health information on health plans, certain healthcare providers, and healthcare clearinghouses, and their business associates;
- the federal legislation commonly referred to as the Physician Payments Sunshine Act under the PPACA, which requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, with specific exceptions, to report annually to the Centers for Medicare & Medicaid Services information related to payments and other transfers of value made by such manufacturers to physicians and teaching hospitals and ownership and investment interests held by physicians and their immediate family members and applicable group purchasing organizations; and
- analogous state and foreign laws and regulations, such as anti-kickback and false claims laws that may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. In addition, recent healthcare reform legislation has strengthened these laws. For example, the PPACA, among other things, amends the intent requirement of the federal anti-kickback and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of these statutes or specific intent to violate them in order to commit a violation. Moreover, the PPACA provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act.

If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, imprisonment, disgorgement,

contractual damages, reputational harm, diminished profits and future earnings, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations. Defending against any such actions can be costly, time-consuming and may require significant financial and personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired.

***The international aspects of our business expose us to business, regulatory, political, operational, financial and economic risks associated with doing business outside of the United States.***

We currently have limited international operations of our own and have a number of international collaborations. Doing business internationally involves a number of risks, including but not limited to:

- multiple, conflicting and changing laws and regulations such as privacy regulations, tax laws, export and import restrictions, employment laws, regulatory requirements and other governmental approvals, permits and licenses;
- failure by us or our collaboration partners to obtain and maintain regulatory approvals for the use of our products in various countries;
- additional potentially relevant third-party patent rights;
- complexities and difficulties in obtaining protection and enforcing our intellectual property;
- difficulties in staffing and managing foreign operations by us or our collaboration partners;
- complexities associated with managing multiple payor reimbursement regimes, government payors or patient self-pay systems by our collaboration partners;
- limits in our or our collaboration partners' ability to penetrate international markets;
- financial risks, such as longer payment cycles, difficulty collecting accounts receivable, the impact of local and regional financial crises on demand and payment for our products and exposure to foreign currency exchange rate fluctuations;
- natural disasters, political and economic instability, including wars, terrorism and political unrest, outbreak of disease, boycotts, curtailment of trade and other business restrictions;
- certain expenses including, among others, expenses for travel, translation and insurance; and
- regulatory and compliance risks that relate to maintaining accurate information and control over sales and activities that may fall within the purview of the U.S. Foreign Corrupt Practices Act, its books and records provisions or its anti-bribery provisions.

***If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could harm our business.***

Our research, development and manufacturing activities and our third-party suppliers' activities involve the controlled storage, use and disposal of hazardous materials, including the components of our product candidates and other hazardous compounds. We and our suppliers are subject to laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. In some cases, these hazardous materials and various wastes resulting from their use are stored at our facilities pending their use and disposal. We cannot eliminate the risk of contamination, which could cause an interruption of our commercialization efforts, research, development and manufacturing efforts and business operations, and environmental damage resulting in costly clean-up and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. Although we believe that the safety procedures utilized by us for handling and disposing of these materials generally comply with the standards prescribed by these laws and regulations, we cannot guarantee that this is the case or eliminate the risk of accidental contamination or injury from these materials. In such an event, we may be held liable for any resulting damages and such liability could exceed our resources and state or federal or other applicable authorities may curtail our use of certain materials and/or interrupt our business operations. Furthermore, environmental laws and regulations are complex, change frequently and have tended to become more stringent. We cannot predict the impact of such changes and cannot be certain of our future compliance. We do not currently carry biological or hazardous waste insurance coverage.

**Risks Related to this Offering and Ownership of Our Common Stock**

***An active trading market for our common stock may not develop or be sustainable, and you may not be able to resell your shares at or above the initial public offering price.***

Prior to this offering, there has not been a public market for our common stock. The initial public offering price for the shares will be determined by negotiations between us and the representative of the underwriters and may not be indicative of prices that will prevail in the trading market. An active trading market for our common stock may not develop, or be

sustained, following this offering. If an active market for our common stock does not develop, you may not be able to sell your shares quickly or at the market price. We cannot predict the prices at which our common stock will trade and you may not be able to resell your shares at a price that is at or above the initial public offering price.

***The trading price of our common stock is likely to be volatile, and purchasers of our common stock could incur substantial losses.***

The market price of our common stock is likely to be volatile. The stock market in general and the market in which we operate have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their common stock at or above the initial public offering price. Our stock price could be subject to wide fluctuations in response to a variety of factors, including but not limited to:

- the success of competitive products or technologies;
- adverse results or delays in preclinical or clinical trials;
- any inability to obtain additional funding;
- any delay in filing an IND, BLA or other regulatory submission for any of our product candidates and any adverse development or perceived adverse development with respect to the applicable regulatory agency's review of that IND, BLA or other regulatory submission;
- the perception of limited market sizes or pricing for our product candidates;
- failure to successfully develop and commercialize our product candidates;
- post-marketing safety issues relating to our product candidates or biosimilars generally;
- failure to maintain our existing strategic collaborations or enter into new collaborations;
- failure by us or our licensors and strategic collaboration partners to prosecute, maintain or enforce our intellectual property rights;
- changes in laws or regulations applicable to our products;
- any inability to obtain adequate product supply for our product candidates or the inability to do so at acceptable prices;
- adverse regulatory decisions;
- introduction of new products, services or technologies by our competitors, including biosimilars, interchangeable biosimilars, and biobetter versions of the same molecules we are targeting;
- failure to meet or exceed financial projections we may provide to the public;
- failure to meet or exceed the financial projections of the investment community;
- the perception of the pharmaceutical industry by the public, legislatures, regulators and the investment community;
- announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us, our strategic collaboration partners or our competitors;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- additions or departures of key scientific or management personnel;
- significant lawsuits, including stockholder litigation and litigation filed by us or filed against us pertaining to patent infringement or other violations of intellectual property rights;
- the outcomes of any citizens petitions filed by parties seeking to restrict or limit the approval of biosimilar products;
- if securities or industry analysts do not publish research or reports about our business or if they issue an adverse or misleading opinion regarding our stock;
- changes in the market valuations of similar companies;
- general economic, industry or market conditions;
- sales of our common stock by us or our stockholders in the future;
- trading volume of our common stock;
- issuance of patents to third parties that could prevent our ability to commercialize our product candidates;
- reductions in the prices of reference products that could reduce the overall market opportunity for our product candidates intended as biosimilars to such reference products;



- the loss of one or more employees constituting our leadership team;
- changes in biosimilar regulatory requirements that could make it more difficult for us to develop our product candidates; and
- the other factors described in this “Risk Factors” section.

In addition, biopharmaceutical companies in particular have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

***Our principal stockholders and management own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval, preventing new investors from influencing significant corporate decisions.***

As of September 30, 2015, our executive officers, directors, five percent stockholders and their affiliates beneficially owned approximately % of our voting stock and, upon closing of this offering, that same group will beneficially own approximately % of our outstanding voting stock (assuming no exercise of the underwriters’ option to purchase additional shares and excluding shares purchased by any such holders in this offering). The interests of this group of stockholders may not coincide with the interests of other stockholders. Therefore, even after this offering, these stockholders will have the ability to influence us through their ownership positions, which may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may believe are in your best interest as one of our stockholders.

***Our quarterly operating results may fluctuate significantly or may fall below the expectations of investors or securities analysts, each of which may cause our stock price to fluctuate or decline.***

Our quarterly operating results may fluctuate significantly, which makes it difficult for us to predict our future operating results. These fluctuations may occur due to a variety of factors, many of which are out of our control and may be difficult to predict, including but not limited to:

- our ability to successfully develop, market and sell ONS-3010, ONS-1045, ONS-1050 and our other product candidates;
- the cost of clinical development for ONS-3010, ONS-1045 and ONS-1050;
- the success of competitive products or technologies;
- results of clinical trials of our product candidates or those of our competitors;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- the results of our efforts to discover, develop, manufacture, acquire or in-license additional product candidates;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other factors described in this “Risk Factors” section.

If our quarterly operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Furthermore, any quarterly fluctuations in our operating results may, in turn, cause the price of our stock to fluctuate substantially. We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

***If securities or industry analysts do not publish research, or publish 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, our market and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

***We are an “emerging growth company” and, due to the reduced reporting requirements applicable to emerging growth companies, certain investors may find investing in our common stock less attractive.***

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting

requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our common stock held by non-affiliates exceeds \$700 million as of March 31 (the end of our second fiscal quarter) of any fiscal year before that time or if we have total annual gross revenue of \$1.0 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following September 30 (the last day of our fiscal year) or, if we issue more than \$1.0 billion in non-convertible debt during any three-year period before that time, we would cease to be an emerging growth company immediately. We cannot predict if investors will find our common stock less attractive because we may rely on this exemption. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

***We will incur costs and demands upon management as a result of complying with the laws and regulations affecting public companies in the United States, which may harm our operating results.***

As a public company listed in the United States, we will incur significant additional legal, accounting and other expenses. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including regulations implemented by the SEC and NASDAQ, may increase legal and financial compliance costs and make some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If, notwithstanding our efforts to comply with new laws, regulations and standards, we fail to comply, regulatory authorities may initiate legal proceedings against us, and our business may be harmed.

Further, failure to comply with these laws, regulations and standards might also make it more difficult for us to obtain certain types of insurance, including director and officer liability insurance, and we might be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on committees of our board of directors or as members of senior management.

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

Investors purchasing shares of common stock in this offering will pay a price per share that substantially exceeds the pro forma book value per share of our tangible assets after subtracting our liabilities. As a result, investors purchasing shares of common stock in this offering will incur immediate dilution of \$ per share, based on an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover of this prospectus, and our pro forma net tangible book value as of September 30, 2015. For information on how the foregoing amounts were calculated, see the section titled "Dilution."

This dilution is due to the substantially lower price paid by our investors who purchased shares prior to this offering as compared to the price offered to the public in this offering, and the exercise of stock options granted to our employees. As a result of the dilution to investors purchasing shares in this offering, investors may receive significantly less than the purchase price paid in this offering, if anything, in the event of our liquidation.

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

If our existing stockholders sell or indicate an intention to sell substantial amounts of our common stock in the public market after the lock-up and other legal restrictions on resale discussed in this prospectus lapse, the market price of our common stock could decline. Based upon the number of shares of common stock, on an as-converted basis, outstanding as of September 30, 2015, upon the closing of this offering we will have outstanding a total of shares of common stock, assuming no exercise of the underwriters' option to purchase additional shares. Of these shares, as of the date of this prospectus, approximately shares of our common stock, plus any shares sold upon exercise of the underwriters' option to purchase additional shares, will be freely tradable, without restriction, in the public market immediately following this offering, assuming that current stockholders do not purchase shares in this offering.

The lock-up agreements pertaining to this offering will expire 180 days from the date of this prospectus. After the lock-up agreements expire, based upon the number of shares of common stock, on an as-converted basis, outstanding as of September 30, 2015, up to an additional \_\_\_\_\_ shares of common stock will be eligible for sale in the public market, of which approximately \_\_\_\_\_ shares are held by directors, executive officers and other affiliates and will be subject to the manner of sale, volume limitations and public reporting requirements of Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. Jefferies LLC may however, in its sole discretion, permit our officers, directors and other stockholders who are subject to these lock-up agreements to sell shares prior to the expiration of the lock-up agreements.

After this offering, the holders of approximately \_\_\_\_\_ shares of our common stock, or approximately \_\_\_\_\_ % of our outstanding common stock as of September 30, 2015, will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to the lock-up agreements described above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates. Any sales of securities by these stockholders could have a negative impact on the market price of our common stock.

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

We will need additional capital in the future to continue our planned operations. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent sales. These sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders.

Pursuant to the 2015 Equity Incentive Plan, or the 2015 Plan, our management is authorized to grant stock options and other equity-based awards to our employees, directors and consultants. Under the 2015 Plan, the number of shares of our common stock initially reserved for issuance will be \_\_\_\_\_. The number of shares available for future grant under the 2015 Plan will be increased by (i) the number of shares pursuant to outstanding awards under the 2015 Plan that are forfeited or lapse unexercised and which following the effective date are not issued under the 2015 Plan and (ii) an annual increase on the first day of each fiscal year beginning in 2016 and ending in 2025, equal to \_\_\_\_\_ % of the shares of stock outstanding as of the last day of the preceding fiscal year, or such smaller number of shares as determined by our board of directors. Pursuant to the 2016 Employee Stock Purchase Plan, or the ESPP, which will become effective upon the execution of the underwriting agreement related to this offering, upon implementation of an offering under the ESPP, eligible employees will be able to acquire shares of our common stock at a discount to the prevailing market price, and an aggregate of \_\_\_\_\_ shares will initially be available for issuance under the ESPP. The number of shares available for issuance under the ESPP will automatically increase on the first day of each fiscal year beginning in 2016 and ending in 2025, equal to \_\_\_\_\_ % of the shares of common stock outstanding on the last day of the immediately preceding fiscal year or such smaller number of shares as determined by our board of directors. If our board of directors does not elect to reduce the annual increases in the number of shares available for future grant under the 2015 Plan or the ESPP, our stockholders may experience additional dilution, which could cause our stock price to fall.

***We will have broad discretion in the use of the net proceeds from this offering and may invest or spend the proceeds in ways with which you do not agree and in ways that may not yield a return.***

Our management will have broad discretion in the application of the net proceeds from this offering, including for any of the purposes described in the section titled "Use of Proceeds," and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary from their currently intended use. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders.

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

We have incurred substantial losses during our history and do not expect to become profitable in the near future, and we may never achieve profitability. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until such unused losses expire. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a three-year period, the

corporation's ability to use its pre-change net operating loss carryforwards, or NOLs, and other pre-change tax attributes (such as research tax credits) to offset its post-change income or taxes may be limited. We may have experienced ownership changes in the past and may experience ownership changes in the future as a result of this offering and/or subsequent shifts in our stock ownership (some of which shifts are outside our control). As a result, if we earn net taxable income, our ability to use our pre-change NOLs to offset such taxable income will be subject to limitations. Similar provisions of state tax law may also apply to limit our use of accumulated state tax attributes. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. As a result, even if we attain profitability, we may be unable to use a material portion of our NOLs and other tax attributes, which could adversely affect our future cash flows.

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

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

***Provisions in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders or remove our current management.***

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that may have the effect of delaying or preventing a change in control of us or changes in our management. Our charter documents will also contain other provisions that could have an anti-takeover effect, such as:

- establishing a classified board of directors so that not all members of our board of directors are elected at one time;
- permitting the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- providing that directors may only be removed for cause;
- prohibits cumulative voting for directors;
- requiring super-majority voting to amend some provisions in our amended and restated certificate of incorporation and amended and restated bylaws;
- authorizing the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- eliminating the ability of stockholders to call special meetings of stockholders; and
- prohibiting stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders.

These provisions, alone or together, could delay, deter or prevent hostile takeovers and changes in control or changes in our management.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us.

Any provision of our amended and restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

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

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may

discourage such lawsuits against us and our directors, officers and other employees. If a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business and financial condition.

***If we fail to develop and maintain proper and effective internal controls over financial reporting, the accuracy and timeliness of our financial reporting may be adversely affected.***

We will be required, pursuant to Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the first fiscal year beginning after the effective date of this offering. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the SEC following the later of the date we are deemed to be an "accelerated filer" or a "large accelerated filer," each as defined in the Securities Exchange Act of 1934, as amended, or the Exchange Act, or the date we are no longer an "emerging growth company," as defined in the JOBS Act. We will be required to disclose changes made in our internal control and procedures on a quarterly basis. To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff. We are beginning the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404, and we may not be able to complete our evaluation, testing and any required remediation in a timely fashion.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future financial condition, business strategy and plans, and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “aim,” “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “could,” “design,” “due,” “estimate,” “expect,” “goal,” “intend,” “may,” “objective,” “plan,” “predict,” “positioned,” “potential,” “seek,” “should,” “target,” “will,” “would” and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, including risks described in the section titled “Risk Factors” and elsewhere in this prospectus, regarding, among other things:

- the timing and the success of the design of the clinical trials and planned clinical trials of ONS-3010, ONS-1045 and ONS-1050;
- whether the results of our clinical trials will be sufficient to support domestic or global regulatory approvals;
- our ability to obtain and maintain regulatory approval of our current and future biosimilar product candidates;
- our expectations regarding the potential market size and the size of the patient populations for our biosimilar product candidates, if approved, for commercial use;
- our ability to fund our working capital requirements;
- the implementation of our business model and strategic plans for our business and biosimilar product candidates;
- the initiation, timing, progress and results of future preclinical studies and clinical trials and our research and development programs;
- developments or disputes concerning our intellectual property or other proprietary rights;
- our ability to maintain and establish collaborations or obtain additional funding;
- the rate and degree of market acceptance of our current and future biosimilar product candidates;
- our expectation that our existing capital resources and the net proceeds from this offering will be sufficient to enable us to complete our planned clinical trials;
- our expectations regarding government and third-party payor coverage and reimbursement;
- our ability to compete in the markets we serve; and
- the factors that may impact our financial results.

These risks are not exhaustive. Other sections of this prospectus may include additional factors that could harm our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in, or implied by, any forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus or to conform these statements to actual results or to changes in our expectations.

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 with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

### **MARKET AND INDUSTRY DATA**

Unless otherwise indicated, information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources including the independent industry publication set forth below and is subject to a number of assumptions and limitations. Although we are responsible for all of the disclosure contained in this prospectus and we believe the information from the industry publication and other third-party sources included in this prospectus is reliable, such information is inherently imprecise. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled "Risk Factors." These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

## USE OF PROCEEDS

We estimate that we will receive net proceeds from the sale of \_\_\_\_\_ shares of common stock that we are selling in this offering of approximately \$ \_\_\_\_\_ million at an assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise in full their over-allotment option to purchase additional shares, we estimate that our net proceeds will be approximately \$ \_\_\_\_\_ million, after deducting estimated 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) the net proceeds to us from this offering by approximately \$ \_\_\_\_\_ million, assuming 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. We may also increase or decrease the number of shares we are offering. Similarly, an increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) the net proceeds to us from this offering by approximately \$ \_\_\_\_\_ million, assuming that the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We do not expect that a change in the initial price to the public or the number of shares by these amounts would have a material effect on our uses of the proceeds from this offering, although it may accelerate the time at which we will need to seek additional capital.

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

- approximately \$ \_\_\_\_\_ million to advance clinical development of ONS-3010 through Phase 3 clinical trials;
- approximately \$ \_\_\_\_\_ million to advance clinical development of ONS-1045 into Phase 3 clinical trials;
- approximately \$ \_\_\_\_\_ million to advance clinical development of ONS-1050 and ONS-4010 into Phase 1 clinical trials;
- approximately \$ \_\_\_\_\_ million to complete expansion of our state-of-the-art research and development facility;
- approximately \$17.0 million to fund the remaining payments pursuant to our exercise of our repurchase option under our joint participation agreement with Zhejiang Huahai Pharmaceutical Co., Ltd.;
- approximately \$ \_\_\_\_\_ million to fund our other ongoing research and development activities; and
- the remainder for working capital and general corporate purposes.

However, due to the uncertainties inherent in the product development process, it is difficult to estimate with certainty the exact amounts of the net proceeds from this offering that may be used for the above purposes. Our management will have broad discretion over the use of the net proceeds from this offering. The amounts and timing of our expenditures will depend upon numerous factors including the results of our research and development efforts, the timing and success of preclinical studies and any ongoing clinical trials or clinical trials we may commence in the future, the timing of regulatory submissions and the amount of cash obtained through current and any future collaborations.

We believe opportunities may exist from time to time to expand our current business through acquisitions or in-licenses of complementary companies, medicines or technologies. While we have no current agreements, commitments or understandings for any specific acquisitions or in-licenses at this time, we may use a portion of the net proceeds for these purposes.

Pending the use of the proceeds from this offering as described above, we intend to invest the net proceeds in interest-bearing investment-grade securities or government securities.



### **DIVIDEND POLICY**

We have never declared or paid cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our capital stock in the foreseeable future. We currently intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our board of directors subject to applicable laws, and will depend upon, among other factors, our results of operations, financial condition, contractual restrictions and capital requirements. Our future ability to pay cash dividends on our stock may also be limited by the terms of any future debt, issuances of preferred securities or terms of future credit facilities.

## CAPITALIZATION

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

- an actual basis;
- a pro forma basis to give effect to (i) the issuance of 7,568,000 shares of common stock and 9,961 shares of Series A preferred stock to the holders of Series A and B redeemable preferred stock upon our reincorporation in Delaware, (ii) the issuance of 782,000 shares of common stock and 1,626 shares of Series A preferred stock in October 2015, (iii) the cash proceeds of \$4,280,149 received subsequent to September 30, 2015 related to stock issued in September 2015, (iv) the issuance of 753,677 shares of common stock for aggregate net proceeds of approximately \$6.3 million in December 2015, (v) the conversion of        shares of Series A preferred stock into        shares of common stock immediately prior to the closing of this offering (assuming an initial public offering price of \$        per share, the midpoint of the price range set forth on the cover page of this prospectus) and (vi) the reclassification of 6,000,000 shares of redeemable common stock to common stock upon lapse of a contractual redemption right; and
- a pro forma as adjusted basis, to give further effect to (i) the sale of        shares of common stock in this offering at an assumed initial public offering price of \$        per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions, and estimated offering expenses payable by us, and (ii) the filing of our amended and restated certificate of incorporation.

You should read this table together with the section titled "Selected Consolidated Financial Data," our consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this prospectus.

	As of September 30, 2015		
	Actual	Pro forma (Unaudited)	Pro forma as adjusted <sup>(1)</sup> (Unaudited)
Cash	\$ 9,070,975	\$ 19,660,653	\$
Debt obligations, current and long term	21,961,826	21,961,828	
Redeemable preferred stock, common stock and noncontrolling interests	27,321,311	—	
Stockholders' equity (deficit):			
Preferred stock, par value \$0.01 per share: no shares authorized, no shares issued and outstanding actual; 50,000 shares authorized, no shares issued and outstanding pro forma;        shares authorized,        shares issued and outstanding pro forma as adjusted	—	—	
Common stock, no par value; 100,000,000 shares authorized; 32,555,266 shares issued and outstanding actual	39,844,900	—	
Common stock, par value \$0.01 per share; 100,000,000 shares authorized,        shares issued and outstanding pro forma;        shares authorized,        shares issued and outstanding pro forma as adjusted	—	73,475,740	
Additional paid-in capital	—	—	
Accumulated deficit	(94,064,286)	(94,064,286)	
Noncontrolling interests	(654,417)	(654,417)	
Total stockholders' equity (deficit)	(54,873,803)	(21,242,963)	
Total capitalization	\$ (5,590,664)	\$ 718,865	\$

- (1) A \$1.00 increase (decrease) in the assumed initial public offering price of \$        per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of cash, additional paid-in capital, total stockholders' equity 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 estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, an increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) cash, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$        million, assuming an initial public offering price of \$        per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

The number of shares of common stock in the table above is based on \_\_\_\_\_ shares of common stock outstanding as of September 30, 2015, and excludes:

- 2,370,280 shares of common stock issuable upon the exercise of outstanding PSUs whose terms were amended subsequent to September 30, 2015 provide for settlement in shares of common stock or cash at our discretion, with a weighted-average exercise price of \$ \_\_\_\_\_ ;
- \_\_\_\_\_ shares issuable upon vesting of restricted stock unit awards, or RSUs, granted subsequent to September 30, 2015 under the 2015 Plan;
- 4,300,000 shares of common stock reserved for future issuance under the 2015 Plan, as well as any automatic increases in the number of shares of common stock reserved for future issuance under this plan; and
- \_\_\_\_\_ shares of common stock reserved for future issuance under the ESPP, as well as any automatic increases in the number of shares of common stock reserved for future issuance under this plan, which will become effective upon the execution of the underwriting agreement related to this offering.

## DILUTION

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

As of September 30, 2015, we had a historical net tangible book value (deficit) of \$(54.9) million, or \$(1.69) per share of common stock. Our historical net tangible book value (deficit) represents total tangible assets less our total liabilities. Historical net tangible book value per share is our historical net tangible book value (deficit) divided by the number of shares of common stock outstanding as of September 30, 2015.

Our pro forma net tangible book value (deficit) was \$ million, or \$ per share. Pro forma net tangible book value (deficit) per share represents our total tangible assets less our total liabilities, divided by the number of outstanding shares of common stock, after giving effect to (i) the issuance of 7,568,000 shares of common stock and 9,961 shares of Series A preferred stock to the holders of Series A and B redeemable preferred stock upon our reincorporation in Delaware, (ii) the issuance of 782,000 shares of common stock and 1,626 shares in October 2015, (iii) the cash proceeds of \$4,280,149 received subsequent to September 30, 2015 related to stock issued in September 2015, (iv) the issuance of 753,677 shares of common stock for aggregate net proceeds of approximately \$6.3 million in December 2015, (v) the conversion of shares of Series A preferred stock into shares of common stock immediately prior to the closing of this offering (assuming an initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus) and (vi) the reclassification of 6,000,000 shares of redeemable common stock to common stock upon lapse of a contractual redemption right.

After giving further effect to the sale of shares of common stock in this offering at an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value (deficit) as of September 30, 2015 would have been approximately \$ million, or \$ per share. This represents an immediate increase in pro forma as adjusted net tangible book value (deficit) of \$ per share to our existing stockholders and an immediate dilution of \$ per share to new investors purchasing common stock in this offering.

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

Assumed initial public offering price per share	\$
Historical net tangible book value (deficit) per share at September 30, 2015	\$(1.69)
Increase per share attributable to pro forma adjustments	
Pro forma net tangible book value (deficit) per share at September 30, 2015	
Increase in pro forma net tangible book value (deficit) per share attributable to this offering	_____
Pro forma as adjusted net tangible book value per share after this offering	_____
Dilution in net tangible book value per share to new investors in this offering	\$ _____

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

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

The following table summarizes, as of September 30, 2015, on a pro forma as adjusted basis described above:

- the total number of shares of common stock purchased from us by our existing stockholders and by new investors purchasing shares in this offering;
- the total consideration paid to us by our existing stockholders and by new investors purchasing common stock in this offering, assuming an initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering; and
- the average price per share paid by existing stockholders and by new investors purchasing shares in this offering.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing Stockholders		%	\$	%	\$
New Investors					
<b>Total</b>		<b>100%</b>	<b>\$</b>	<b>100%</b>	

The total number of shares of common stock reflected in the discussion and tables above is based on (i) shares of common stock outstanding as of September 30, 2015, (ii) the issuance of 7,568,000 shares of common stock and 9,961 shares of Series A preferred stock to the holders of Series A and B redeemable preferred stock upon our reincorporation in Delaware, (iii) the issuance of 782,000 shares of common stock and 1,626 shares of Series A preferred stock in October 2015, (iv) the cash proceeds of \$4,280,149 received subsequent to September 30, 2015 related to stock issued in September 2015, (v) the issuance of 753,677 shares of common stock for aggregate net proceeds of approximately \$6.3 million in December 2015, (vi) the conversion of shares of Series A preferred stock into shares of common stock immediately prior to the closing of this offering (assuming an initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus) and (vii) the reclassification of 6,000,000 shares of redeemable common stock to common stock upon lapse of a contractual redemption right and excludes:

- 2,370,280 shares of common stock issuable upon the exercise of outstanding PSUs whose terms were amended subsequent to September 30, 2015 to provide for settlement in shares of common stock or cash at our discretion, with a weighted-average exercise price of \$ ;
- shares issuable upon vesting of restricted stock unit awards, or RSUs, granted subsequent to September 30, 2015 under the 2015 Plan;
- 4,300,000 shares of common stock reserved for future issuance under the 2015 Plan, as well as any automatic increases in the number of shares of common stock reserved for future issuance under this plan; and
- shares of common stock reserved for future issuance under the ESPP, as well as any automatic increases in the number of shares of common stock reserved for future issuance under this plan, which will become effective upon the execution of the underwriting agreement related to this offering.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share would increase (decrease) total consideration paid by new investors by \$ million and increase (decrease) the total consideration paid to us by new investors by %, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

## SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data together with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included in this prospectus. The selected consolidated financial data included in this section are not intended to replace the consolidated financial statements and related notes included elsewhere in this prospectus.

The consolidated statements of operations data for the years ended September 30, 2014 and 2015 and the consolidated balance sheet data as of September 30, 2014 and 2015 are derived from our audited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended September 30,	
	2014	2015
<b>Consolidated Statements of Operations Data:</b>		
Collaboration revenues	\$ 9,050,542	\$ 5,219,237
Operating expenses:		
Research and development	14,124,631	38,876,040
General and administrative	7,318,314	12,905,823
	<u>21,442,945</u>	<u>51,781,863</u>
Loss from operations	(12,392,403)	(46,562,626)
Interest expense	901,052	2,297,339
Loss before income taxes	(13,293,455)	(48,859,965)
Income tax expense (benefit)	439,018	(190,111)
Net loss	(13,732,473)	(48,669,854)
Less: Net loss attributable to noncontrolling interests	—	(1,276,571)
Net loss attributable to Oncobiologics, Inc.	(13,732,473)	(47,393,283)
Accretion of redeemable preferred stock and noncontrolling interests	(3,588,996)	(4,306,488)
Deemed dividends upon the repurchase of Series A redeemable preferred stock and redeemable noncontrolling interests	(3,336,855)	(1,298,631)
Net loss attributable to common stockholders of Oncobiologics, Inc.	<u>\$ (20,658,324)</u>	<u>\$ (52,998,402)</u>
Per share information: <sup>(1)</sup>		
Net loss per share of common stock, basic and diluted	\$ (0.70)	\$ (1.57)
Weighted-average shares outstanding, basic and diluted	<u>29,358,331</u>	<u>33,650,012</u>
Pro forma net loss per share of common stock – basic and diluted (unaudited)		
Pro forma weighted-average shares outstanding (unaudited)		

(1) See Note 3 to our audited consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net loss per common share, pro forma net loss per common share and the weighted-average number of shares used in the computation of the per share amounts.

	As of September 30,	
	2014	2015
<b>Consolidated Balance Sheet Data:</b>		
Cash	\$ 2,349,313	\$ 9,070,975
Working capital (deficit)	(17,063,539)	(21,877,366)
Total assets	11,603,707	35,008,621
Debt obligations, current and long-term	15,168,532	21,961,828
Redeemable preferred stock, common stock and noncontrolling interests	24,704,011	27,321,311
Total stockholders' equity (deficit)	<u>(45,151,218)</u>	<u>(54,873,803)</u>

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

*You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes thereto included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this prospectus, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.*

### Overview

We are a clinical-stage biopharmaceutical company focused on identifying, developing, manufacturing and commercializing complex biosimilar therapeutics. Our current focus is on technically challenging and commercially attractive monoclonal antibodies, or mAbs, in the disease areas of immunology and oncology. A mAb is a type of protein that is produced by a single clone of cells or cell line and made to bind to a specific substance in the body. Our strategy is to cost-effectively develop these biosimilars on an accelerated timeline, which is fundamental to our success and we believe positions us to be a leading biosimilar company. We have leveraged our team's biopharmaceutical expertise to establish fully integrated in-house development and manufacturing capabilities, which we refer to as our BioSymphony Platform. We believe this platform addresses the numerous complex technical and regulatory challenges in developing and commercializing mAb biosimilars and was designed to provide significant pricing flexibility. Since inception, we have advanced two product candidates into clinical trials: ONS-3010, a Phase 3-ready biosimilar to adalimumab (Humira<sup>®</sup>), and ONS-1045, a Phase 3-ready biosimilar to bevacizumab (Avastin<sup>®</sup>). Additionally, we have identified multiple other biosimilar product candidates, including six that are in pre-clinical development, two of which are expected to enter clinical trials in 2016.

Through September 30, 2015, we have funded substantially all of our operations through the sale and issuance of our common stock, preferred stock, debt facilities and payments under our collaboration agreements. We have received aggregate net proceeds of \$89.4 million through September 30, 2015 from the sale or issuance of our common stock, preferred stock, and debt, including \$4.3 million in subscription receivable proceeds that we received in October 2015. We have also received \$23.0 million pursuant to our collaboration and licensing agreements.

As described in their audit report, our auditors have included an explanatory paragraph that states that we have incurred recurring losses and negative cash flows from operations since inception and have an accumulated deficit at September 30, 2015 of \$94.1 million and \$14.2 million of indebtedness that is due on demand. These matters raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

We will need to raise substantial additional financing in the future to fund our operations. We believe our existing cash together with the proceeds from this offering, will provide adequate financial resources to fund our planned operations through at least the next 12 months. We will need to raise substantial additional capital in order to commercialize ONS-3010, commence any Phase 3 clinical trials of ONS-1045 and continue to develop our other pipeline candidates. We plan to finance our future operations with a combination of proceeds from the issuance of equity securities, the issuance of additional debt, potential collaborations and revenues from potential future product sales, if any. There are no assurances that we will be successful in obtaining an adequate level of financing for the development and commercialization of ONS-3010, ONS-1045 or any other current or future biosimilar product candidates. If we are unable to secure adequate additional funding, our business, operating results, financial condition and cash flows may be materially and adversely affected.

We do not have any products approved for sale and we have only generated revenue from our collaboration agreements. We have incurred operating losses and negative operating cash flows since inception and there is no assurance that we will ever achieve profitable operations, and if achieved, that profitable operations will be sustained. Our net losses were \$13.7 million and \$47.4 million for the years ended September 30, 2014 and 2015, respectively. In addition, development activities, clinical and preclinical testing and commercialization of our product candidates will require significant additional financing.

## Reincorporation in Delaware

In October 2015, we reincorporated in Delaware by merging with and into Oncobiologics, Inc., a newly formed Delaware corporation, with the Delaware corporation surviving the merger. As a result of the merger, each share of our issued and outstanding common stock converted into and became a share of common stock of the Delaware corporation on a 1-for-1 basis, each issued and outstanding share of our Series A redeemable preferred stock converted into 1,000 shares of common stock and approximately 1.4035 shares of Series A preferred stock of the Delaware corporation, and each issued and outstanding share of Series B redeemable preferred stock converted into 1,000 shares of common stock and approximately 1.2867 shares of Series A preferred stock of the Delaware corporation. Additionally, in October 2015, effective upon our reincorporation and in connection with the dissolution of our business development subsidiary, Parilis Biopharmaceuticals, LLC, or Parilis, we issued 782,000 shares of common stock and 1,626 shares of Series A preferred stock to the holders of outstanding units in Parilis in exchange for all such units. Accordingly, immediately following the reincorporation, we had issued and outstanding 46,905,266 shares of common stock and 11,817 shares of Series A preferred stock (with a liquidation preference of \$1,000 per share).

## Collaboration and License Agreements

From time to time, we enter into collaboration and license agreements for the research and development, manufacture and/or commercialization of our biosimilar products and/or biosimilar product candidates. These agreements generally provide for non-refundable upfront license fees, development and commercial performance milestone payments, cost sharing, royalty payments and/or profit sharing. For additional information relating to our agreements, see "Business — Collaboration and License Agreements."

### Selexis SA

In October 2011, we entered into a research license agreement with Selexis SA, or Selexis, pursuant to which we acquired a non-exclusive license to conduct research internally or in collaboration with third parties to develop recombinant proteins from mammalian cells created lines using the Selexis expression technology, or the Selexis Technology. The original research license had a three-year term, but on October 9, 2014, was extended for an additional three-year term through October 9, 2017. We may sublicense our rights with Selexis' prior written consent but are prohibited from making commercial use of the Selexis Technology or the resultant recombinant proteins comprising our biosimilars in humans, or from filing an investigational new drug, absent a commercial license agreement with Selexis covering the particular biosimilar product candidate developed under the research license. In connection with the entry into the research license, we paid Selexis an initial fee and agreed to make additional annual maintenance payments of the same amount for each of the three years that the research license agreement term was extended.

Selexis also granted us a non-transferrable option to obtain a perpetual, non-exclusive, worldwide commercial license under the Selexis Technology to manufacture, or have manufactured, a recombinant protein produced by a cell line developed using the Selexis Technology for clinical testing and commercial sale. We exercised this option in April 2013 and entered into three commercial license agreements with Selexis for our ONS-3010, ONS-1045 and ONS-1050 biosimilar candidates. We paid an upfront licensing fee to Selexis for each commercial license and also agreed to pay a fixed milestone payment for each licensed product. In addition, we are required to pay a single-digit royalty on a final product-by-final product and country-by-country basis, based on worldwide net sales of such final products by us or any of our affiliates or sublicensees during the royalty term. At any time during the term, we have the right to terminate our royalty payment obligation by providing written notice to Selexis and paying Selexis a royalty termination fee.

### IPCA Laboratories Limited — Humira (ONS-3010), Avastin (ONS-1045) and Herceptin (ONS-1050)

In August 2013, we entered into a strategic license agreement with IPCA Laboratories Limited, or IPCA, under which we granted IPCA and its affiliates a license for the research, development, manufacture, use or sale of ONS-3010 and, by amendment in May 2014, ONS-1045. The license is exclusive with respect to India, Sri Lanka and Myanmar, and non-exclusive with respect to Nepal and Bhutan. Under the terms of the August 2013 agreement, we received an upfront payment from IPCA, and are eligible to earn additional regulatory milestone payments for each of ONS-3010 and ONS-1045. In addition, we are eligible to receive royalties at a low teens percentage rate of annual net sales of products by IPCA and its affiliates in the agreed territory.

In January 2014, we entered into an agreement with IPCA to assist IPCA in establishing its research, development and manufacturing capabilities for mAbs and biologics, including, in part, through collaborative development, manufacture and commercialization of ONS-1050 (our Herceptin biosimilar), in the agreed territory (as specified below). The agreed territory



for ONS-1050 includes the Republics of India, Sri Lanka, Myanmar, Nepal and Bhutan, while the agreed territory for any product candidates developed independent of our involvement is global without geographical restriction. We also agreed to assist IPCA with its research and development program. Under the terms of the January 2014 agreement, we are eligible to receive development payments and commercialization fees. In addition, we are eligible to receive royalties from IPCA at a mid-single digit rate on annual net sales of ONS-1050 commercialized by IPCA and its affiliates in the agreed territory.

We have received an aggregate of \$4.9 million of payments from IPCA under our various agreements.

***Liomont — Humira (ONS-3010) and Avastin (ONS-1045)***

In June 2014, we entered into a strategic license agreement with Laboratories Liomont, S.A. de C.V., or Liomont, under which we granted Liomont and its affiliates an exclusive, sublicenseable license in Mexico for the research, development, manufacture, use or sale of the ONS-3010 and ONS-1045 biosimilar product candidates in Mexico. Under the terms of the agreement, we received an upfront payment from Liomont, and we are eligible to earn milestone payments for each of ONS-3010 and ONS-1045. In addition, we are eligible to receive tiered royalties at upper single-digit to low teens percentage rates of annual net sales of products by Liomont and its affiliates in Mexico. We have received an aggregate of \$2.0 million of upfront and milestone payments from Liomont.

***Huahai — Humira (ONS-3010) and Avastin (ONS-1045)***

In May 2013, we entered into a series of agreements with Zhejiang Huahai Pharmaceutical Co., Ltd., or Huahai, to form an alliance for the purpose of developing and obtaining regulatory approval for, and commercial launch and marketing of licensed products in an agreed territory, as described below. The agreements include a strategic alliance agreement, which sets out the governance framework for the relationship, along with a joint participation agreement regarding joint development of ONS-3010, and a co-development and license agreement for each of ONS-3010 and ONS-1045.

As contemplated by the strategic alliance agreement, we entered into a joint participation agreement with Huahai where we agreed to develop and share the value ownership interest of ONS-3010 in the United States, Canada, European Union, Japan, Australia and New Zealand. Under the agreement as amended, we are responsible for completing a defined "Phase-3 Ready Package" at our expense, for which a portion of the Huahai funding will be used for advancing ONS-3010 for commercialization within the agreed countries. We have received an aggregate of \$16.0 million of upfront and milestone payments from Huahai.

In December 2014, we received an option to reacquire all rights to ONS-3010 from Huahai, which will terminate the joint participation agreement if exercised prior to December 23, 2015. Accordingly, in December 2015, we exercised our option and will be required to pay Huahai a total of \$28.0 million, consisting of an \$11.0 million initial payment due within seven days of exercise, and four additional installment payments of \$4.25 million payable over the course of the following year.

In conjunction with the strategic alliance agreement, we also entered into a co-development and license agreement with Huahai, under which we granted Huahai and its affiliates an exclusive license, in the territory (as specified below) for the research, development, manufacture, use or sale of the ONS-3010 or ONS-1045 in China, including, the People's Republic of China, Hong Kong, Macau and Taiwan. We will each bear our respective costs under the development plans. Huahai agreed to carry out all clinical, manufacturing and regulatory requirements necessary for approval of the products in the agreed territory. Under the terms of the agreement, we received an upfront payment from Huahai for ONS-3010, and have received regulatory milestone payments for each of ONS-3010 and ONS-1045.

**Components of Our Results of Operations**

***Collaboration Revenue***

To date, we have derived revenue only from activities pursuant to our collaboration and licensing agreements. We have not generated any revenue from commercial product sales. For the foreseeable future, we expect all of our revenue, if any, will be generated from our collaboration and licensing agreements. If any of our biosimilar product candidates currently under development are approved for commercial sale, we may generate revenue from product sales, or alternatively, we may choose to select a collaborator to commercialize our product candidates.

The following table sets forth a summary of revenue recognized from our collaboration and licensing agreements for the years ended September 30, 2014 and 2015:

	Year ended September 30,	
	2014	2015
IPCA Collaboration	\$ 1,439,472	\$ 1,702,377
Liomont Collaboration	34,091	341,280
Huahai Collaboration	7,576,979	3,175,580
	<u>\$ 9,050,542</u>	<u>\$ 5,219,237</u>

The following table summarizes the milestone payments and recognition of deferred revenues from our collaboration and licensing agreements during the years ended September 30, 2014 and 2015:

	Year ended September 30,	
	2014	2015
Milestone payments	\$ 7,000,000	\$ 2,500,000
Recognition of deferred revenues	1,300,542	1,919,237
Research and development payments	750,000	800,000
	<u>\$ 9,050,542</u>	<u>\$ 5,219,237</u>

Each of our collaboration and licensing agreements is considered to be a multiple-element arrangement for accounting purposes. We determined that there are two deliverables; specifically, the license to our biosimilar product candidate and the related research and development services that we are obligated to provide. We concluded that these deliverables should be accounted for as a single unit of accounting. We determined that the upfront license payments received should be deferred and recognized as revenue on a straight-line basis through the estimated period of completion of our obligations under the agreement. We recognize revenues from the achievement of milestones if the milestone event is substantive and achievability of the milestone was not reasonably assured at the inception of the agreement.

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

Research and development expense consists of expenses incurred in connection with the discovery and development of our biosimilar product candidates. We expense research and development costs as incurred. These expenses include:

- expenses incurred under agreements with contract research organizations, or CROs, as well as investigative sites and consultants that conduct our preclinical studies and clinical trials;
- manufacturing scale-up expenses and the cost of acquiring and manufacturing preclinical and clinical trial materials and commercial materials, including manufacturing validation batches;
- outsourced professional scientific development services;
- employee-related expenses, which include salaries, benefits and stock-based compensation;
- payments made under a third-party assignment agreement, under which we acquired intellectual property;
- expenses relating to regulatory activities, including filing fees paid to regulatory agencies;
- laboratory materials and supplies used to support our research activities; and
- allocated expenses for utilities and other facility-related costs.

The successful development of our biosimilar product candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the remainder of the development of, or when, if ever, material net cash inflows may commence from any of our other biosimilar product candidates. This uncertainty is due to the numerous risks and uncertainties associated with the duration and cost of clinical trials, which vary significantly over the life of a project as a result of many factors, including:

- the number of clinical sites included in the trials;
- the length of time required to enroll suitable patients;
- the number of patients that ultimately participate in the trials;

- the number of doses patients receive;
- the duration of patient follow-up;
- the results of our clinical trials;
- the establishment of commercial manufacturing capabilities;
- the receipt of marketing approvals; and
- the commercialization of product candidates.

Our expenditures are subject to additional uncertainties, including the terms and timing of regulatory approvals. We may never succeed in achieving regulatory approval for any of our biosimilar product candidates. We may obtain unexpected results from our clinical trials. We may elect to discontinue, delay or modify clinical trials of some biosimilar product candidates or focus on others. A change in the outcome of any of these variables with respect to the development of a biosimilar product candidate could mean a significant change in the costs and timing associated with the development of that biosimilar product candidate. For example, if the U.S. Food and Drug Administration, or FDA, or other regulatory authorities were to require us to conduct clinical trials beyond those that we currently anticipate, or if we experience significant delays in enrollment in any of our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development. Biosimilar product commercialization will take several years and millions of dollars in development costs.

Research and development activities are central to our business model. Biosimilar product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect our research and development expenses to increase significantly over the next several years as we increase personnel costs, including stock-based compensation, conduct clinical trials and prepare regulatory filings for our biosimilar product candidates.

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

General and administrative expenses consist principally of salaries and related costs for personnel in executive, administrative, finance and legal functions, including stock-based compensation, travel expenses and recruiting expenses. Other general and administrative expenses include facility related costs, patent filing and prosecution costs and professional fees for business development, legal, auditing and tax services and insurance costs.

We anticipate that our general and administrative expenses will increase as a result of increased payroll, expanded infrastructure and higher consulting, legal and tax-related services associated with maintaining compliance with stock exchange listing and Securities and Exchange Commission, or SEC, requirements, accounting and investor relations costs, and director and officer insurance premiums associated with being a public company. We also anticipate that our general and administrative expenses will increase in support of our clinical trials as we expand and progress our development programs. Additionally, if and when we believe a regulatory approval of a biosimilar product candidate appears likely, we anticipate an increase in payroll and expense as a result of our preparation for commercial operations, particularly as it relates to the sales and marketing of our biosimilar product.

#### **Interest Expense**

Interest expense consists of cash paid and non-cash interest expense related to our bank loans, notes with current and former stockholders, equipment loans and capital lease obligations.

#### **Income Taxes**

During the years ended September 30, 2014 and 2015, we sold New Jersey state net operating losses, or NOLs, and research credits of \$9.9 million and NOLs of \$4.8 million, respectively, resulting in the recognition of income tax benefits of \$0.8 million and \$0.7 million, respectively. In addition during the years ended September 30, 2014 and 2015, we incurred \$1.3 million and \$0.5 million of foreign withholding taxes in connection with our collaboration and licensing agreements.

Since inception, we have not recorded any U.S. federal or state income tax benefits (excluding the sale of New Jersey state NOLs) for the net losses we have incurred in each year or on our earned research and development tax credits, due to our uncertainty of realizing a benefit from those items. As of September 30, 2015, we had federal and state NOL carryforwards of \$52.9 million and \$36.9 million, respectively, that will begin to expire in 2030 and 2032, respectively. As of September 30, 2015, we had federal foreign tax credit carryforwards of \$2.6 million available to reduce future tax liabilities, which begin to expire at various dates starting in 2023. As of September 30, 2015, we also had federal and

state research and development tax credit carryforwards of \$4.2 million and \$1.7 million, respectively, which begin to expire in 2021.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs to offset future taxable income. We have not completed a study to assess whether an ownership change has occurred in the past. Our existing NOLs may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change in connection with or after this offering, our ability to utilize NOLs could be further limited by Section 382 of the Code. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. Our NOLs are also subject to international regulations, which could restrict our ability to utilize our NOLs. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities.

## Results of Operations

### Comparison of Years Ended September 30, 2014 and 2015

The following table summarizes our results of operations for the years ended September 30, 2014 and 2015:

	Year Ended September 30,		Change
	2014	2015	
Collaboration revenues	\$ 9,050,542	\$ 5,219,237	\$ (3,831,305)
Operating expenses:			
Research and development	14,124,631	38,876,040	24,751,409
General and administrative	7,318,314	12,905,823	5,587,509
	<u>21,442,945</u>	<u>51,781,863</u>	<u>30,338,918</u>
Loss from operations	(12,392,403)	(46,562,626)	(34,170,223)
Interest expense	901,052	2,297,339	1,396,287
Loss before income taxes	(13,293,455)	(48,859,965)	(35,566,510)
Income tax expense (benefit)	439,018	(190,111)	(629,129)
Net loss	<u>\$ (13,732,473)</u>	<u>\$ (48,669,854)</u>	<u>\$ (34,937,381)</u>

#### Collaboration Revenues

Our collaboration revenues decreased \$3.8 million, to \$5.2 million, for the year ended September 30, 2015, as compared to the year ended September 30, 2014. The change is primarily attributable to the \$4.5 million decrease in milestone payments offset by a \$0.6 million increase in the amortization of deferred revenue.

#### Research and Development Expenses

We do not currently utilize a formal time allocation system to capture expenses on a project-by-project basis because we are organized and record expense by functional department and our employees may allocate time to more than one development project. Accordingly, we do not allocate expenses to individual projects or product candidates, although we do allocate some portion of our research and development expenses by functional area and by compound, as shown below.

The following table summarizes our research and development expenses by functional area for the years ended September 30, 2014 and 2015 and for the period from January 5, 2010 (date of inception) through September 30, 2015:

	Year ended September 30,		Period from January 5, 2010 (inception) through September 30, 2015
	2014	2015	
Preclinical and clinical development	\$ 6,715,346	\$ 21,714,405	\$ 33,167,123
Compensation and related benefits	6,424,884	10,202,065	23,477,173
Stock-based compensation	671,745	5,817,830	6,625,385
Regulatory filings and other	312,656	1,141,740	2,209,872
Total research and development expenses	<u>\$ 14,124,631</u>	<u>\$ 38,876,040</u>	<u>\$ 65,479,553</u>

The following table summarizes our research and development expenses by compound for the years ended September 30, 2014 and 2015 and for the period from January 5, 2010 (date of inception) through September 30, 2015:

	Year ended September 30,		Period from
	2014	2015	January 5, 2010 (inception) through September 30, 2015
ONS-3010	\$ 4,641,138	\$ 6,942,002	\$ 15,197,201
ONS-1045	1,819,446	12,763,886	14,911,274
Other research and development	567,418	3,150,257	5,268,520
Personnel related and stock-based compensation	7,096,629	16,019,895	30,102,558
<b>Total research and development expenses</b>	<b>\$ 14,124,631</b>	<b>\$ 38,876,040</b>	<b>\$ 65,479,553</b>

Research and development expenses were \$14.1 million for the year ended September 30, 2014, compared to \$38.9 million for the year ended September 30, 2015. Our preclinical and clinical development costs increased \$15.0 million, which was primarily attributable to the timing of our Phase 1 clinical trials of ONS-3010 and ONS-1045, our Phase 3 clinical trials of ONS-3010, and related internal manufacturing and testing costs, respectively. We had an increase in compensation costs of \$3.8 million due to increased headcount as we launched our in-house manufacturing facility in 2015. We also had a \$0.8 million increase in research and development expense primarily due to government filing fees for our product candidates. In addition we had an increase in stock-based compensation of \$5.1 million upon the re-measurement of our Performance Stock Units, or PSUs.

#### *General and Administrative Expenses*

General and administrative expenses were \$7.3 million for the year ended September 30, 2014, compared to \$12.9 million for the year ended September 30, 2015. The increase of \$5.6 million was primarily attributable to an increase of \$2.1 million in professional service fees as we initiated our compliance efforts in anticipation of becoming a publicly traded company; a \$1.1 million increase in compensation expenses as we increased our headcount; a \$0.1 million increase in our facility costs and related rent as we expanded the space in which we lease our offices; and a \$2.1 million increase in stock-based compensation upon the re-measurement of our PSUs.

#### *Interest Expense*

Interest expense was \$0.9 million for the year ended September 30, 2014, compared to \$2.3 million for the year ended September 30, 2015. The increase of \$1.4 million was primarily attributable to the \$10.9 million in additional borrowings during 2015.

### **Liquidity and Capital Resources**

We have not generated any revenue from biosimilar product sales. Since inception, we have incurred net losses and negative cash flows from our operations. Through September 30, 2015, we have funded substantially all of our operations through the sale and issuance of \$89.4 million net proceeds of our common stock, and sales of our preferred stock and borrowings under debt facilities, including \$4.3 million in subscription receivable proceeds that we received in October 2015. We have also received an aggregate of \$23.0 million pursuant to our collaboration and licensing agreements. As of September 30, 2015, we had a cash balance of \$9.1 million.

As described in their audit report, our auditors have included an explanatory paragraph that states that we have incurred recurring losses and negative cash flows from operations since inception and have an accumulated deficit at September 30, 2015 of \$94.1 million and \$14.2 million of indebtedness that is due on demand. These matters raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty. We anticipate incurring additional losses until such time, if ever, that we can generate significant sales of our product candidates currently in development. We will need substantial additional financing to fund our operations and to commercially develop our product candidates. Management is currently evaluating different strategies to obtain the required funding for future operations. These strategies may include, but are not limited to: private placements of equity and/or debt, payments from potential strategic research and development, licensing and/or marketing arrangements with pharmaceutical companies, and public offerings of equity and/or debt securities. There can be no assurance that these future funding efforts will be successful.

Our future operations are highly dependent on a combination of factors, including (i) the timely and successful completion of additional financing discussed above, (ii) our ability to complete revenue-generating partnerships with pharmaceutical companies, (iii) the success of our research and development, (iv) the development of competitive therapies by other biotechnology and pharmaceutical companies, and, ultimately, (v) regulatory approval and market acceptance of our proposed future products.

#### **Cash Flows**

The following table summarizes our cash flows for each of the periods presented:

	Year Ended September 30,	
	2014	2015
Net cash used in operating activities	\$ (7,020,469)	\$ (27,476,200)
Net cash used in investing activities	(2,366,772)	(8,804,244)
Net cash provided by financing activities	11,474,146	43,002,106
Net increase in cash	<u>\$ 2,086,905</u>	<u>\$ 6,721,662</u>

#### *Operating Activities.*

During the year ended September 30, 2014, we used \$7.0 million of cash in operating activities, primarily resulting from our net loss of \$13.7 million that was offset by \$4.8 million of noncash items and \$1.9 million in net cash provided by changes in our operating assets and liabilities. The noncash items were primarily comprised of depreciation and amortization of our fixed assets, stock-based compensation, and the re-measurement of our PSU liability. The change in our operating assets and liabilities were primarily due to receipt of upfront payments under our collaboration and licensing agreements and prepayments to certain vendors. We also had increases in accrued expenses related to accrued compensation, research and development, and professional fees and our income taxes payable in connection with foreign tax withholdings.

During the year ended September 30, 2015, we used \$27.5 million of cash in operating activities, primarily resulting from our net loss of \$48.7 million that was offset by \$13.0 million of noncash items and \$8.2 million in net cash provided by changes in our operating assets and liabilities. The noncash items were primarily comprised of depreciation and amortization of our fixed assets and the re-measurement of our PSU liability. The change in our operating assets and liabilities were primarily due to an \$8.8 million increase in accounts payable and accrued expenses, which increased due to the timing in which we paid our research and development vendors. We also received \$2.2 million in upfront fees and milestone payments under our collaboration and licensing agreements. These increases were offset by the prepayments of certain expenses and other assets.

#### *Investing Activities.*

During the year ended September 30, 2014 and 2015, we used cash of \$2.4 million and \$8.8 million, respectively, in investing activities for the purchase of property and equipment. The increase in purchases of property and equipment in 2015 was primarily attributable to the launching of our manufacturing facility, which resulted in significant increases in our laboratory equipment and leasehold improvements.

#### *Financing Activities.*

During the year ended September 30, 2014, net cash provided by financing activities was \$11.5 million, primarily attributable to the proceeds received from the issuance of our redeemable common stock, Series B redeemable preferred stock, common stock and debt of \$10.9 million, \$0.3 million, \$0.1 million and \$8.5 million, respectively. These cash inflows were offset by debt payments and the June 2014 buyback of our Series A redeemable preferred stock of \$4.1 million and \$4.1 million, respectively.

During the year ended September 30, 2015, net cash provided by financing activities was \$43.0 million, primarily attributable to the proceeds received from the issuance of our common stock and debt of \$41.2 million, \$10.9 million, respectively. These cash inflows were offset by debt payments and the partial repurchase of outstanding shares of Series A redeemable preferred stock of \$9.3 million and \$0.2 million, respectively.

#### **Funding Requirements**

We plan to focus in the near term on the development, regulatory approval and potential commercialization of our biosimilar product candidates. We anticipate we will incur net losses and negative cash flow from operations for the next several years

as we complete clinical development and continue research and development. In addition, we plan to continue to invest in discovery efforts to explore additional biosimilar product candidates, potentially build commercial capabilities and expand our corporate infrastructure. We may not be able to complete the development and initiate commercialization of these programs if, among other things, our clinical trials are not successful or if the FDA does not approve our biosimilar products arising out of our current clinical trials when we expect, or at all.

Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, clinical costs, external research and development services, laboratory and related supplies, legal and other regulatory expenses, and administrative and overhead costs. Our future funding requirements will be heavily determined by the resources needed to support development of our biosimilar product candidates.

Following this offering, we will be a publicly traded company and will incur significant legal, accounting and other expenses that we were not required to incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, as well as rules adopted by the SEC and The NASDAQ Stock Market, requires public companies to implement specified corporate governance practices that are currently inapplicable to us as a private company. We expect these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

We believe our existing cash together with the proceeds from this offering, will provide adequate financial resources to fund our planned operations through at least the next 12 months. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. We will need to raise substantial additional capital in order to receive approval for and commercialize ONS-3010, complete any Phase 3 clinical trials of ONS-1045 and commence Phase 3 clinical trials for any of our other pipeline candidates. We plan to finance our future operations with a combination of proceeds from the issuance of equity securities, the issuance of additional debt, potential collaborations and revenues from potential future product sales, if any. If we raise additional capital through the sale of equity or convertible debt securities, your ownership will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a holder of our common stock. There are no assurances that we will be successful in obtaining an adequate level of financing for the development and commercialization of ONS-3010, ONS-1045 or any other current or future biosimilar product candidates. If we are unable to secure adequate additional funding, our business, operating results, financial condition and cash flows may be materially and adversely affected.

Because of the numerous risks and uncertainties associated with research, development and commercialization of biosimilar products, we are unable to estimate the exact amount of our working capital requirements. Our future funding requirements will depend on many factors, including:

- the number and characteristics of the biosimilar product candidates we pursue;
- the scope, progress, results and costs of researching and developing our biosimilar product candidates, and conducting preclinical studies and clinical trials;
- the timing of, and the costs involved in, obtaining regulatory approvals for our biosimilar product candidates;
- the cost of manufacturing our biosimilar product candidates and any drugs we successfully commercialize;
- our ability to establish and maintain strategic collaborations, 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 milestone payments related to or royalties on, our current or future biosimilar product candidates, if any.

See "Risk Factors" for additional risks associated with our substantial capital requirements.

## Contractual Obligations and Commitments

The following table summarizes our contractual obligations at September 30, 2015 and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

	Payments Due by Period				
	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years
Operating lease commitments <sup>(1)</sup>	\$ 5,027,353	\$ 888,710	\$ 1,731,526	\$ 1,763,368	\$ 643,749
Debt obligations <sup>(2)</sup>	19,953,059	14,956,852	3,355,272	1,032,926	608,008
Capital leases <sup>(3)</sup>	2,082,222	862,849	1,219,373	—	—
Total <sup>(4)</sup>	<u>\$ 27,062,634</u>	<u>\$ 16,708,411</u>	<u>\$ 6,306,171</u>	<u>\$ 2,796,294</u>	<u>\$ 1,251,757</u>

- (1) Operating lease obligations reflect our obligation to make payments in connection with the lease for our office and manufacturing facility located in Cranbury, New Jersey.
- (2) Debt obligations reflect outstanding principal obligations due to investors on notes payable and institutions and financing organizations for non-lease related equipment.
- (3) Capital lease obligations reflect our outstanding principal payment obligations in connection with leased equipment used in our manufacturing facility.
- (4) This table does not include (a) any milestone payments that may become payable to third parties under license agreements as the timing and likelihood of such payments are not known with certainty, (b) any royalty payments to third parties as the amounts, timing and likelihood of such payments are not known, and (c) contracts that are entered into in the ordinary course of business that are not material in the aggregate in any period presented above.

Under our license agreement with Selexis, we are obligated to pay milestone payments, as well as a royalty at a single-digit percentage of net sales of any covered product we successfully commercialize.

We also have employment agreements with certain employees, which require the funding of a specific level of payments if certain events, such as a change in control or termination without cause, occur.

In addition, in the course of normal business operations, we have agreements with contract service providers to assist in the performance of our research and development and manufacturing activities. Expenditures to CROs represent a significant cost in clinical development. We can elect to discontinue the work under these agreements at any time. We could also enter into additional collaborative research and licensing, contract research, manufacturing, and supplier agreements in the future, which may require upfront payments and even long-term commitments of cash.

### Off-Balance Sheet Arrangements

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

### Quantitative and Qualitative Disclosures about Market Risks

We are exposed to market risks in the ordinary course of our business. As of September 30, 2015, we had \$9.1 million of cash, and we had \$22.0 million of debt obligations. Our cash is deposited in accounts at two financial institutions, and amounts may exceed federally insured limits. We do not believe we are exposed to significant credit risk due to the financial strength of the depository institutions in which the cash is held. As a result, a change in market interest rates would not have a material impact on our financial position or results of operations.

### Critical Accounting Policies and Significant Judgments and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles. The preparation of our consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reported period. We base our estimates on historical experience, known trends and events and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions.



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

#### **Revenue Recognition**

We generate revenue primarily through collaboration and licensing agreements that contain multiple deliverables, generally a license and research and development services. Revenue recognition for arrangements with multiple elements requires the determination of whether an arrangement involving multiple deliverables contains more than one unit of accounting. A delivered item within an arrangement is considered a separate unit of accounting only if both of the following criteria are met:

- the delivered item has value to the customer on a stand-alone basis; and
- if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in our control.

If both of the criteria above are not met, then separate accounting for the individual deliverables is not appropriate. Revenue recognition for arrangements with multiple deliverables constituting a single unit of accounting is recognized generally over the greater of the term of the arrangement or the expected period of performance, either on a straight-line basis or on a modified proportional performance method. We record amounts received prior to satisfying the revenue recognition criteria as deferred revenue on our balance sheet. We classify amounts expected to be recognized as revenue in the next twelve months following the balance sheet date as current liabilities.

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

As part of the process of preparing our consolidated financial statements, we are required to estimate our accrued research and development expenses. This process involves reviewing 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 costs. The majority of our service providers require advance payments; however, some invoice us in arrears for services performed, on a pre-determined schedule or when contractual milestones are met. We make estimates of our accrued expenses as of each balance sheet date in the consolidated financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of the estimates with the service providers and makes adjustments if necessary. Examples of estimated accrued research and development expenses include fees paid to:

- vendors in connection with preclinical development activities;
- the production of preclinical and clinical trial materials;
- CROs in connection with clinical trials; and
- investigative sites in connection with clinical trials.

We base our expenses related to preclinical studies and clinical trials on our estimates of the services received and efforts expended pursuant to quotes and contracts with multiple research institutions and CROs that conduct and manage preclinical studies and 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. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the expense. 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 the estimate, we adjust the accrual or prepaid 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 reporting amounts that are too high or too low in any particular period. To date, we have not made any material adjustments to our prior estimates of accrued research and development expenses.

#### **Stock-Based Compensation and PSU Obligation**

As of September 30, 2014 and 2015, our outstanding stock-based compensation awards are substantially comprised of PSUs, which are liability classified as the PSUs settle in cash and therefore are subject to remeasurement until the award is settled or extinguished. Because the exercisability of the PSUs occurs upon a corporate valuation of \$400 million, the fair value of the PSUs are estimated using a Monte Carlo simulation model. The inputs used in preparing the Monte Carlo

simulation model include (i) volatility of our common stock, (ii) risk free interest rate, (iii) base price of the PSUs, (iv) fair value of our common stock and enterprise value, and (v) derived service period.

The most significant input affecting the estimated fair value of the PSUs is the fair value of our common stock. As of September 30, 2015, the fair value of our common stock was \$7.475 per share based on contemporaneous, arms-length transactions with new investors purchasing our common stock.

As of September 30, 2014, we were required to estimate the fair value of our common stock underlying our PSU awards. We have engaged an independent third-party valuation firm to assist management in estimating the fair value of our common stock. We estimated the fair value of our common stock using methodologies, approaches and assumptions consistent with the AICPA Practice Guide. In addition, management considered various objective and subjective factors, along with input from the independent third-party valuation firm, to estimate the fair value of our common stock. As of September 30, 2014, the estimated fair value of our common stock was \$2.21 per share.

We believe that the receipt of the results from our Phase 1 clinical trial of ONS-3010 in early 2015, and the continued advancement of our other biosimilar product candidate development programs were the main drivers behind the increase in our price per share from September 30, 2014 to September 30, 2015.

Using the above common stock fair values, the estimated fair value of the PSUs was \$1.00 and \$6.44 per PSU as of September 30, 2014 and 2015, respectively. The increase in the fair value of the PSUs is driven by the increase in the fair value of our common stock and related increase in the enterprise value of our company as we approach a corporate valuation of \$400 million.

For the years ended September 30, 2014 and 2015, we had compensation related to our equity and liability awards as follows:

	Year ended September 30,	
	2014	2015
Research and development	\$ 671,745	\$ 5,817,830
General and administrative	3,286,735	5,360,028
	<u>\$ 3,958,480</u>	<u>\$ 11,177,858</u>

	Year ended September 30,	
	2014	2015
Equity-classified compensation	\$ 2,764,878	\$ 8,925
Liability-classified compensation	1,193,602	11,168,933
	<u>\$ 3,958,480</u>	<u>\$ 11,177,858</u>

#### Internal Controls and Procedures

We will be required, pursuant to Section 404(a) of the Sarbanes-Oxley Act, or Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the year following our first annual report required to be filed with the SEC. This assessment will need to include disclosure of any material weaknesses identified by management over our internal control over financial reporting. However, our independent registered public accounting firm will not be required to report on the effectiveness of our internal control over financial reporting pursuant to Section 404(b) until the later of the year following our first annual report required to be filed with the SEC, or the date we are no longer an "emerging growth company" if we take advantage of the exemptions contained in the Jumpstart Our Business Startups Act of 2012, or JOBS Act.

We have not initiated the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing or any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are designed and operating effectively, which could result in a loss of investor confidence in the accuracy and completeness of our financial reports. This could cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC.

## **JOBS Act Accounting Election**

The JOBS Act, permits an “emerging growth company” such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have irrevocably elected to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards when they are required to be adopted by public companies that are not emerging growth companies.

## **Recently Issued and Adopted Accounting Pronouncements**

In April 2015, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Updates, or ASU, 2015-03, *Interest — Imputation of Interest* (Subtopic 835-30). The update requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. The guidance is effective for fiscal years beginning after December 15, 2015. We early adopted this guidance for all periods presented.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The amendments in this update will explicitly require a company's management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The new standard will be effective in the first annual period ending after December 15, 2016. Early application is permitted. We are currently evaluating the potential impact of the adoption of this standard, but we believe its adoption will have no impact on our consolidated results of operations, financial position or cash flows.

In May 2014, the FASB issued ASU, No. 2014-09, *Revenue from Contracts with Customers*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Qualitative and quantitative information is required about:

*Contracts with customers* — including revenue and impairments recognized, disaggregation of revenue and information about contract balances and performance obligations (including the transaction price allocated to the remaining performance obligations).

*Significant judgments and changes in judgments* — determining the timing of satisfaction of performance obligations (over time or at a point in time), and determining the transaction price and amounts allocated to performance obligations.

*Certain assets* — assets recognized from the costs to obtain or fulfill a contract.

In July 2015, the FASB delayed the effective date of this guidance. As a result, this guidance will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We are currently evaluating the impact that this guidance will have on our consolidated results of operations, financial position and cash flows.

## BUSINESS

### Overview

We are a clinical-stage biopharmaceutical company focused on identifying, developing, manufacturing and commercializing complex biosimilar therapeutics. Our current focus is on technically challenging and commercially attractive monoclonal antibodies, or mAbs, in the disease areas of immunology and oncology. A mAb is a type of protein that is produced by a single clone of cells or cell line and made to bind to a specific substance in the body. Our strategy is to cost-effectively develop these biosimilars on an accelerated timeline, which is fundamental to our success and we believe positions us to be a leading biosimilar company. We have leveraged our team's biopharmaceutical expertise to establish fully integrated in-house development and manufacturing capabilities, which we refer to as our BioSymphony Platform. We believe this platform addresses the numerous complex technical and regulatory challenges in developing and commercializing mAb biosimilars and was designed to provide significant pricing flexibility. Since inception, we have advanced two product candidates into clinical trials: ONS-3010, a Phase 3-ready biosimilar to adalimumab (Humira<sup>®</sup>), and ONS-1045, a Phase 3-ready biosimilar to bevacizumab (Avastin<sup>®</sup>). Additionally, we have identified multiple other biosimilar product candidates, including six that are in active preclinical development, two of which are expected to enter clinical trials in 2016.

Escalating healthcare costs and healthcare reform have been major drivers for the advancement of the biosimilar market as payors continue to seek ways to reduce costs. By gaining the "highly similar" regulatory designation for an approved biologic, or a reference product, less-expensive biosimilars provide the opportunity to reduce treatment costs without sacrificing the quality of care. We believe the significant pricing flexibility provided by our BioSymphony Platform gives us an additional competitive advantage in potentially capturing market share. The loss of multiple reference product patent exclusivities in the coming years will create significant opportunities for the biosimilar industry. There are more than 30 reference products facing loss of patent exclusivity in one or more major markets through 2020. According to the SNS Report, mAbs are the largest segment of the biologic market, and worldwide sales of mAb biosimilars are expected to grow from approximately \$1.4 billion in 2015 to \$56.5 billion by 2030.

Our most advanced product candidate, ONS-3010, an adalimumab (Humira) biosimilar, targets the tumor necrosis factor alpha, or TNF $\alpha$ , which is a potent inflammation mediator. In the first quarter of 2015, ONS-3010 met its primary and secondary endpoints in a Phase 1 clinical trial. In addition, ONS-3010 demonstrated a rate of injection site reactions lower than that of Humira. We have initiated Phase 3 preparatory activities for ONS-3010 and expect to commence enrollment in 2016 upon receipt of the necessary regulatory authorizations. Our second product candidate, ONS-1045, a bevacizumab (Avastin) biosimilar, interferes with tumor growth by binding to vascular endothelial growth factor, or VEGF, a protein that stimulates the formation of new blood vessels. In October 2015, ONS-1045 met its primary and secondary endpoints in a Phase 1 clinical trial and we are preparing to commence enrollment for a Phase 3 clinical trial in 2016 upon receipt of the necessary regulatory authorizations.

In addition to our clinical candidates, we have six preclinical biosimilar product candidates in active development. Our most advanced preclinical product candidate, ONS-1050, a trastuzumab (Herceptin<sup>®</sup>) biosimilar, interferes with the human epidermal growth factor receptor 2, or HER2, a protein that stimulates cell proliferation, and when overexpressed, can cause certain cancers. ONS-4010 is a biosimilar to denosumab (Prolia<sup>®</sup>/Xgeva<sup>®</sup>), which is a fully human mAb with affinity and specificity for human RANKL (receptor activator of nuclear factor kappa-B ligand), and used for the treatment of osteoporosis, treatment-induced bone loss, bone metastases and giant cell tumor of the bone. We expect to commence Phase 1 clinical trials of both ONS-1050 and ONS-4010 in 2016, pending successful completion of comparative analytical and *in vitro* functional studies and receipt of necessary regulatory authorizations. In addition to these preclinical products, we plan to expand our pipeline of complex biosimilar product candidates as additional products approach the loss of their respective patent exclusivities.

We were founded by a team of industry veterans with decades of cumulative experience in biologics development and commercialization. Our leadership team has been instrumental in obtaining global regulatory approval for multiple complex biologics at leading multinational biopharmaceutical companies. In addition, our scientific team has specific experience in process development for complex biologics, protein manufacturing and analytical research and development, which are essential components for the development and manufacturing of complex biosimilars.

## Our Strategy

Our goal is to utilize the BioSymphony Platform to identify, develop, manufacture and commercialize technically challenging and commercially attractive mAb biosimilars on an accelerated timeline in a cost-effective manner, initially in the disease areas of immunology and oncology. The key elements of our strategy include:

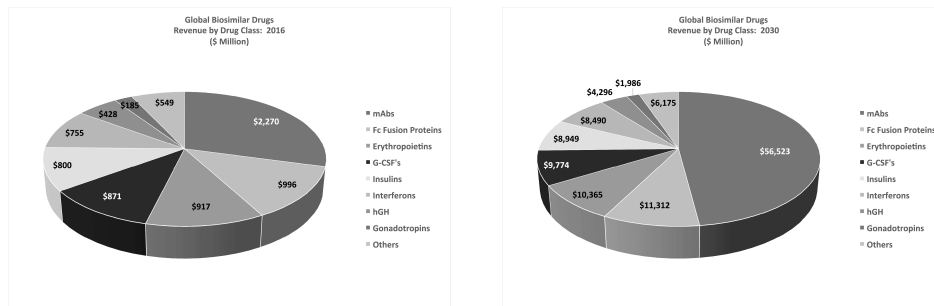
- **Rapidly advancing our lead product candidates through late-stage clinical development and continuing to advance our preclinical pipeline.** ONS-3010 and ONS-1045 are our most advanced clinical-stage product candidates. In the first quarter of 2015, ONS-3010 met its primary and secondary study endpoints in a Phase 1 clinical trial and we are preparing to commence enrollment in a confirmatory Phase 3 clinical trial in 2016. Our second product candidate, ONS-1045, met its primary and secondary study endpoints in a Phase 1 clinical trial in October 2015 and we expect to commence enrollment in a Phase 3 clinical trial of ONS-1045 in 2016. In addition to our advanced product candidates, we have identified six preclinical candidates. Our most advanced preclinical candidates, ONS-1050 and ONS-4010, are expected to commence Phase 1 clinical trials in 2016, pending successful completion of comparative analytical and *in vitro* functional studies.
- **Employing our expertise in product development to further expand our pipeline.** We use a comprehensive approach to identify both near-term and future biosimilar targets that will further enhance and sustain our growth. In particular, we periodically evaluate approved complex biologics using multi-faceted selection criteria to identify reference products that we believe have potential for significant commercial opportunity.
- **Cost effectively developing and manufacturing mAb biosimilars in an accelerated timeframe.** Our internal capabilities allow us to employ a seamless transition between development and manufacturing, significantly reducing the time and cost of biosimilar development. We employ single-use technology that reduces costs of manufactured goods as compared to traditional manufacturing methods. These integrative features of our in-house capabilities permit us to initiate current good manufacturing practice, or cGMP, manufacturing within six weeks of completion of process development compared to traditional technology transfers that can take six months or more. We believe that these cost reductions will enable significant pricing flexibility, and will be fundamental to establishing long-term leadership in the biosimilar industry.
- **Continuing to invest in and expand our in-house manufacturing capabilities.** We believe our in-house manufacturing capabilities offer us competitive advantages in the biosimilar industry. Our current manufacturing facilities and infrastructure are sufficient to support the clinical development of our current pipeline and the commercialization of our two most advanced product candidates. Further, given the modular nature of our facilities and infrastructure, we believe we can rapidly and cost effectively expand our capacity to support our future manufacturing needs as we continue to expand our pipeline of product candidates.
- **Maximizing the value of our pipeline by retaining development and commercialization rights in the United States and continuing to selectively out-license to ex-U.S. markets.** The United States is the largest potential biosimilar market in the world. We currently intend to retain U.S.-rights to select product candidates while entering into additional strategic collaborations and partnerships with biotechnology and pharmaceutical companies in other regions. We believe this strategy will maximize the commercial value of our development programs.

## The Biosimilar Industry

### Background

Biologic products are produced by living cells and have been approved for the treatment of various disease states. Biosimilars are the approved "copies" of such reference products. According to a recent report from ESPICOM, an international health research and publishing company, the 2014 global biologics market represented approximately \$175 billion in sales, with virtually the entire market composed of branded biologic products. Additionally, more than 280 potential novel biologic therapies have been identified in the clinical pipeline, almost half of which are being evaluated for oncology indications. Multiple patents for many commercially successful biologic products are expected to expire during the next five years, providing an unprecedented opportunity for reductions in the cost of biologics through the introduction of biosimilars. There are over 30 biologic products that face loss of market exclusivity in at least one major market through 2020. According to published reports, global sales of biologics are estimated to reach more than \$200 billion by 2016. Biologic reference products with estimated global sales of \$100 billion will come off patent by 2020, and between 2009 and 2019, \$50.0 billion of the market value of biologics in the United States alone will lose patent protection. In 2016, there are expected to be more than 45 mAbs on the market worldwide, with revenues estimated to be in excess of \$40.0 billion. The overall biosimilar market is projected to reach global sales of approximately \$7.8 billion (\$2.3 billion of which

is associated with mAbs) during 2016, eventually accounting for approximately \$118 billion by 2030 (\$56.5 billion of which is associated with mAbs). As demonstrated in the following graphic, revenue from global sales of mAbs are expected to account for nearly 29% of the global sales in 2016, with European sales expected to account for 24%.

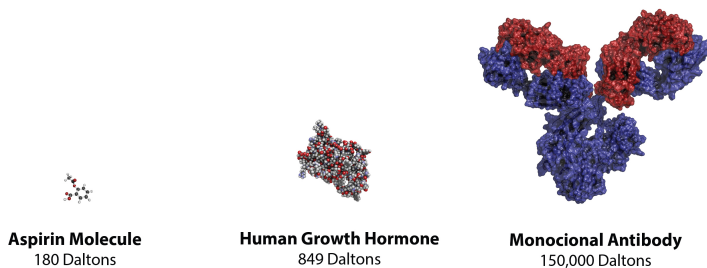


"The Biosimilar Drugs Market: Opportunities, Challenges, Strategies & Forecasts"; SNS Research Ltd.

A major driver for the advancement of the biosimilar market is the increasing and disproportionate amount of healthcare spending by governments and private payors on biologic therapeutics. The high costs for biologic treatments have led to an increasing financial burden on these payors. We believe this market dynamic has created opportunities for biosimilar developers in two key respects. First, the high costs of branded biologic products have created a growing demand for lower-cost biosimilars that can offer patients the same benefits as the reference products without sacrificing quality of care. Express Scripts projects U.S. healthcare savings of approximately \$250 billion between 2014 and 2024 if biosimilars for just 11 existing biologic drugs that are the most likely candidates for biosimilars were to come to market. Second, because biosimilars, especially complex biosimilars, are more costly and challenging to develop and manufacture than the generic versions of small-molecule drugs, we expect fewer companies will be able to successfully overcome the technical and regulatory complexities of biosimilar development.

**Technical Challenges**

Unlike small molecules, such as aspirin, or simple biologics, such as human growth hormone, mAbs are much larger and correspondingly complex. MABs consist of four polypeptide chains of amino acids and perform a vast array of functions within living organisms. The specific amino acid sequence of each mAb dictates the folding of the protein into a specific three-dimensional structure that determines its activity. The following image compares a mAb to human growth hormone and aspirin. The complexity of a molecule increases with its size as defined by molecular weight, or number of atoms.



MABs are derived from living cells and are produced through a series of complex processing steps that define their overall structure. Accordingly, they cannot be chemically synthesized nor fully characterized by a few analytical techniques. MABs are also known to contain sugar side-chains, which are attached through a process referred to as glycosylation. These sugar chains confer structural stability, improve solubility, and can impact the function of the protein *in vivo*.

The complexities of mAbs require a specialized skill set for development. A biosimilar developer must have the necessary expertise in cell and molecular biology, protein biochemistry and biochemical engineering to overcome the following particular technical challenges:

- **Reference Product:** A protein therapeutic exists as a mixture of various molecular forms that together impart its mechanism of action. In order to understand the structure and function of the reference product, the biosimilar developer must conduct many analytical studies to reverse engineer the multiple quality attributes that govern the reference product's protein structure and function. Due to the inherent variability that results from cellular production techniques, many production lots of reference product must be analyzed to understand the batch to batch variability and set the target product profile for the biosimilar candidate.
- **Similarity:** Biosimilar developers must create their own cell line and unique manufacturing process as they do not have access to the reference product manufacturer's cell lines or manufacturing know-how. As a result, only similar, but not exact, copies of the reference product are feasible. During production, mAbs commonly can degrade to form aggregates, when two or more mAb units bind to each other to form larger structures. These larger structures can lead to changes in activity, or immunogenicity (provoke an immune response). Finally, mAbs may also undergo other chemical degradation events during purification and during storage, each of which can impact potency. Producing biomolecules that are highly similar to the reference product requires a significant interdisciplinary effort that involves a number of iterative cycles between cell line and process development, and analytical characterization.
- **Manufacturing:** The quality profile of a biologic can change when the manufacturing process scale is increased to commercial size or when processes are modified to fit a facility. The ability to manufacture highly similar molecules must be demonstrated reproducibly at commercial scale. In order to enable pricing flexibility, the manufacturer must minimize costs related to depreciation of its capital investment, raw materials and operations, while maintaining high quality and yield.

#### Regulatory Challenges

The regulatory requirements for the development of biosimilars in many countries, including the United States, Canada, the EU and Japan, differ from the requirements for developing the reference products. For example, the analytical data package required to initiate clinical trials of biosimilars is more exhaustive due to the prerequisite to generate initial similarity data to the reference product. This process requires multiple qualified methods to ensure that the data generated for similarity testing are reproducible and comprehensive. On the other hand, the non-clinical and clinical programs for biosimilars tend to be more streamlined than for innovator molecules if shown to be analytically similar at the outset and can be supported by the reference product data. The regulatory expectations surrounding biosimilars are still evolving as new draft and final guidance documents are being made public across regulatory authorities.

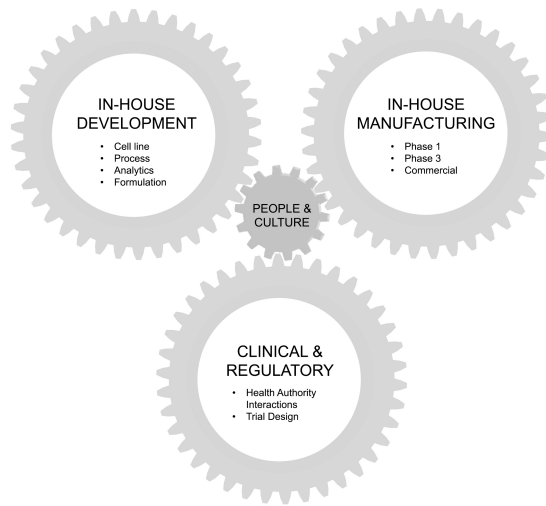
Regulatory hurdles associated with biosimilar development include:

- demonstrating to regulators that specific analytical differences of the biosimilar do not have clinical impact;
- complying with individual regulatory authority requirements for *in vivo* preclinical studies to enable development and registration in planned markets;
- anticipating and responding to changes in regulatory requirements that could involve additional technical work;
- demonstrating extrapolation for an indication that can drive market share;
- addressing questions during regulatory review of marketing applications to prevent a delay in approval; and
- designing global clinical trials to meet the different regulatory requirements to avoid duplicative studies and additional expense.

Any deficiency in regulatory approach could result in inconsistencies in the final data package for the submission and could lead to a delay or rejection of a product candidate's approval in certain markets.

#### Our BioSymphony Platform

Escalating healthcare costs and healthcare reform initiatives have been major drivers for the advancement of the biosimilar market. Our BioSymphony Platform is designed to address the technical challenges and regulatory dynamics of the complex biologics industry by developing high quality mAb biosimilars on an accelerated timeline and in an efficient and cost-effective manner. The BioSymphony Platform, driven by our entrepreneurial culture, leverages our fully integrated in-house 48,000 square foot development and manufacturing facility and our team's clinical and regulatory expertise. We believe this model enables significant pricing flexibility, providing us with competitive advantages, and positions us to be a leading biosimilar company. The key elements of our BioSymphony Platform are depicted in the figure below.



mAb development presents high technical hurdles, and the success of our development efforts is dependent on an experienced and knowledgeable workforce. We were founded by a team of industry veterans with decades of cumulative experience in biologics development and commercialization. Our team has been instrumental in obtaining global regulatory approval for multiple complex biologics at leading multinational biopharmaceutical companies. We have hired accomplished scientists, engineers and business leaders since our inception, who together foster an entrepreneurial culture that has enabled agility, teamwork and rapid decision-making at Oncobiologics. Together, this has resulted in a highly collaborative approach, which has been critical to the efficient and sustainable operation of our BioSymphony Platform.

#### **Technical Platform**

##### *In-House Development Capabilities*

We have established a research and development laboratory, which we believe enables the rapid development of high-quality mAb biosimilars. By establishing this infrastructure in-house, we have shortened the typical time required to perform the mandatory interdisciplinary iterative steps to develop mAb biosimilar products, which we believe reduces the cost of development. Our platform provides us with a differentiated approach to the following compulsory steps required to develop biosimilars:

- **Reference Product Characterization and Cell Line Development:** We initially reverse engineer the amino acid sequence and identify the critical quality attributes of the reference product that in turn provides the criteria for the clone selection process. We utilize automated technologies to enable thousands of clones to be screened in an accelerated timeline.
- **Bioprocess:** We utilize high-throughput mini bioreactors to assess the screened clones and media components to determine which clone and process will produce a biosimilar candidate with the closest match to the reference product. We have developed a platform of chromatography techniques that are strategically combined to maximize product-yield while meeting the critical quality attributes of the reference product.
- **Formulation:** The formulation that best preserves the stability of the biosimilar candidate may be different than the actual formulation of the reference product. We use high-throughput techniques to screen and evaluate many formulation variations to identify the most effective stable formulation.
- **Analytical Characterization and In Vitro Similarity:** We utilize numerous advanced analytical techniques and instruments to enable us to interpret the chemical and structural similarity between our biosimilar candidate and the reference product. We apply a rigorous analytical approach to characterize attributes such as structure



(primary, secondary and tertiary), size and glycosylation, among others. We test up to approximately 60 quality attributes with approximately 45 analytical methods. The biological characterization assays support establishing the *in vitro* similarity. Our in-house capabilities provide an expeditious and thorough assessment of biochemical, biophysical and functional attributes.

To pursue development and commercialization of additional mAb biosimilar candidates, we are expanding our development capacity by an additional 82,000 square feet in our current industrial complex. We intend to build-out additional state-of-the-art development infrastructure, which we will occupy in phases as needed. We also plan to add to our scientific team as our development programs expand.

#### *In-House Manufacturing Capability*

We have established a state-of-the-art manufacturing facility capable of simultaneously producing multiple biosimilar candidates. Our manufacturing platform utilizes single-use technology, which eliminates the need for rigorous cleaning and sterilization procedures, and related operational requirements necessary for manufacture in traditional stainless-steel based facilities. We have been able to construct single-use based antibody manufacturing plants in approximately four months as compared to the few years required for de novo biotechnology manufacturing facilities. We believe we have sufficient manufacturing capacity until 2018 and will be able to expand capacity in our current location once we build-out our new development infrastructure.

#### *Development-Manufacturing Integration*

We believe we have successfully and seamlessly unified our development capabilities and manufacturing processes to minimize time lapses and risks that are frequently encountered in drug development. Our internal processes eliminate the need to transfer technology and processes to third-party manufacturers. Technology transfers are commonly performed through formal procedures consisting of the transfer of know-how, followed by manufacturing process gap assessments, and then finally replication and scale-up of the development process at manufacturing scale. These technology transfer proceedings can take upwards of six months or longer, and could have an adverse effect on product quality. Our platform gives us the ability to initiate manufacturing within approximately six weeks of process development completion.

#### *Regulatory and Clinical Approach for a Successful Global Launch*

The regulatory requirements for the development of complex biosimilars are significantly different from those for novel biologic therapeutics. These biosimilar regulatory expectations are still evolving with new drafts and final guidance being made public by regulatory authorities worldwide. Due to the limited number of biosimilar regulatory approvals and developing guidance, prior regulatory feedback may not reflect the current expectations of the applicable regulatory authorities. Our interactions with the U.S. Food and Drug Administration, or FDA, and European Medicines Agency, or EMA, provide us with better understanding of relevant regulatory requirements and build our overall regulatory knowledge base for other upcoming product candidates. We augment these interactions by meeting with key health authorities, selected based on known expertise with biotechnology products or the established rapporteur to the reference product. These additional interactions are used to provide national input for risk mitigation for the clinical trial applications and also additional expert input on our development programs. This knowledge creates efficiencies in our development program by reducing the need to duplicate experiments or clinical trials. We have also retained a regional expert regulatory consultant in Japan, and may do so for other countries as well, to obtain advice on how to approach the regulatory agencies to optimally design our global development plans to meet the relevant local and regional regulatory requirements.

An important aspect of our regulatory development strategy is to design our confirmatory trials to maximize the potential commercial success in order to meet the requirements for extrapolation to other indications and to enable us to seek an interchangeability designation for at least some of our current and future product candidates. Our goal is to develop trial designs that will enable us to extrapolate to all approved indications without additional clinical data. We will also assess the ability for our product candidates that are either self-administered or used chronically in order to seek an interchangeability designation, which allows substitution for the reference product by a pharmacist without the intervention of the healthcare provider who prescribed the reference product. We have recently completed discussions with the FDA on seeking both biosimilarity and interchangeability designation for ONS-3010, our Humira biosimilar. We may also develop trial designs to demonstrate clinical advantages of our biosimilar product candidates over reference products.

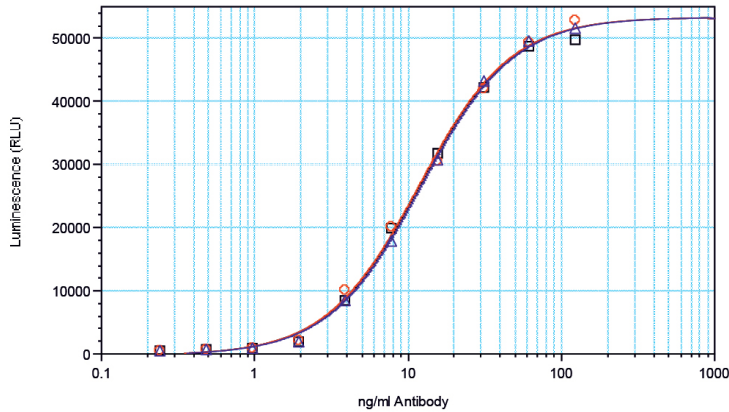
Data from *in vivo* animal studies may not be required to initiate human clinical trials for biosimilars, and as such we only conduct animal studies if it is deemed necessary to meet regulatory requirements or to address safety questions. Our approach to confirm that there is no clinically meaningful impact of any observed analytical differences is to conduct a Phase 1 clinical trial, followed by a single Phase 3 confirmatory clinical trial in a sensitive population. Based on regulatory guidance as well as our recent interactions with regulatory bodies, we believe this approach will continue to be acceptable



manufacturing process. A novel formulation of similar stability was developed and in place prior to the Phase 1 clinical trial and this same formulation will be used for the planned Phase 3 clinical trial.

We have confirmed that the amino acid sequence of ONS-3010 matches Humira. Extensive analytical characterization and *in vitro* studies comparing ONS-3010 to both the U.S. and the EU versions of Humira were completed and a representative overlay demonstrating equivalent potency is shown in the following figure. Luminescence is a highly sensitive method for assaying cell proliferation and cytotoxicity. Potency is measured based on a comparison of the dose dependent response of the test article to the reference article. Based on the result of this assay and numerous analytical and *in vitro* characterization data, we initiated a Phase 1 clinical trial to assess pharmacokinetics, or PK, and safety. PK means how the body affects the molecule.

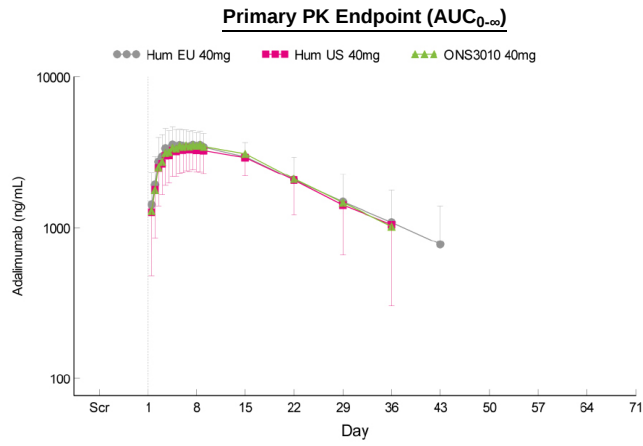
**Comparative Potency of ONS-3010 versus Humira (U.S. and EU)**  
 ONS-3010 (triangles), U.S.-Humira (squares), EU-Humira (circles).



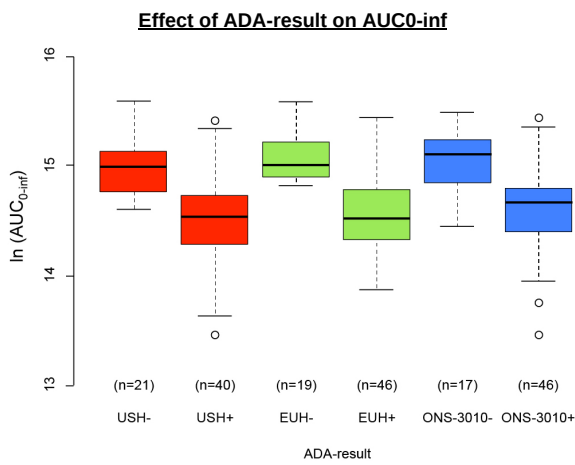
Using our commercial scale process at our manufacturing facility, we are manufacturing sufficient supply of ONS-3010 for Phase 3 clinical testing. We have contracted with a large U.S.-based pharmaceutical fill-finish facility to package ONS-3010 into a single-use, pre-filled syringe. We have also selected a partner for the development of an auto-injector to be used as an additional commercial delivery device.

*Clinical Development Status and Clinical Trial Data*

We have successfully completed a randomized, double-blind, single-dose and single-center Phase 1 clinical trial comparing ONS-3010 to Humira in 198 subjects receiving a 40 mg dose in three treatment arms: ONS-3010, U.S.-Humira and EU-Humira. This Phase 1 clinical trial was performed at the Center for Human Drug Research in Leiden, The Netherlands under the auspices of the Stichting Beoordeling Ethiek Biomedisch Onderzoek. In this trial, ONS-3010 met its primary and secondary endpoints, demonstrating a similar PK profile, as well as an immunogenicity profile equivalent to both U.S.- and E.U.-Humira across all three treatment arms. ONS-3010 was well tolerated and demonstrated a favorable safety profile, which was similar to the safety profile for both U.S.- and E.U.-Humira, and demonstrated a lower injection site reaction rate than both U.S.- and E.U.-Humira. The following figure demonstrates the mean concentration-time profile of U.S.-Humira, EU-Humira and ONS-3010. The vertical line at day one denotes dosing. These results suggest a high degree of similarity between the three products.



The following figure demonstrates the effect of anti-drug antibodies on the concentrations (AUC, or area under the curve) for the three products. There were no significant differences in either the amount of anti-drug antibodies formed or their effect on concentration between the three products, which again suggest a high degree of similarity between the three products.



The following table reports the most frequently reported adverse events regardless of relationship. The most frequent occurring adverse event was local administration site irritation (either burning sensation or pain upon injection at the injection site), which was observed less frequently in the ONS-3010 treatment group.

Adverse Event	ONS-3010 N (%)	EU-Humira N (%)	U.S.-Humira N (%)
Burning sensation	12 (18.2)	29 (43.9)	31 (47.0)
Headache	29 (43.9)	20 (30.3)	27 (39.4)
Nasopharyngitis	12 (18.2)	19 (28.8)	12 (18.2)

### Regulatory Status and Development Plan

Prior to commencement of our Phase 1 clinical trial in 2014, we received feedback from both FDA and EMA, which provided guidance for the design of the clinical trial and our similarity testing approach. Since completion of the Phase 1 clinical trial, we had additional regulatory meetings with the FDA and the EMA, as well as other national regulatory agencies such as the Medicines and Healthcare Products Regulatory Agency, or MHRA, and the Swedish regulatory authority, and obtained further guidance on the Phase 3 clinical trial design in plaque psoriasis and the general similarity development plan for registration. We have also obtained acceptance from the FDA on our comparative Phase 3 study design to obtain the interchangeability designation in the United States. We have completed a site feasibility study to identify global sites (North and South America, Europe, Australia and New Zealand) in preparation for the commencement of our planned Phase 3 clinical trial in 2016.

#### ONS-1045 — Bevacizumab (Avastin) Biosimilar

Avastin, the reference product for ONS-1045, is a mAb administered by infusion that interferes with tumor growth by binding to VEGF, a protein that stimulates the formation of new blood vessels.

#### Market Opportunity

Worldwide sales of Avastin were approximately \$7.0 billion in 2014 and are projected to grow to \$7.1 billion in 2015. Furthermore, worldwide sales of Avastin are projected to grow to \$7.4 billion by end of 2019. Avastin has been approved by the FDA and the EMA for the treatment of seven indications. Avastin is currently approved in the United States for the following indications: metastatic colorectal cancer, with intravenous 5-fluorouracil-based chemotherapy for first- or second-line treatment; metastatic colorectal cancer, with fluoropyrimidine- irinotecan- or fluoropyrimidine-oxaliplatin-based chemotherapy for second-line treatment in patients who have progressed on a first-line Avastin containing regimen; non-squamous non-small cell lung cancer, with carboplatin and paclitaxel for first line treatment of unresectable, locally advanced, recurrent or metastatic disease; glioblastoma, as a single agent for adult patients with progressive disease following prior therapy; metastatic renal cell carcinoma with interferon alfa; cervical cancer, in combination with paclitaxel and cisplatin or paclitaxel and topotecan in persistent, recurrent, or metastatic disease; platinum-resistant recurrent epithelial ovarian, fallopian tube or primary peritoneal cancer, in combination with paclitaxel, pegylated liposomal doxorubicin or topotecan. We initially intend to seek approval of ONS-1045, which will be delivered by infusion, for the treatment of non-squamous non-small cell lung cancer, and will pursue extrapolation of ONS-1045 across all of these approved indications, in order to maximize the commercial potential for ONS-1045.

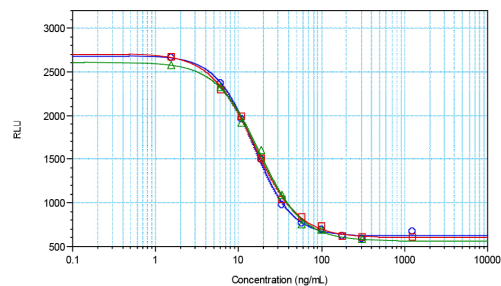
#### CMC Status

We have manufactured and characterized a master cell bank from a selected clone and demonstrated its stability in accordance with global regulatory guidelines. In addition, we have completed development of the ONS-1045 commercial manufacturing process.

We have confirmed that the amino acid sequence of ONS-1045 matches Avastin. Extensive analytical characterization and *in vitro* studies comparing ONS-1045 to both the U.S. and the EU-Avastin were completed and a representative overlay demonstrating equivalent potency is shown in the following figure.

#### Comparative Potency of ONS-1045 versus Avastin (U.S. and EU)

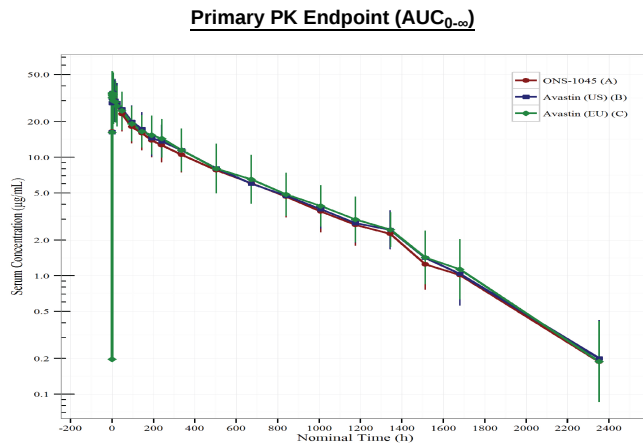
ONS-1045 (triangles), U.S.-Avastin (circles), EU-Avastin (squares)



In preparation for producing Phase 3 clinical supplies, we are manufacturing ONS-1045 using our commercial scale process at our manufacturing facility. These batches will be filled into vials at a contracted U.S.-based commercial fill-finish facility.

#### Clinical Development

We have completed a randomized, double-blind, single-dose and single-center Phase 1 clinical trial comparing ONS-1045 to U.S.-licensed Avastin and EU-licensed Avastin in 135 subjects. This Phase 1 trial was performed at the Center for Human Drug Research in Leiden, The Netherlands under the auspices of the Stichting Beoordeling Ethiek Biomedisch Onderzoek. PK data, safety and immunogenicity were collected for a total of 98 days after a single 2.0 mg/kg dose. In this trial, ONS-1045 met its primary and secondary endpoints demonstrating a similar PK profile, as well as an immunogenicity profile equivalent to both U.S.- and EU-Avastin. Safety was comparable across all three groups and no serious adverse events were noted. Immunogenicity was low with only one subject in the EU-licensed Avastin arm developing an anti-drug antibody, or ADA, at day 98. No neutralizing antibodies were detected in any arm. The following figure demonstrates the concentration-time profile of ONS-1045, U.S.-licensed Avastin, and EU-licensed Avastin as the mean. The vertical line at time zero denotes dosing. These results suggest a high degree of similarity between the three products.



#### Regulatory Status and Development Plan

Prior to the commencement of a Phase 1 clinical trial in 2015, we received feedback from both the FDA and the EMA, which provided guidance for the clinical trial design and similarity testing approach. We have completed the next series of our regulatory interactions to obtain further guidance on our confirmatory trial design. Based on input from the FDA, EMA, MHRA and the Danish Health and Medicines Agency, we believe we have designed the appropriate confirmatory trial. We have also begun preparatory planning with the intention to discuss our Japanese development strategy with Japan's Pharmaceuticals and Medical Devices Agency in early 2016.

We have initiated a site feasibility study (targeting North and South America, Europe and Asia) in advance of our global Phase 3 clinical trial, which we expect to commence in 2016.

#### ONS-1050 — Trastuzumab (Herceptin) Biosimilar

Trastuzumab (Herceptin), the reference product for ONS-1050, is a mAb administered by infusion that binds to HER2. Herceptin has been shown to inhibit the proliferation of human tumor cells that overexpress HER2.

#### Market Opportunity

According to the MedTrack Report, worldwide sales of Herceptin totaled approximately \$6.9 billion in 2014. Herceptin is currently approved for HER2+ breast cancer and HER2+ metastatic gastric cancer in both the United States and the EU, as well as HER2+ gastroesophageal junction cancer in the United States. Worldwide sales of Herceptin are projected to grow to \$7.1 billion by end of 2016. We have not yet determined the indication for which we will initially seek approval of

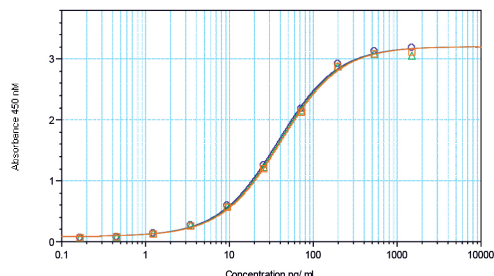
ONS-1050. However, we will pursue extrapolation of ONS-1050 across all of these approved indications, in order to maximize the commercial potential for ONS-1050, and will deliver ONS-1050 by infusion.

#### CMC Status

A clone with a highly similar profile to Herceptin has been chosen for further process development. We have demonstrated the stability of the cell line, and characterization of the master cell bank is planned to be completed by the end of 2015. Manufacturing process development for ONS-1050 is nearing completion. We have confirmed that the amino acid sequence of ONS-1050 matches Herceptin. Extensive analytical characterization and *in vitro* functionality studies comparing ONS-1050 to Herceptin are underway and expected to be completed in early 2016 to support the biosimilarity assessment required to initiate clinical trials. A representative overlay demonstrating equivalent potency of ONS-1050 to U.S. and EU-Herceptin is shown in the following figure.

#### **Comparative Potency of ONS-1050 versus Herceptin (U.S. and EU).**

ONS-1050 (squares), U.S.-Herceptin (circles), EU-Herceptin (triangles)



We are planning to manufacture ONS-1050 for a Phase 1 PK study using our commercial scale process at our manufacturing facility. This batch is expected to be vialled at a U.S. pharmaceutical filling facility.

#### Regulatory Status and Development Plans

We received initial EMA guidance in the second quarter 2014 that supports our approach to the initial Phase 1 trial design. In accordance with our regulatory strategy and in advance of initiating Phase 1 clinical trials, we plan to interact with FDA to also obtain further guidance on study design. We expect to commence our Phase 1 clinical trial during 2016.

#### Preclinical Biosimilar Pipeline

In addition to the product candidates we are currently advancing through clinical development, we are leveraging our BioSymphony Platform to develop additional preclinical candidates. We have not yet determined the initial indications for which we will seek approval for such preclinical product candidates. Our strategy will be to seek initial approval for an approved indication of the reference product, which will be determined in consultation with regulatory authorities regarding clinical trial and study design, and then seek to expand such approval to the same indications as the reference product. We also intend to deliver our biosimilars in the same manner as the reference product.

Two biosimilar product candidates, ONS-4010, a biosimilar to denosumab (Prolia<sup>®</sup>/Xgeva<sup>®</sup>), and ONS-1055, a biosimilar to cetuximab (Erbix<sup>®</sup>), have cell lines developed and ONS-4010 has clone selection completed. Denosumab is a fully human mAb with affinity and specificity for human RANKL. Prolia is currently approved in the United States for treatment of postmenopausal women with osteoporosis at high risk for fracture, treatment to increase bone mass in men with osteoporosis at high risk for fracture, treatment to increase bone mass in men at high risk for fracture receiving androgen deprivation therapy for nonmetastatic prostate cancer, and treatment to increase bone mass in women at high risk for fracture receiving adjuvant aromatase inhibitor therapy for breast cancer. Xgeva is currently approved in the United States for prevention of skeletal-related events in patients with bone metastases from solid tumors, treatment of adults and skeletally mature adolescents with giant cell tumor of bone that is unresectable or where surgical resection is likely to result in severe morbidity, and treatment of hypercalcemia of malignancy refractory to bisphosphonate therapy. Erbix is currently approved in the United States for the following head and neck cancer treatments: locally or regionally advanced squamous cell carcinoma of the head and neck in combination with radiation therapy, recurrent locoregional disease or metastatic

squamous cell carcinoma of the head and neck in combination with platinum-based therapy with 5-FU, and recurrent or metastatic squamous cell carcinoma of the head and neck progressing after platinum-based therapy; and for the following colorectal cancer treatments: K-Ras wild-type, EGFR-expressing, metastatic colorectal cancer as determined by FDA-approved tests in combination with FOLFIRI for first-line treatment, in combination with irinotecan in patients who are refractory to irinotecan-based chemotherapy, and as a single agent in patients who have failed oxaliplatin- and irinotecan-based chemotherapy or who are intolerant to irinotecan. We have completed preliminary characterization and the reverse engineering of the amino acid sequences of the reference products. We plan to complete process development and commence our Phase 1 clinical trial for ONS-4010 in 2016. We plan to complete clone selection and process development of ONS-1055 in 2016, with lab scale comparability completed in the second half of 2016. According to manufacturers' reports, 2014 worldwide sales of Erbitux<sup>®</sup> were \$2.0 billion.

Three additional biosimilar product candidates, ONS-3030, a biosimilar to tocilizumab (Actemra<sup>®</sup>/Roactemra<sup>®</sup>), ONS-3035, a biosimilar to golimumab (Simponi<sup>®</sup>), and ONS-3040, a biosimilar to ustekinumab (Stelara<sup>®</sup>), are in early development. According to manufacturers' reports, 2014 worldwide sales of Actemra/Roactemra, Simponi and Stelara were \$1.3 billion, \$1.2 billion and \$2.1 billion, respectively. We are focused on reverse engineering the reference product characteristics and developing cell lines for clone selection. We anticipate completing clone selection in the first half of 2016 for ONS-3030, and reference product characterization in the first half of 2016 for each of ONS-3035 and ONS-3040.

### **Commercialization, Sales and Marketing**

Our commercialization strategy is to maximize the revenue potential of our biosimilar product candidates along with seeking and effecting selective licensing opportunities to fund the development of our assets. We currently intend to retain U.S. rights to select product candidates while entering into additional strategic collaborations and partnerships with biotechnology and pharmaceutical companies in other regions to maximize the commercial value of our pipeline. Our intent is to enter into partnerships that result in economic and transactional efficiencies by including upfront and post-Phase 1 development payments that would, in large part, offset global Phase 3 clinical development costs for each biosimilar product candidate. However, we do not have any development and commercialization agreements for major ex-U.S. markets, such as the EU and Japan. In 2012 and 2013, we established early country-specific partnerships for ONS-3010 and ONS-1045 in China with Zhejiang Huahai Pharmaceutical Co., Ltd., or Huahai, in India with IPCA Laboratories Limited, or IPCA, and in Mexico with Laboratories Liomont, S.A. de C.V., or Liomont. In each of these smaller ex-U.S. markets, we have identified potential synergies between our partner's strategy to enter the biologics marketplace and access to our biosimilar development platform. These partnerships have resulted in \$23.8 million in payments to us to date, and are expected to result in high single-digit or low teens royalty streams for two of our licensed products, ONS-3010 and ONS-1045.

The United States and the EU are expected to be the largest and economically most attractive biosimilar markets and we plan to retain U.S. marketing and commercialization rights to our product candidates and actively pursue licensing partnerships for the EU. We intend to build our commercialization infrastructure through an option to outsource the sales and marketing work force via a contract sales organization. As such, we have engaged a consulting company to evaluate our options and to assist with the development of a U.S. sales and marketing strategy. We currently focus on those critical success factors associated with commercial success, namely the identification and interactions between (i) payors, (ii) providers, (iii) pharmacy benefit management organizations, (iv) patients and (v) physicians. We are currently developing a strategic roadmap that entails (i) developing and validating our commercialization strategy; (ii) exploring/establishing a distribution and commercialization relationship; and (iii) eventually developing our own sales and marketing force.

We believe that the U.S. biosimilar market adoption and penetration rates for each biosimilar will be determined primarily by four key factors: (1) the prevalence of payor incentives to drive substitution, (2) the physician and patient share influence relative to the payor in the prescribing decision, (3) rapidity of feedback on the safety and efficacy of the drug based on the totality of the patient response and (4) patient criticality (the degree of severity in the patient's condition).

### **Collaboration and License Agreements**

We enter into collaboration and license agreements in the ordinary course of our business. We have in-licensed certain technology from Selexis SA, or Selexis, that we are using to research and develop our biosimilar product candidates. For biosimilar product candidates developed using the Selexis technology, we enter into commercial license agreements with Selexis that give us rights to commercialize, file INDs and enter into collaborative arrangements with third parties for the further development and commercialization of such biosimilar product candidates. Our commercialization strategy is to



retain U.S. rights to select biosimilar product candidates while entering into additional strategic collaborations and partnerships in other regions to maximize the commercial value of our pipeline. Although we do not yet have any such agreements for major ex-U.S. markets, such as the EU or Japan, we have licensing and collaboration agreements with select partners for smaller ex-U.S. markets where we would not otherwise intend to commercialize our biosimilar product candidates, including India, Mexico and China, which agreements have collectively provided an aggregate of \$23.8 million in payments as of September 30, 2015.

**Selexis — Humira (ONS-3010), Avastin (ONS-1045) and Herceptin (ONS-1050)**

In October 2011, we entered into a research license agreement with Selexis SA, or Selexis, pursuant to which we acquired a non-exclusive license to conduct research internally or in collaboration with third parties to develop recombinant proteins from mammalian cells lines created using the Selexis expression technology, or the Selexis Technology. The original research license had a three-year term, but on October 9, 2014, was extended for an additional three-year term through October 9, 2017. We may sublicense our rights with Selexis' prior written consent but are prohibited from making commercial use of the Selexis Technology or the resultant recombinant proteins comprising our biosimilars in humans, or from filing an investigational new drug, or IND, absent a commercial license agreement with Selexis covering the particular biosimilar product candidate developed under the research license.

In connection with the entry into the research license, we paid Selexis an initial fee of CHF 100,000 and agreed to make additional annual maintenance payments of the same amount for each of the three years that the research license agreement term was extended. As of September 30, 2015, we have paid Selexis an aggregate of approximately \$0.4 million under the research license agreement.

Selexis also granted us a non-transferrable option to obtain a perpetual, non-exclusive, worldwide commercial license under the Selexis Technology to manufacture, or have manufactured, a recombinant protein produced by a cell line developed using the Selexis Technology for clinical testing and commercial sale. We exercised this option in April 2013 and entered into three commercial license agreements as described more fully below.

Either party may terminate the research license in the event of an uncured material breach by the other party or in the event the other party becomes subject to specified bankruptcy, winding up or similar circumstances. Either party may terminate the research license under designated circumstances if the Selexis Technology infringes third party proprietary rights. Although we have the right to terminate the research license at any time for our convenience, we agreed with our other collaborator parties to whom we have sublicensed the Selexis Technology not to exercise such right without their consent, which agreements are described below.

*Commercial License Agreements*

On April 11, 2013, following the exercise of our option to enter a commercial license under the Selexis research license, we entered into commercial license agreements with Selexis for each of the ONS-3010, ONS-1045 and ONS-1050 biosimilar product candidates that were developed under the research license (which agreements were subsequently amended on May 21, 2014). Under the terms of each commercial license agreement, we acquired a non-exclusive worldwide license under the Selexis Technology to use the cell lines developed under the research license and related materials, to manufacture and commercialize licensed and final products, with a limited right to sublicense.

We were required to pay an upfront licensing fee of CHF 65,000 to Selexis for each commercial license and also agreed to pay up to CHF 365,000 in milestone payments for each licensed product. In addition, we are required to pay a single-digit royalty on a final product-by-final product and country-by-country basis, based on worldwide net sales of such final products by us or any of our affiliates or sublicensees during the royalty term. The royalty term for each final product in each country is the period commencing from the first commercial sale of the applicable final product in the applicable country and ending on the expiration of the specified patent coverage. At any time during the term, we have the right to terminate our royalty payment obligation by providing written notice to Selexis and paying Selexis a royalty termination fee of CHF 1,750,000. As of September 30, 2015, we have paid Selexis an aggregate of approximately \$0.3 million under the commercial license agreements.

Each of our commercial agreements with Selexis will expire in its entirety upon the expiration of all applicable Selexis patent rights. The licensed patent rights consist of two patent families. The first patent family relates to methods of transferring cells, and is filed in the United States, Australia, Canada, Europe, Japan and Singapore. This patent family will begin to expire worldwide in 2022. The second patent family claims DNA compositions of matter useful for having protein production increasing activity. This patent family is filed in the United States, Australia, Canada, China, Europe, Hong Kong, Israel, India, Japan, South Korea, Russia, Singapore and South Africa. This patent family will begin to expire

worldwide in 2025. Either party may terminate the related agreement in the event of an uncured material breach by the other party or in the event the other party becomes subject to specified bankruptcy, winding up or similar circumstances. Either party may also terminate the related agreement under designated circumstances if the Selexis Technology infringes third-party intellectual property rights. In addition, we have the right to terminate each of the commercial agreements at any time for our convenience; however, with respect to the agreements relating to ONS-3010 and ONS-1045, this right is subject to Liomont's consent pursuant to a corresponding letter we executed in conjunction with the standby agreement entered into between Selexis and Liomont on November 11, 2014. The standby agreement permits Liomont to assume the license under the applicable commercial agreement for Mexico upon specified triggering events involving our bankruptcy, insolvency or similar circumstances.

#### ***Ex-U.S. Collaboration and License Agreements***

We do not have any commercial license or development agreements for major ex-U.S. markets, such as the EU or Japan. We currently have collaboration and license agreements for smaller ex-U.S. markets where we would not otherwise intend to commercialize our biosimilar product candidates, which we entered into to help offset some of our development costs. Collectively, such agreements have provided an aggregate of \$23.8 million in payments as of September 30, 2015 for our most advanced biosimilar product candidates. Our contracts include agreements with IPCA Laboratories Limited, or IPCA (for ONS-3010, ONS-1045 and ONS-1050 in India and other regional markets), Liomont, S.A. de C.V., or Liomont (for ONS-3010 and ONS-1045 in Mexico), and Zhejiang Huahai Pharmaceutical Co., Ltd., or Huahai (for ONS-3010 and ONS-1045 in China). Our arrangements with these partners generally include a strategic license for a defined territory for agreed biosimilar product candidates, and may also include agreements to assist with research and development to assist our contract counterparty in establishing their own mAb research, development and manufacturing capabilities. Under our existing strategic licensing agreements, we generally received an upfront payment upon execution, and have the ability to earn additional regular milestone payments and the right to receive royalties (generally a mid-single digit to low-teens percentage rate) based on net sales in the agreed territory. Our existing agreements to assist with research and development also included an upfront payment upon execution, and we have the ability to earn additional regular milestone payments, and the right to receive royalties (generally a mid-single digit to low-teens percentage rate) based on net sales in the agreed territory.

Generally, our agreements expire on a product-by-product basis on the date of the expiration of the royalty revenue term for all products in the territory. The royalty revenue term is 10 years from the date of first commercial sale and any renewal is subject to good faith negotiation. The license term for the agreed territory is perpetual. Either party may terminate the agreement in its entirety or with respect to a particular product if the other party materially breaches the agreement, subject to specified notice and cure periods. In addition, we have the right to terminate the agreement in connection with any interference, opposition or challenge of our patent rights. If the agreement is terminated due to our breach, our contract counterparty is generally free to use all applicable technology and know-how that we have provided under the agreement.

Our collaboration agreements with Huahai also included a joint participation agreement, which provided for the establishment of a joint venture for the joint commercialization of ONS-3010 in the United States, Canada, EU, Japan, Australia and New Zealand. However, in December 2015, we exercised our option to terminate this joint participation agreement. Accordingly, we are required to pay Huahai a total of \$28.0 million, consisting of an \$11.0 million initial payment, which will be paid no later than January 4, 2016, and four additional installment payments of \$4.25 million payable over the course of the following year.

As of September 30, 2015, we have received an aggregate of \$4.9 million of payments from IPCA under our various agreements, an aggregate of \$2.0 million of payments from Liomont under our various agreements, and an aggregate of \$16.0 million of payments from Huahai under our various agreements, \$10.0 million of which were pursuant to the joint participation agreement.

#### **Competition**

Biosimilars have become a significant growth area for the biopharmaceutical industry, attracting large pharmaceutical companies as well as small niche players. Biosimilars of complex mAbs have limited competition to those industry players who have a high technical capability. The large players who have successfully taken mAb products into Phase 3 clinical trials include Pfizer Inc., or Pfizer, Amgen Inc., or Amgen, Sandoz, Inc., or Sandoz, Boehringer Ingelheim, or Boehringer, and Samsung Bioepis, Ltd., or Bioepis, while smaller niche players with clinical assets include us, Coherus Biosciences, Inc., or Coherus, Momenta Pharmaceuticals, Inc. and Celltrion, Inc., or Celltrion, as well as other regional developers.

Additionally, companies developing novel products with similar indications, and the innovator companies that are implementing protection strategies are expected to influence our ability to penetrate and maintain market share. Competition from generic small molecule manufacturers may also arise although these companies are less likely to have the technical, regulatory and clinical expertise required to succeed in this market unless they partner or acquire experienced biotech entities.

Our principal mAb biosimilar competitors include both companies with biologic reference products, as well as those with biosimilar products, such as AbbVie Inc. (the holder of rights to Humira), Genentech Inc. (the holder of rights to the Avastin), Pfizer (pipeline, which includes five biosimilar candidates), Amgen (pipeline, which includes six biosimilar candidates), Sandoz (as a biosimilar company with the only currently FDA-approved biosimilar product), Bioepis and Merck & Co., Inc., or Merck (through their collaboration to develop and commercialize biosimilar candidates), Coherus (pipeline, which includes two Phase 3 biosimilar candidates), Bioepis (pipeline, which includes six biosimilar candidates) and Celltrion (pipeline, which includes two biosimilar candidates). Many of our competitors, either alone or with their strategic partners, have substantially greater financial, technical and human resources than we do and greater experience in the discovery and development of mAb product candidates, obtaining FDA and other regulatory approvals of treatments and commercializing those treatments. Accordingly, our competitors may be more successful than us in obtaining approval for mAb biosimilars and achieving widespread market acceptance. Our competitors' treatments may be more effectively marketed and sold than any products we may commercialize that may cause limited market share before we can recover the expenses of developing and commercializing any of our product candidates.

Mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These activities may lead to consolidated efforts that allow for more rapid development of mAb biosimilar candidates than us.

These competitors also compete with us in recruiting and retaining qualified scientific and management personnel, the ability to work with specific clinical contract organizations due to conflict of interest, and also the conduct of trials in the ability to recruit clinical trial sites and subjects for our clinical trials.

We expect any products that we develop and commercialize to compete on the basis of, among other things, efficacy, safety, price and the availability of reimbursement from government and other third-party payors. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are viewed as safer, more convenient or less expensive than any products that we may develop. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market.

### **Intellectual Property**

Our commercial success depends in part on our ability to avoid infringing the proprietary rights of third parties, our ability to obtain and maintain proprietary protection for our technologies where applicable and to prevent others from infringing our proprietary rights. We seek to protect our proprietary technologies by, among other methods, filing U.S. and international patent applications on technologies, inventions and improvements that are important to our business. As of October 31, 2015, we own two pending patent applications directed to our product formulations, including formulations developed for ONS-3010, as well as methods of purification developed for ONS-3010 and methods of purification developed for ONS-1045. Our formulation patent application is pending in the PCT and, if granted, will expire in 2034. Our methods of purification patent application is a pending provisional patent application and, if granted, will expire in 2036. We also rely on trade secrets, know-how and continuing technological innovation to develop and maintain our proprietary position.

The term of individual patents depends upon the legal term of the patents in countries in which they are obtained. In most countries, including the United States, the patent term is generally 20 years from the earliest date of filing a non-provisional patent application in the applicable country. In the United States, a patent's term may, in certain cases, be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the United States Patent and Trademark Office in examining and granting a patent or may be shortened if a patent is terminally disclaimed over a commonly owned patent or a patent naming a common inventor and having an earlier expiration date.

### **Regulatory**

#### ***Government Regulation and Product Approval***

Government authorities at the federal, state and local level in the United States and in other countries extensively regulate, among other things, the research, development, testing, manufacture, packaging, storage, recordkeeping, labeling,

advertising, promotion, distribution, marketing, import and export of biopharmaceutical products such as our product candidates. The processes for obtaining regulatory approvals in the United States and in foreign countries, along with subsequent compliance with applicable statutes and regulations, require the expenditure of substantial time and financial resources.

#### **FDA Approval Process for Biosimilars**

All of our current product candidates are subject to regulation in the United States by the FDA as biological products, or biologics. The FDA subjects biologics to extensive pre- and post-market regulation. The Public Health Service Act, or PHSA as amended by the Patient Protection and Affordable Care Act, or Affordable Care Act, and the Biologics Price Competition and Innovation Act, or BPCIA, govern the regulatory pathway for biosimilar products. In addition, 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 biologics. 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 a pending biologics license application, or BLA, withdrawal of approvals, clinical holds, untitled and warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties or criminal penalties.

Under the BPCIA, a biologic may be demonstrated to be "biosimilar" if data show that the product is "highly similar" to a reference product. This is demonstrated through extensive analytical studies, animal studies (if deemed necessary), and clinical trials in a sensitive patient population to confirm that "residual uncertainties" do not have clinically meaningful impact. Developing the data to satisfy 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.

Similar to innovator products, FDA requires submission of an Investigational New Drug application, or IND, prior to testing biosimilar investigational products in humans. The IND is composed of the clinical protocol and other documentation such as non-clinical and CMC data to assure the safe conduct of the study. The sponsor submits an IND to FDA to place the IND into effect. A 30-day waiting period after the submission of the IND is required prior to the commencement of clinical testing. If during the 30-day waiting period the FDA does not raise concerns or questions related to the safety of the proposed clinical trials or other data submitted, the clinical trial may begin.

Prior to IND submission of a biosimilar candidate, if previous human data are not available or if the analytical data warrant, *in vivo* preclinical tests may be required to assess the safety of the product. Other preclinical tests include laboratory evaluation of product chemistry, formulation and *in vitro* functional testing. This preclinical work is highly dependent on the development of robust analytical tests. An IND must become effective before United States clinical trials may begin.

Clinical trials for biosimilars involve the administration of the new investigational product to healthy volunteers or patients with the condition under investigation, all under the supervision of a qualified investigator. Clinical trials must be conducted: (i) in compliance with federal regulations; (ii) in compliance with good clinical practice, or GCP, an international standard meant to protect the rights and health of patients and to define the roles of clinical trial sponsors, administrators and monitors; as well as (iii) under protocols detailing the objectives of the trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. Each protocol involving testing on U.S. patients and subsequent protocol amendments must be submitted to the FDA as part of the IND.

The FDA may order the temporary or permanent discontinuation of a clinical trial at any time or impose other sanctions if, among other things, it believes that the clinical trial either is not being conducted in accordance with FDA requirements or presents an unreasonable and significant risk to the clinical trial patients. The study 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. The study sponsor may also suspend a clinical trial at any time on various grounds, including a determination that the subjects or patients are being exposed to an unacceptable health risk.

Clinical trials for biosimilar development are typically conducted in two sequential phases. In Phase 1, the investigational product is initially compared to the reference product by dosing healthy human subjects or patients to assess PK, pharmacological actions, and safety. In the case of some products for severe or life-threatening diseases, such as cancer treatments, initial human testing may be conducted in the intended patient population. A Phase 3 clinical trial is then undertaken to obtain additional information about clinical efficacy and safety, typically at geographically dispersed clinical trial sites. These Phase 3 clinical trials are intended to demonstrate that any residual uncertainty about biosimilarity which may exist after conducting prior trials does not have clinical impact in light of the totality of the evidence for the product

candidate. Well-designed and well-conducted trials conducted outside of the United States in accordance with GCP may also be acceptable to the FDA in support of product licensing if the FDA is able to validate the data from the study through an onsite inspection, if necessary. Other clinical study designs may be acceptable to regulators if justified.

After successful completion of the required clinical testing in accordance with all applicable regulatory requirements, detailed information regarding the investigational product is prepared and submitted to the FDA in the form of a BLA requesting approval to market the product for one or more of the reference product's indications. FDA review and approval of the BLA is required before marketing of the product may begin in the United States. The BLA must include the results of all preclinical, clinical and other testing and a detailed compilation of data relating to the product's pharmacology and CMC and must demonstrate the safety, purity and potency of the product based on these results. The cost of preparing and submitting a BLA is substantial. Under Biosimilar User Fee Act of 2012, or BsUFA, the sponsor must submit initial and annual biological product development fees, an application fee at the time of submission of the BLA and establishment and product fees if the product is approved. These fees are typically increased annually and will total several million dollars over the product's market life.

The FDA has 60 days from its receipt of a BLA to determine whether the application will be accepted for filing based on the agency's threshold determination that it is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review. The FDA has agreed to certain performance goals in the review of biosimilar BLAs. The FDA's stated goal for 2016 is to review 85% of original biosimilar biologic applications within ten months from the receipt date of the application. Although the FDA can meet its user fee performance goals, the review process is often extended by requests for additional information or clarification. The FDA reviews a biosimilar BLA to determine, among other things, whether the product candidate has no clinically meaningful differences from the reference product, and the manufacturing process and facility meet standards designed to assure the product candidate's continued safety, purity and potency. Before approving a BLA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. Additionally, the FDA will inspect the facility or the facilities at which the product candidate is manufactured. The FDA will not approve the product candidate unless it verifies compliance with cGMP and the BLA contains adequate data that provide substantial evidence that the product candidate is comparable to the reference product.

After the FDA evaluates the BLA and the manufacturing facilities, it issues either an approval letter or a complete response letter. A complete response letter generally outlines the deficiencies in the submission and may require substantial additional testing or information in order for the FDA to reconsider the application. If, or when, those deficiencies have been addressed to the FDA's satisfaction, the FDA will issue an approval letter. For 2016, the FDA has committed to reviewing 85% of resubmissions of biosimilar BLAs within six months of receipt. FDA approval is never guaranteed, and the FDA will not approve a BLA if applicable regulatory criteria are not satisfied.

The approval of our product candidates may be significantly more limited than requested in the application, including limitations on the dosage forms (if multiple forms are filed) or the indications for use, which could restrict the commercial value of the product. In addition, as a condition of BLA approval, the FDA may require a risk evaluation and mitigation strategy, or REMS, minimize any risk associated with the product. REMS can include medication guides, communication plans for healthcare professionals and Elements To Assure Safe Use, or ETASU. ETASU can include, but are not limited to, special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring and the use of patient registries. The requirement for a REMS can materially affect the potential market and profitability of the product. Moreover, product approval may require, as a condition of approval, post-approval testing and surveillance to monitor the product's safety or efficacy. Once granted, product approvals may be withdrawn if compliance with regulatory standards is not maintained or problems are identified following initial marketing.

***Abbreviated Licensure Pathway of Biologics as Biosimilar or Interchangeable under 351(k)***

The BPCIA amended the PHSA by adding section 351(k) that created an abbreviated approval pathway for biologics shown to be highly similar to an FDA-licensed reference biologic. Under the BPCIA, a biologic may be demonstrated to be "biosimilar" if data show that, among other things, the product is "highly similar" to a reference product. This is demonstrated through extensive analytical studies, animal studies (when deemed necessary), and clinical trials in a sensitive patient population to confirm that "residual uncertainties" do not have clinically meaningful impact. Developing the data to satisfy 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. In addition, an application submitted under the 351(k) pathway must include information demonstrating that the proposed biosimilar product and reference product have the same route of administration, dosage form and the strength and the biosimilar product utilizes the same mechanism of action for the condition(s) of use approved in the proposed labeling to the extent the mechanism(s) of action are known for the reference product.

Biosimilarity under the BPCIA means that the biologic is highly similar to the reference product notwithstanding minor differences in clinically inactive components and that there are no clinically meaningful differences between the biologic and the reference product in terms of the safety, purity and potency of the product. Therefore, in addition to a complete CMC data submission as required for a 351(a) BLA, an application submitted under section 351(k) is required to include data supporting the analytical similarity of the proposed biosimilar product to the reference product.

If a manufacturer intends to use data from an animal study or a clinical study comparing its proposed biosimilar product to a non-U.S.-licensed product to address, in part, the requirements under section 351(k), the sponsor must provide adequate data or information to scientifically justify the relevance of these comparative data to an assessment of biosimilarity and establish an acceptable bridge to the U.S.-licensed reference product. The type of bridging data that is required includes data from analytical studies that directly compare all three products, *i.e.*, the proposed biosimilar product, the U.S.-licensed reference product and the non-U.S.-licensed comparator product, and is likely to also include bridging clinical PK and/or PD study data for all three products. FDA makes a final determination about the adequacy of the scientific justification and bridge during the review of the application.

Moreover, the BPCIA provides for a designation of "interchangeability" between the reference and biosimilar products, whereby the biosimilar may be substituted for the reference product without the intervention of the healthcare provider who prescribed the reference product. After the assessment of biosimilarity, the higher standard of interchangeability must be demonstrated by information sufficient to show that the proposed product is expected to produce the same clinical result as the reference product in any given patient and for a product that is administered more than once to an individual, the risk to the patient in terms of safety or diminished efficacy of alternating or switching between the biosimilar and the reference product is no greater than the risk of using the reference product without such alternation or switch. FDA's implementation of the 351(k) approval pathway is still evolving, and the acceptance for filing and review of a 351(k) application is subject to the same refusals to file or approve that are described above for 351(a) BLAs. In addition, the FDA may accept a 351(k) application for filing but deny approval on the basis that the sponsor has not demonstrated biosimilarity, in which case the sponsor may choose to conduct further analytical, preclinical or clinical trials to demonstrate such biosimilarity under section 351(k) or submit a BLA for licensure as a new biologic under section 351(a).

The timing of final FDA approval of a biosimilar for commercial distribution depends on a variety of factors, including whether the manufacturer of the reference product is entitled to one or more statutory exclusivity periods, during which time the FDA is prohibited from approving, or accepting applications for, any product candidates that are purportedly biosimilar to the reference product. The FDA cannot approve a biosimilar application for 12 years from the date of first licensure of the reference product. Additionally, a biosimilar product sponsor may not submit an application under the 351(k) pathway for four years from the date of first licensure of the reference product. "First licensure" typically means the initial date the particular product at issue was licensed in the United States. Date of first licensure does not include the date of licensure of (and a new period of exclusivity is not available for) a biological product if the licensure is for a supplement for the biological product or for a subsequent application by the same sponsor or manufacturer of the biological product (or licensor, predecessor in interest, or other related entity) for a change (not including a modification to the structure of the biological product) that results in a new indication, route of administration, dosing schedule, dosage form, delivery system, delivery device or strength, or for a modification to the structure of the biological product that does not result in a change in safety, purity, or potency. Therefore, one must determine whether a subsequent application for a new product includes a modification to the structure of a previously licensed product that results in a change in safety, purity, or potency to assess whether the licensure of the new product is a first licensure that triggers its own period of exclusivity. Whether a subsequent application, if approved, warrants exclusivity as the "first licensure" of a biological product is determined on a case-by-case basis with data submitted by the sponsor.

A reference product may also be entitled to exclusivity under other statutory provisions. For example, a reference product designated as an orphan drug may be entitled to seven years of exclusivity, in which case no product that is biosimilar to the reference product may be approved until either the end of the 12-year biologic reference product exclusivity period or the end of the seven year orphan drug exclusivity period, whichever occurs later. In certain circumstances, a regulatory exclusivity period can extend beyond the life of a patent and thus block §351(k) applications from being approved on or after the patent expiration date. In addition, the FDA may under certain circumstances extend the exclusivity period for the reference product by an additional six months if the FDA requests, and the manufacturer undertakes, studies on the effect of its product in children, a so-called pediatric extension.

The first biosimilar product determined to be interchangeable with a reference product for any condition of use is also entitled to a period of exclusivity, during which time the FDA may not determine that another product is interchangeable with the reference product for any condition of use. This exclusivity period extends until the earlier of: (i) one year after the

first commercial marketing of the first interchangeable product; (ii) 18 months after resolution of a patent infringement suit against the applicant that submitted the application for the first approved interchangeable product, based on a final court decision regarding all of the patents in the litigation or dismissal of the litigation with or without prejudice; (iii) 42 months after approval of the first interchangeable product, if a patent infringement suit instituted against the applicant that submitted the application for the first interchangeable product is still ongoing; or (iv) 18 months after approval of the first interchangeable product if the applicant that submitted the application for the first interchangeable product has not been sued for patent infringement.

#### **Post-Approval Regulatory Requirements**

Once a BLA is approved, a product will be subject to continuing post-approval regulatory requirements relating to recordkeeping, periodic reporting, testing requirements, manufacturing, distribution, advertising and promotion and reporting of adverse experiences with the product. For instance, the FDA closely regulates post-approval marketing and promotion concerning communications for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the internet. Failure to comply with these regulations can result in significant penalties, including the issuance of untitled and warning letters directing a company to correct deviations from FDA standards, a requirement that future advertising and promotional materials be pre-cleared by the FDA and federal and state civil and criminal investigations and prosecutions.

Biologics, like other pharmaceutical products, may be marketed only for the approved indications and in accordance with the provisions of the approved conditions specified in the BLA. After approval, changes to the information submitted in the BLA may require submission to the FDA. Generally, there are three types of filing mechanisms to the approved application: prior approval supplement, changes being effected supplement and annual report. The filing type is dictated by the assessment of the potential to impact quality, efficacy and/or safety and each holds specific review and/or approval timelines. For example, a new indication would be filed as a prior approval supplement because assessment of efficacy and safety would be necessary with the targeted 10 month review clock. Whereas, a minor change in manufacturing process, which, among other things, would not affect specification limits or modifications in potency, sensitivity, specificity or purity of the product, may be filed in the BLA annual report, and can be implemented once the company's quality unit has approved the use through appropriate documentation. There are also continuing annual user fee requirements for any marketed products and the establishments at which such products are manufactured, as well as new application fees for supplemental applications with clinical data.

Adverse event reporting and submission of periodic safety reports are required following FDA approval of a BLA. As a condition of the BLA approval, the FDA also may require additional information that may include additional analytical or clinical studies and a REMS or other conditions to assess and/or monitor the quality and safety of the approved product.

All manufacturing operations, including manufacturing, testing, packaging, labeling, storage and distribution procedures must continue to meet cGMP requirements after approval. Product manufacturers and certain of their subcontractors are also required to register their establishments with the FDA and certain state agencies. Registration with the FDA subjects entities to periodic inspections by the FDA, during which the agency inspects manufacturing facilities to assess compliance with cGMP. Accordingly, manufacturers must have dedicated resources in the areas of production, quality control, and quality assurance to maintain compliance with cGMP.

Discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency or with manufacturing processes or failure to comply with regulatory requirements, may result in the withdrawal of the product approval, product recall or marketing restrictions through labeling changes or product removals. A change in the safety profile may result in revisions to the approved labeling to update safety information; post-market studies or clinical trials to assess new safety risks; or distribution restrictions or other requirements under a REMS program.

**Other U.S. Healthcare Laws and Compliance Requirements**

Although we currently do not have any products on the market, if our product candidates are approved and we begin commercialization, we will be subject to additional healthcare regulation and enforcement by the federal government and the states and foreign governments in which we conduct our business. These laws include, without limitation, state and federal anti-kickback, fraud and abuse, false claims, privacy and security and physician sunshine laws and regulations.

The federal Anti-Kickback Statute prohibits, among other things, any person or entity from knowingly and willfully offering, soliciting, receiving or providing remuneration, directly or indirectly, in cash or in kind, either to induce or award the referral of an individual, for an item or service or the purchasing, recommending or ordering of a good or service, for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs. The Anti-Kickback Statute is subject to evolving interpretations. In the past, the government has enforced the Anti-Kickback Statute to reach large settlements with healthcare companies based on, in certain cases, sham consulting and other financial arrangements with physicians. Further, the Affordable Care Act, among other things, amends the intent requirement of the federal Anti-Kickback Statute and the criminal statute governing healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of these statutes or specific intent to violate them in order to commit a violation. In addition, the Affordable Care Act provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act or federal civil money penalties statute. The majority of states also have anti-kickback laws that establish similar prohibitions and in some cases may apply to items or services reimbursed by any third-party payor, including commercial insurers.

Additionally, the federal false claims and civil monetary penalties laws, including the civil False Claims Act prohibit, among other things, knowingly presenting or causing the presentation of a false, fictitious or fraudulent claim for payment to the U.S. government, or making a false statement to avoid, decrease, or conceal an obligation to pay money to the federal government. Actions under the False Claims Act may be brought by the Attorney General or as a qui tam action by a private individual in the name of the government. Violations of the False Claims Act can result in very significant monetary penalties and treble damages. The federal government has used the False Claims Act, and the accompanying threat of significant liability, in its investigation and prosecution of pharmaceutical and biotechnology companies throughout the country, for example, in connection with the promotion of products for unapproved uses and other illegal sales and marketing practices. The government has obtained multi-million and multi-billion dollar settlements under the False Claims Act in addition to individual criminal convictions under applicable criminal statutes. Given the significant size of actual and potential settlements, it is expected that the government will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable fraud and abuse laws.

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, created additional federal criminal statutes that prohibit, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and its implementing regulations, imposes requirements regarding the privacy and security of individually identifiable health information, including mandatory contractual terms, for covered entities, or certain healthcare providers, health plans, and healthcare clearinghouses, and their business associates. HITECH also increased the civil and criminal penalties that may be imposed against covered entities and business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce HIPAA.

In addition, there has been a recent trend of increased federal and state regulation of payments made to physicians and other healthcare providers. The Affordable Care Act, among other things, via the Physician Payments Sunshine Act, imposes new reporting requirements on certain manufacturers of drugs, devices, biologics, and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, with specific exceptions, for payments made by them to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Failure to submit required information to the Centers for Medicare & Medicaid Services, or CMS, may result in civil monetary penalties of up to an aggregate of \$150,000 per year (or up to an aggregate of \$1.0 million per year for "knowing failures"), for all payments, transfers of value or ownership or investment interests that are not timely, accurately and completely reported in an annual submission. Such manufacturers must submit reports by the 90th day of each subsequent calendar year.



Certain states also mandate implementation of commercial compliance programs, impose restrictions on pharmaceutical manufacturer marketing practices and/or require the tracking and reporting of gifts, compensation and other remuneration to physicians. Additionally, analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third party payors, including private insurers. State laws may also apply that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, as well as state and foreign laws governing the privacy and security of health information, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

The shifting commercial compliance environment and the need to build and maintain robust systems to comply with different compliance and/or reporting requirements in multiple jurisdictions increase the possibility that a healthcare company may violate one or more of the requirements. If our operations are found to be in violation of any of such laws or any other governmental regulations that apply to us, we may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, exclusion from participation in federal and state healthcare programs and imprisonment, any of which could adversely affect our ability to operate our business and our financial results.

#### **Healthcare Reform**

The Affordable Care Act has had, and is expected to continue to have, a significant impact on the healthcare industry. The Affordable Care Act was designed to expand coverage for the uninsured while at the same time containing overall healthcare costs. With regard to pharmaceutical products, among other things, the Affordable Care Act expanded and increased industry rebates for drugs covered under Medicaid programs and made changes to the coverage requirements under the Medicare prescription drug benefit. We continue to evaluate the effect that the Affordable Care Act has on our business. In the coming years, additional legislative and regulatory changes could be made to governmental health programs that could significantly impact pharmaceutical companies and the success of our product candidates. The Affordable Care Act, as well as other federal, state and foreign healthcare reform measures that have been and may be adopted in the future, could harm our future revenues.

#### **International Regulation**

In addition to regulations in the United States, foreign regulations also govern clinical trials, commercial sales and distribution of product candidates within their jurisdiction. The regulatory approval process varies from country to country and the time to approval may be longer or shorter than that required for FDA approval. In the European Union, the approval of a biosimilar for marketing is based on an opinion issued by the European Medicines Agency and a decision issued by the European Commission. However, substitution of a biosimilar for the innovator is a decision that is made at the local (national) level on a country-by-country basis. Additionally, a number of European countries do not permit the automatic substitution of biosimilars for the reference product. Many countries, such as Canada, Japan, China, Brazil, Mexico and Korea, also have their own legislation outlining a regulatory pathway for the development and approval of biosimilars. In some cases, countries have either adopted European guidance or are following guidance issued by the World Health Organization. Although similarities are apparent across these various regulatory guidances, there is also the potential for additional country-specific requirements.

#### **Pharmaceutical Coverage, Pricing and Reimbursement**

In the United States and other countries, sales of any products for which we receive regulatory approval for commercial sale will depend in part on the availability of coverage and reimbursement from third-party payors, including government health administrative authorities, managed care providers, private health insurers and other organizations. Third-party payors are increasingly examining the medical necessity and cost effectiveness of medical products and services in addition to safety and efficacy and, accordingly, significant uncertainty exists as to the reimbursement status of newly approved therapeutics. A payor's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a drug product does not assure that other payors will also provide coverage for the drug product. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development. In addition, the U.S. government, state legislatures and foreign governments have continued implementing cost-containment programs, including price controls, restrictions on coverage and reimbursement and requirements for substitution of generic products. Adoption of price controls and cost-containment measures and adoption of more restrictive policies in jurisdictions with existing controls and measures could further limit our net revenue and results. Decreases in third-party reimbursement for

our product candidates or a decision by a third-party payor to not cover our product candidates could reduce physician utilization of our products and have a material adverse effect on our sales, results of operations and financial condition.

**Employees**

As of September 30, 2015, we had 73 full-time employees, 42 of whom were primarily engaged in research and development activities and 17 of whom had an M.D. or Ph.D. degree. None of our employees are represented by a labor union or covered by a collective bargaining agreement.

**Facilities**

We occupy approximately 48,000 square feet of office and laboratory space in Cranbury, New Jersey, under a lease that expires in June 30, 2021. Additionally, we have entered into a lease for approximately 82,000 square feet of occupiable office and laboratory space in Cranbury, New Jersey, with lease payments expected to commence in March 2016 and expire in March 2026.

**Legal Proceedings**

From time to time, we may become involved in litigation relating to claims arising from the ordinary course of business. Our management believes that there are currently no claims or actions pending against us, the ultimate disposition of which would have a material adverse effect on our results of operations, financial condition or cash flows.

## MANAGEMENT

### Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors as of December 15, 2015:

Name	Age	Position(s)
<b>Executive Officers</b>		
Pankaj Mohan, Ph.D.	51	President, Chief Executive Officer and Director
Kenneth M. Bahr, M.D.	62	Chief Medical Officer
Scott A. Gangloff	42	Senior Vice President, Development & Manufacturing
Lawrence A. Kenyon	50	Chief Financial Officer and Secretary
Stephen J. McAndrew, Ph.D.	61	Senior Vice President, Business Strategy & Development
Elizabeth A. Yamashita	55	Vice President, Regulatory Affairs
<b>Non-Employee Directors</b>		
Todd C. Brady, M.D., Ph.D.	44	Director
Scott Canute	55	Director
Albert D. Dyrness	53	Director
Donald J. Griffith	67	Director
Kurt J. Hilzinger	55	Director
Robin Smith Hoke	53	Director

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Nominating, Disclosure and Corporate Governance Committee

### Executive Officers

**Pankaj Mohan, Ph.D.** Dr. Mohan has served as our President, Chief Executive Officer and as Chairman and a member of our board of directors since January 2011. Prior to founding our company, from May 2008 to December 2010, Dr. Mohan served as head of Business Operations and Portfolio Management of Biologics Process and Product Development at Bristol-Myers Squibb Company, a biopharmaceutical company. From June 2006 to May 2008, Dr. Mohan served as a Director of Bioprocess Engineering at Genentech, Inc., a biotechnology company. Prior to that, from May 1996 to May 2006, Dr. Mohan served as a senior manager at Eli Lilly and Company, a pharmaceutical company. From May 1993 to April 1996, Dr. Mohan served as Assistant Professor (Lecturer/Fellow) at the Advanced Centre for Biochemical Engineering, University College London, London, United Kingdom. From August 1987 to December 1989, Dr. Mohan served as a Scientific Officer for the Department of Atomic Energy for the Government of India. Dr. Mohan has served as a member of the board of directors of Sonnet Biotherapeutics, Inc., a privately held biopharmaceutical company, since its inception in April 2015. Dr. Mohan received a Ph.D. in Biochemical Engineering from the School of Chemical Engineering, University of Birmingham, Birmingham, United Kingdom, a Masters in Financial Management from Middlesex University Business School, London, United Kingdom, an Executive Management Program (AMP) from Fuqua School of Business at Duke University and a Bachelor of Chemical Engineering from the Indian Institute of Technology in Roorkee, India.

We believe Dr. Mohan's experience on our board of directors and as our Chairman, President and Chief Executive Officer, as well as his experience in the biopharmaceutical industry, qualifies him to serve on our board of directors.

**Kenneth M. Bahr, M.D.** Dr. Bahr has served as our Chief Medical Officer since June 2015. Prior to joining us, from February 2014 to May 2015, Dr. Bahr served as the Vice President of U.S. Medical Affairs at NPS Pharmaceuticals, Inc., a biopharmaceutical company. From August 2011 to January 2014, Dr. Bahr served as Senior Vice President and Chief Medical Officer at Savient Pharmaceuticals, Inc., a biopharmaceutical company. Prior to that, from September 2009 to August 2011, Dr. Bahr served as the Therapeutic Head of Immunology Medical Affairs at Genentech, Inc. From July 2007 to September 2009, Dr. Bahr served as the Global Medical Director for Immunology at Hoffman-La Roche, a Swiss healthcare company. Prior to this, Dr. Bahr held positions of increasing responsibility at Bristol Myers Squibb, Pfizer, and Daiichi. Prior to joining the pharmaceutical industry, Dr. Bahr was in clinical practice. Dr. Bahr is a board-certified Internist and Rheumatologist and a Fellow of the American College of Rheumatology. Dr. Bahr received an M.D. from Hahnemann University and a Bachelor's degree in Biology from Muhlenberg College.

**Scott A. Gangloff.** Mr. Gangloff has served as our Senior Vice President, Development & Manufacturing since January 2015. Prior to that, Mr. Gangloff served as our Vice President of Process Development and Manufacturing from January 2013 to January 2015 and as our Executive Director of Process Development and Manufacturing from May 2011 to January 2013. Prior to joining us, Mr. Gangloff held various process engineering and manufacturing roles at Bristol-Myers Squibb Company, serving as Associate Director, Process Scale-up from January 2006 to May 2011 with oversight of clinical manufacturing, Manager of Biologics Scale-Up Facility from June 2004 to January 2006, and roles of increasing responsibility in cell culture development and process engineering from July 1998 to June 2004. From January 1996 to July 1998, Mr. Gangloff served as Process Engineer at Jacobs Engineering Group Inc., a technical professional services firm. Mr. Gangloff received a Masters of Engineering in Chemical Engineering from Lehigh University and a Bachelor of Chemical Engineering from Villanova University.

**Lawrence A. Kenyon.** Mr. Kenyon has served as our Chief Financial Officer and Secretary since September 2015. Prior to that, from February 2014 to September 2015, Mr. Kenyon served as the Chief Financial Officer of Arno Therapeutics, Inc., a biopharmaceutical company focused on the development of therapeutics for cancer and other life threatening diseases, and also as Chief Operating Officer from July 2014 to September 2015. From December 2011 to March 2013, Mr. Kenyon served as the Interim President & Chief Executive Officer, Chief Financial Officer and Secretary of Tamir Biotechnology, Inc., a publicly held biopharmaceutical company engaged in the development of oncology and anti-infective therapeutics. Prior to that, from December 2008 to July 2010, Mr. Kenyon was the Executive Vice President, Finance and, commencing in March 2009, the Chief Financial Officer of, Par Pharmaceutical Companies, Inc., a publicly held generic and branded specialty pharmaceutical company, or Par. Prior to joining Par, Mr. Kenyon was the Chief Financial Officer and Secretary of Alfacell Corporation, or Alfacell, from January 2007 through February 2009 and also served at various times during this period as Alfacell's Executive Vice President, Chief Operating Officer and President, and was a member of Alfacell's board of directors from November 2007 to April 2009. Prior to joining Alfacell, Mr. Kenyon served as the Executive Vice President, Chief Financial Officer and Corporate Secretary at NeoPharm, Inc., a publicly traded biopharmaceutical company, from 2000 to 2006. Mr. Kenyon received a B.A. in Accounting from the University of Wisconsin-Whitewater and is a Certified Public Accountant in Illinois.

**Stephen J. McAndrew, Ph.D.** Dr. McAndrew served initially as our Vice President of Business Development from February 2012 through March 2014, and as our Senior Vice President, Business Strategy & Development since March 2014. Prior to joining us, from March 2011 to February 2012, Dr. McAndrew served as the President of SJM BioPharm Consulting, a biopharmaceutical consulting company. From December 2009 to March 2011, Dr. McAndrew served as Vice President of Scientific Commercial Development at Taconic Biosciences, Inc., a contract research and biotechnology company, and from August 2007 to December 2009, Dr. McAndrew served as Vice President of Business Development at Caliper Life Sciences, Inc., a biotechnology company. Prior to that, from January 2004 to August 2007, Dr. McAndrew served as Vice President of Business Development at Xenogen Biosciences Corporation, a provider of *in vivo* drug discovery services. From January 2001 to December 2003, Dr. McAndrew served as Vice President of Pharmaceutical Business Development at Lexicon Pharmaceuticals, Inc., a biopharmaceutical drug-development company. Prior to that, from March 1993 to December 2001, Dr. McAndrew served in various positions of increasing responsibility at Bristol-Myers Squibb Company, including as Director of Biotechnology Licensing. Dr. McAndrew received a Ph.D. in Cellular and Molecular Biology from Ohio University, an M.S. in Molecular Genetics from the State University of New York at Albany and a B.S. from the State University of New York at Oswego.

**Elizabeth A. Yamashita.** Ms. Yamashita has served as our Vice President of Regulatory Affairs since July 2015 and, prior to that, our Vice President of Regulatory and Clinical Affairs since April 2014. Prior to joining us, from October 2012 to January 2014, Ms. Yamashita served as Group Vice President of Regulatory Affairs at Savient Pharmaceuticals, Inc., a biopharmaceutical company, and also as Vice President, CMC Regulatory from June 2011 to October 2012. From May 2006 to June 2011, Ms. Yamashita served as Principal Fellow, CMC Regulatory Strategy and Vice President Regulatory CMC & Operations at ImClone Systems Inc., a biopharmaceutical company. Prior to that, Ms. Yamashita was employed by Bristol-Myers Squibb Company for 24 years and from 2000 to 2006, Ms. Yamashita served as the Group Director of Global Regulatory Sciences, CMC. Ms. Yamashita received a Regulatory Affairs Certification from the Regulatory Affairs Professional Society and a B.S. in Chemistry from the University of Rochester.

#### **Non-Employee Directors**

**Todd C. Brady, M.D., Ph.D.** Dr. Brady has served as a member of our board of directors since September 2014. Since January 2012, Dr. Brady also has served as Chief Executive Officer and President of Aldeyra Therapeutics, Inc., a biotechnology company, and has served as a member of its board of directors since September 2005. Dr. Brady further has

served as a member of the board of directors of Evoke Pharma, Inc., a biotechnology company, since June 2007, of Novadigm Therapeutics, Inc., a biotechnology company, since December 2007 and of Cantex Pharmaceuticals, Inc., a biotechnology company, since August 2006. From 2004 to 2013, Dr. Brady served as an entrepreneur-in-residence and principal at Domain Associates, a healthcare venture capital firm. Dr. Brady received an M.D. from Duke University Medical School, a Ph.D. from Duke University Graduate School and an A.B. from Dartmouth College.

We believe Dr. Brady's experience as a Chief Executive Officer in a biotechnology company and as a director of publicly traded biotechnology companies, as well as his experience as a venture capital investor in the industry, qualifies him to serve on our board of directors.

**Scott Canute.** Mr. Canute has served as a member of our board of directors since October 2011. Mr. Canute also has served as a member of the technical advisory board of Moderna Therapeutics, Inc., a physical therapy company, since October 2012, and further has served as a member of the board of directors of Proteon Therapeutics, Inc., a biopharmaceutical company, since July 2015 and Flexion Therapeutics, Inc., a pharmaceutical company, since March 2015. In addition, Mr. Canute formerly served as a member of the board of directors of Inspiration Biopharmaceuticals, Inc., a biopharmaceutical company, from September 2012 to September 2013 and AlloCure Inc., a biotechnology company, from October 2012 to October 2014. From March 2010 to July 2011, Mr. Canute served as the President of Global Manufacturing and Corporate Operations of Genzyme Corporation, a biotechnology company. Prior to that, from 1982 to 2007, Mr. Canute served in various management positions at Eli Lilly and Company, including as the President of Global Manufacturing Operations from 2004 to 2007, Vice President of Global Manufacturing from 2001 to 2004, Vice President of Global Pharmaceutical Manufacturing from 1999 to 2001 and General Manager of European Manufacturing Operations from 1998 to 1999. Mr. Canute received an M.B.A. from Harvard Business School and a B.S. in Chemical Engineering from the University of Michigan.

We believe Mr. Canute's experience in the biopharmaceutical industry, as well as his experience as a member on the boards of director of multiple companies in the industry, qualifies him to serve on our board of directors.

**Albert D. Dyrness.** Mr. Dyrness has served as a member of our board of directors since December 2015. Mr. Dyrness co-founded ADVENT Engineering Services, Inc., a privately held engineering consulting firm, in 1988, and since that time, he has served in several roles, most recently as the Principal and Managing Director of the Life Sciences Division since 1995. Mr. Dyrness is a recognized industry leader in bio-process engineering, with expertise in upstream, downstream and fill-finish processes, member of the American Society of Mechanical Engineers Bioprocess Equipment Standard, or ASME BPE, and has served as the Vice Chairperson for the ASME BPE System Design subcommittee since 2013. Mr. Dyrness is also an Industrial Advisory Board Member of the University of the Pacific's Bioengineering program. Mr. Dyrness received an M.S. in Mechanical Engineering from Massachusetts Institute of Technology and holds professional engineering licenses in the State of California for both Chemical Engineering and Mechanical Engineering.

We believe Mr. Dyrness' experience in the design, start-up and qualification of systems, and equipment used for producing and developing biologics and pharmaceuticals, as well as in the life sciences sector, qualifies him to serve on our board of directors.

**Donald J. Griffith.** Mr. Griffith has served as a member of our board of directors since August 2011. Mr. Griffith served as our Chief Financial Officer and Secretary from May 2011 through September 2015. Mr. Griffith currently serves as Chairman, President, Chief Executive Officer and Treasurer of Sonnet Biotherapeutics, Inc. and also serves as a member of its board of directors. From May 1991 to May 2011, Mr. Griffith served as a partner at Stolz & Griffith, LLC, a New Jersey accounting firm. Mr. Griffith is an active member of the New Jersey Society of CPAs and the American Institute of CPAs. Mr. Griffith received an M.B.A. from Fairleigh Dickenson University and a B.B.A. in Business Administration from the City College of New York.

We believe Mr. Griffith's experience on our board of directors, as well as his extensive financial and accounting experience, qualifies him to serve on our board of directors.

**Kurt J. Hilzinger.** Mr. Hilzinger has served as a member of our board of directors since December 2015. Since 2007, Mr. Hilzinger has served as a partner at Court Square Capital Partners L.P., an independent private equity firm, where he is responsible for investing in the healthcare sector. Since July 2003, Mr. Hilzinger also has served in various capacities as a member of the board of directors at Humana, Inc., a managed care company, including serving as Lead Director from August 2010 to January 2014, and as Chairman since January 2014. In addition, Mr. Hilzinger also has served several roles at AmerisourceBergen Corporation, a healthcare company, including as a member of the board of directors from March 2004 to November 2007, as the President and Chief Operating Officer from October 2002 to November 2007 and as the

Executive Vice President and Chief Operating Officer from August 2001 to October 2002. Mr. Hilzinger also serves on the Visiting Committee at the Ross School of Business at the University of Michigan. Mr. Hilzinger received a B.B.A. in Accounting from the University of Michigan and is a Certified Public Accountant in Michigan.

We believe Mr. Hilzinger's experience and financial expertise in the healthcare sector qualifies him to serve on our board of directors.

**Robin Smith Hoke.** Ms. Hoke has served as a member of our board of directors since December 2015. Since July 2012, Ms. Hoke has been acting as a consultant providing pharmaceutical and healthcare advisory services to multi-national, mid-tier and emerging companies and private equity firms. Previously, Ms. Hoke served in various roles at Ricerca Biosciences, LLC, a preclinical contract research organization, including as a member of the board of directors from February 2013 to December 2015, as well as the Chair of the board of directors and the Interim Chief Executive Officer from August 2013 to February 2014. Prior to that, Ms. Hoke served as the President for GeneralMedix Pharmaceuticals, Inc., a privately held specialty injectable company, from July 2007 to June 2012. Ms. Hoke also served as the Senior Vice President, Global Business Development and Strategic Initiatives, Generic Pharmaceuticals, at Cardinal Health, Inc., a healthcare company, from 2005 to 2007, and served as General Counsel from 2001 to 2005. Previously, Ms. Hoke was in-house counsel at Abbott Laboratories, a healthcare company, and a business partner at the law firm of Kegler, Brown, Hill & Ritter Co., LP. Ms. Hoke received a B.S. from Michigan State University and a J.D. from Thomas M. Cooley Law School.

We believe Ms. Hoke's healthcare and pharmaceutical experience qualifies her to serve on our board of directors.

#### **Family Relationships**

There are no family relationships among our directors and executive officers.

#### **Board Composition**

Our board of directors will consist of seven members upon the closing of this offering. In accordance with our amended and restated certificate of incorporation to be filed in connection with this offering, immediately prior to this offering, our board of directors will be divided into three classes. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes as follows:

- The Class I directors will be \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, and their terms will expire at the annual meeting of stockholders to be held in 2017;
- The Class II directors will be \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, and their terms will expire at the annual meeting of stockholders to be held in 2018; and
- The Class III directors will be \_\_\_\_\_ and \_\_\_\_\_, and their terms will expire at the annual meeting of stockholders to be held in 2019.

We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

#### **Director Independence**

Under the listing requirements and rules of the NASDAQ Global Market, or NASDAQ, independent directors must comprise a majority of our board of directors as a listed company within one year of the closing of this offering.

Our board of directors has undertaken a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our board of directors has determined that \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ do not have any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the applicable rules and regulations of the SEC and the listing requirements and rules of the NASDAQ. In making this determination, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

#### **Board Committees**

Our board of directors has established an audit committee, a compensation committee and a nominating, disclosure and corporate governance committee, as well as a culture committee and a science and technology committee. Our board of

directors may establish other committees to facilitate the management of our business. The composition and functions of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors.

#### **Audit Committee**

Our audit committee consists of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. Our board of directors has determined that \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ are independent under the NASDAQ listing standards and Rule 10A-3(b)(1) of the Exchange Act. The chair of our audit committee is \_\_\_\_\_. Our board of directors has determined that \_\_\_\_\_ is an "audit committee financial expert" within the meaning of SEC regulations. Our board of directors has also determined that each member of our audit committee can read and understand fundamental financial statements in accordance with applicable requirements. In arriving at these determinations, the board of directors has examined each audit committee member's scope of experience and the nature of their employment in the corporate finance sector.

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 accounting firm. Specific responsibilities of our audit committee include:

- selecting a qualified firm to serve as the independent registered public accounting firm to audit our consolidated financial statements;
- helping to ensure the independence and performance of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and the independent accountants, our interim and year-end operating results;
- developing procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- reviewing our policies on risk assessment and risk management;
- reviewing related party transactions;
- obtaining and reviewing a report by the independent registered public accounting firm at least annually, that describes our internal quality-control procedures, any material issues with such procedures, and any steps taken to deal with such issues when required by applicable law; and
- approving (or, as permitted, pre-approving) all audit and all permissible non-audit services, other than de minimis non-audit services, to be performed by the independent registered public accounting firm.

#### **Compensation Committee**

Our compensation committee consists of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. Our board of directors has determined that \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ are independent under the NASDAQ listing standards, are "non-employee directors" as defined in Rule 16b-3 promulgated under the Exchange Act and are "outside directors" as that term is defined in Section 162(m) of the Internal Revenue Code of 1986, as amended, or Section 162(m). The chair of our compensation committee is \_\_\_\_\_.

The primary 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, directors and other senior management, as appropriate. Specific responsibilities of our compensation committee include:

- reviewing and approving, or recommending that our board of directors approve, the compensation of our executive officers;
- reviewing and recommending to our board of directors the compensation of our directors;
- reviewing and approving, or recommending that our board of directors approve, the terms of compensatory arrangements with our executive officers;
- administering our stock and equity incentive plans;
- selecting independent compensation consultants and assessing whether there are any conflicts of interest with any of the committees compensation advisers;
- reviewing and approving, or recommending that our board of directors approve, incentive compensation and equity plans, severance agreements, change in control protections and any other compensatory arrangements for our executive officers and other senior management, as appropriate; and
- reviewing and establishing general policies relating to compensation and benefits of our employees and reviewing our overall compensation philosophy.

### **Nominating, Disclosure and Corporate Governance Committee**

Our nominating, disclosure and corporate governance committee consists of \_\_\_\_\_ and \_\_\_\_\_. The chair of our nominating, disclosure and corporate governance committee is \_\_\_\_\_. Each member of the nominating, disclosure and corporate governance committee is independent within the meaning of applicable listing standards, is a non-employee director and is free from any relationship that would interfere with the exercise of his or her independent judgment, as determined by the board of directors in accordance with the applicable NASDAQ listing standards.

Specific responsibilities of our nominating, disclosure and corporate governance committee include:

- identifying, evaluating and selecting, or recommending that our board of directors approve, nominees for election to our board of directors;
- evaluating the performance of our board of directors and of individual directors;
- considering and making recommendations to our board of directors regarding the composition of the committees of the board of directors;
- reviewing developments in corporate governance practices;
- evaluating the adequacy of our corporate governance practices and reporting;
- reviewing management succession plans;
- developing and making recommendations to our board of directors regarding corporate governance guidelines and matters; and
- overseeing an annual evaluation of the board of directors' performance.

Our board may from time to time establish other committees for the benefit of the company. Currently, our board has established the following additional committees:

- The culture committee, which consists of \_\_\_\_\_ (as chair) and \_\_\_\_\_. The culture committee is responsible for \_\_\_\_\_.
- The science and technology committee, which consists of \_\_\_\_\_ (as chair) and \_\_\_\_\_. The science and technology committee is responsible for \_\_\_\_\_.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of the compensation committee is currently, or has been at any time, one of our officers or employees. None of our executive officers currently serves, or has served during the last year, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee other than Dr. Mohan, who currently serves on the board of directors of Sonnet Biotherapeutics, Inc., or Sonnet, for which Mr. Griffith, another member of our board of directors, also serves as chairman, president, chief executive officer and treasurer. For more information regarding Sonnet, please see "Certain Relationships and Related Party Transactions — Sonnet Biotherapeutics, Inc."

### **Code of Business Conduct and Ethics**

We have adopted a code of business conduct and ethics that applies to all of our employees and officers (including our principal executive officer, principal financial officer and principal accounting officer or controller), or persons performing similar functions and agents and representatives, including directors and consultants. The full text of our code of business conduct and ethics will be posted on our website at [www.oncobiologics.com](http://www.oncobiologics.com). We intend to disclose future amendments to certain provisions of our code of business conduct and ethics, or waivers of such provisions applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and our directors, on our website identified above.

### **Non-Employee Director Compensation**

We have entered into director engagement letters with two of our non-employee directors, Dr. Brady and Mr. Canute. Pursuant to Dr. Brady's director engagement letter, he is eligible to receive a fee of \$100,000 per year for his service paid in cash and a grant of PSUs with respect to 200,000 shares of our common stock. The PSUs have not been granted to Dr. Brady. Pursuant to Mr. Canute's director engagement letter, he is eligible to receive a fee of \$100,000 per year for his service paid in cash. Mr. Canute also received a grant of 400,000 shares of restricted stock on December 19, 2011, which were subject to a four year vesting schedule and he is eligible to receive equity awards as determined by the board of directors in its sole discretion. In June 2014, we conducted a buyback of certain of our outstanding securities (see "Certain



Relationships and Related Party Transactions — June 2014 Buyback”). Specifically, we offered restricted stockholders \$0.50 per share payable in the form of a 0% promissory note due December 31, 2015, as amended. In connection therewith, Mr. Canute received a 0% promissory note with an aggregate principal amount of \$200,000 due December 31, 2015, as amended, in exchange for his 400,000 shares of restricted stock. Although we do not have a written policy, we generally reimburse our directors for their reasonable out-of-pocket expenses incurred in attending board of directors meetings and with respect to our business.

The following table sets forth information concerning the compensation earned for service on our board of directors by our directors during the year ended September 30, 2015. Mr. Griffith, our former Chief Financial Officer and Secretary is also a director, but he did not receive any additional compensation for service as a director during the year ended September 30, 2015. Dr. Mohan, our Chief Executive Officer, is also a director but he does not receive any additional compensation for service as a director. Dr. Mohan’s compensation as an executive officer is set forth below under “Executive Compensation — Summary Compensation Table.”

Name	Fees Earned or Paid in Cash <sup>(1)</sup> (\$)	Total (\$)
Todd C. Brady, M.D., Ph.D.	100,000	100,000
Scott Canute	100,000	100,000

(1) Represents the annual cash fees per terms of director engagement letters.

### Non-Employee Director Compensation Policy

We intend to adopt a non-employee director compensation policy pursuant to which our non-employee directors will be eligible to receive compensation for service on our board of directors and committees of our board of directors.

#### Equity Compensation

##### Initial Grant

Each new non-employee director who joins our board of directors will be granted a non-statutory stock option to purchase 25,000 shares of common stock under the 2015 Plan, vesting annually over three years from the grant date, subject to continued service as a director through the applicable vesting date.

##### Annual Grant

On the date of each annual meeting of our stockholders, each current non-employee director will be granted an annual non-statutory stock option to purchase 15,000 shares of common stock under the 2015 Plan, vesting on the first anniversary of the grant date, subject to continued service as a director through the applicable vesting date. The exercise price per share of each stock option granted under the non-employee director compensation policy will be the fair market value of a share of our common stock, as determined in accordance with the 2015 Plan, on the date of the option grant. Each stock option will have a term of ten years from the date of grant, subject to earlier termination in connection with a termination of the non-employee director’s continuous service with us.

#### Cash Compensation

Each non-employee director will receive an annual cash retainer of \$35,000 for serving on our board of directors. The chairperson of our board of directors will receive an additional annual cash retainer of \$30,000.

The chairperson and members of the three principal standing committees of our board of directors will be entitled to the following annual cash retainers:

Board Committee	Chairperson Fee	Member Fee
Audit Committee	\$ 15,000	\$ 7,500
Compensation Committee	10,000	5,000
Nominating, Disclosure and Corporate Governance Committee	8,000	4,000

All annual cash compensation amounts will be payable in equal quarterly installments in arrears, on the last day of each fiscal quarter for which the service occurred, pro-rated based on the days served in the applicable fiscal quarter.

## EXECUTIVE COMPENSATION

Our named executive officers for the year ended September 30, 2015, which consist of our principal executive officer and our two other most highly compensated executive officers, are:

- Pankaj Mohan, Ph.D., our President and Chief Executive Officer;
- Kenneth M. Bahr, M.D., our Chief Medical Officer; and
- Elizabeth A. Yamashita, our Vice President, Regulatory Affairs.

### Summary Compensation Table

The following table provides information regarding the compensation earned by our named executive officers for the year ended September 30, 2015.

Name and Principal Position	Year	Salary (\$)	Bonus (\$) <sup>(1)</sup>	Equity Plan Awards (\$) <sup>(2)</sup>	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
Pankaj Mohan, Ph.D. <i>President and Chief Executive Officer</i>	2015	290,004		—	29,839	319,843
Kenneth M. Bahr, M.D. <sup>(4)</sup> <i>Chief Medical Officer</i>	2015	65,542		644,000	6,881	716,423
Elizabeth A. Yamashita <i>Vice President, Regulatory Affairs</i>	2015	235,746		—	15,809	251,555

- (1) Discretionary bonus amounts for fiscal year ended September 30, 2015 have not yet been determined. Bonus amounts potentially payable are discussed below under “— Narrative to Summary Compensation Table — Annual Base Salary and Bonus.”
- (2) In accordance with SEC rules, this column reflects the aggregate grant date fair value of the performance stock unit, or PSU, awards granted during fiscal year 2015 computed in accordance with Financial Accounting Standard Board Accounting Standards Codification Topic 718, or ASC 718, for stock-based compensation transactions. The PSU awards are a form of stock appreciation right that originally were settled in cash. Assumptions used in the calculation of these amounts are included in Note 4 to our consolidated financial statements appearing elsewhere in this prospectus. These amounts do not reflect the actual economic value that would be realized by the named executive officer upon the exercise of the PSUs. Effective \_\_\_\_\_, 2015, Dr. Bahr’s and Ms. Yamashita’s PSUs were cancelled, and they each received a grant of restricted stock units issued under the 2015 Plan.
- (3) Amounts in this column reflect the payment of term life and disability insurance premiums, along with 401(k) matching contributions. All of these benefits are provided to the named executive officers on the same terms as provided to all of our regular full-time employees. For more information regarding these benefits, see below under “— Perquisites, Health, Welfare and Retirement Benefits.” We also reimbursed Dr. Mohan for cell phone expenses. Dr. Mohan is also entitled to a car allowance of up to \$8,400 pursuant to his employment letter, however, such amounts were not paid nor accrued in the year ended September 30, 2015.
- (4) Dr. Bahr joined our company in June 2015.

### Narrative to Summary Compensation Table

We review compensation annually for all employees, including our named executive officers. In setting executive base salaries and bonuses and granting equity incentive awards, we consider compensation for comparable positions in the market, the historical compensation levels of our executives, individual performance as compared to our expectations and objectives, our desire to motivate our employees to achieve short- and long-term results that are in the best interests of our stockholders and a long-term commitment to our company.

The independent members of our board of directors have historically determined our executive officers’ compensation, and typically review and discuss management’s proposed compensation with the chief executive officer for all executives other than the chief executive officer. Based on those discussions and its discretion, the independent members of the board of directors then recommend, and the full board then approves, the compensation for each executive officer.

#### Annual Base Salary and Bonus

The compensation of our named executive officers is generally determined and approved at the beginning of each calendar year or, if later, in connection with the commencement of employment of the executive. The base salaries are reviewed periodically by our board of directors.

We seek to motivate and reward our executives for achievements relative to our corporate goals and expectations for each fiscal year. From time to time our board of directors or compensation committee may approve discretionary bonuses for our named executive officers based on individual performance, company performance or as otherwise determined appropriate.

**Long-Term Incentives**

Our equity-based incentive awards are designed to align our interests and the interests of our stockholders with those of our employees and consultants, including our named executive officers.

Our 2011 Stock Incentive Plan, or our 2011 Plan, authorizes us to make grants to eligible recipients of non-qualified stock options, incentive stock options, restricted stock awards, restricted stock unit awards and equity or cash-based performance awards. All of our awards outstanding under this plan are in the form of PSUs. We initially granted restricted stock and stock options under the 2011 Plan to employees, subject to time-based vesting restrictions. We converted to using PSUs subject to both time-based and performance-based vesting as the primary incentive for long-term compensation to our named executive officers because they are able to profit from performance stock units only if our stock price increases and the performance conditions are achieved. PSUs are a form of stock appreciation right, generally subject to a four year time-based vesting schedule with 50% vesting on each of the third and fourth anniversaries of the recipient's hire date, and grant the award recipient the right to receive, upon exercise, a cash amount equal to the difference between the fair market value of a share of our common stock and the exercise price of the PSU, less applicable withholding taxes. PSUs may only be exercised during their 10-year term on or following the achievement of time-based vesting and specified performance conditions, including the occurrence of a change in control, the closing of this offering, or, subject to the discretion of our board of directors, our achieving an enterprise value of at least \$400 million. In addition, PSUs may be subject to additional acceleration of time-based vesting restrictions upon certain termination and change in control events. In November 2015, we commenced a tender-offer to all the holders of our outstanding PSUs except PSUs held by our officers and one director to amend the terms of such outstanding awards to increase the exercise price to an amount equal to the fair market value of a share of our common stock on the date of grant of the PSU, remove the right to be paid dividend equivalents and provide for settlement in shares of our common stock or cash, at our discretion. We closed the tender-offer on \_\_\_\_\_, 2015. Effective \_\_\_\_\_, 2015, Dr. Bahrt's and Ms. Yamashita's PSUs were cancelled, and Dr. Mohan, Dr. Bahrt and Ms. Yamashita each received a grant of restricted stock units issued under the 2015 Plan. The RSUs vest on the dates the PSUs were scheduled to vest, or, if earlier, upon a change of control, subject to their continued employment through such vesting dates, and are settled in shares of our common stock.

We may grant equity awards at such times as our board of directors determines appropriate. Our executives generally are awarded an initial grant in connection with their commencement of employment. Additional grants may occur periodically in order to specifically incentivize executives with respect to achieving certain corporate goals or to reward executives for exceptional performance.

**Agreements with our Named Executive Officers**

Below are written descriptions of our employment agreement with Dr. Mohan and offer letter agreements with our other named executive officers.

*Dr. Mohan.* We entered into an employment agreement with Dr. Mohan for full-time services in January 2011 setting forth the terms of his employment as Chief Executive Officer. Pursuant to the agreement, Dr. Mohan was entitled to an initial annual base salary of \$230,000 upon his commencement of full time services with us and an increased annual base salary of \$290,000 after the initiation of revenue, an annual discretionary bonus equal to the greater of 8% of EBITDA during a fiscal year or 33% of the total incentive pay pool allocated to company employees and directors with respect to a fiscal year, and reimbursement for an automobile down payment, allowance and expenses. We also pay all premiums associated with Dr. Mohan's health insurance. Dr. Mohan is currently employed by and performing services for us on a full-time basis. The term of Dr. Mohan's employment agreement will continue until the earlier of a sale of the company, the company's initial public offering of stock, or another similar liquidity event with respect to the company. Dr. Mohan's employment agreement provides that we may terminate Dr. Mohan's employment with us and the term of the agreement at any time (i) with cause, (ii) without cause on thirty (30) days written notice, or (iii) due to Dr. Mohan's disability upon written notice to Dr. Mohan. Dr. Mohan may terminate his employment with us and the term of the employment agreement at any time (i) with good reason upon written notice, or (ii) without good reason upon thirty (30) days written notice. Dr. Mohan's employment with us and his employment agreement will automatically terminate upon his death or the end of the term of the agreement. Dr. Mohan is additionally entitled to certain severance and change in control benefits pursuant to his agreement, the terms of which are described below under "— Potential Payments upon Termination or Change of Control."

*Dr. Bahrt.* We entered into an employment offer letter agreement with Dr. Bahrt for full-time services in June 2015 setting forth the terms of his employment. Pursuant to the agreement, Dr. Bahrt was entitled to an initial annual base salary of \$250,000, a target annual discretionary bonus equal to \$100,000 and the grant of 100,000 PSUs that vest over a four year period subject to Dr. Bahrt's continued service with us. Dr. Bahrt is currently employed by and performing services for

us on a full-time basis. Dr. Bahrt is employed by us on an at-will basis. His employment offer letter agreement does not have a specified term and his employment may be terminated by us or Dr. Bahrt at any time, with or without cause. Dr. Bahrt is not entitled to any additional compensation or benefits under his employment offer letter agreement upon termination of his employment or a change of control. Dr. Bahrt's PSUs were cancelled in December 2015, and he was awarded a grant of RSUs pursuant to the terms of the 2015 Plan.

*Ms. Yamashita.* We entered into an employment offer letter agreement with Ms. Yamashita for full-time services in March 2014 setting forth the terms of her employment. Pursuant to the agreement, Ms. Yamashita was entitled to an initial annual base salary of \$230,000, which was increased to \$235,000 in August 2015, a target annual discretionary bonus equal to 50% of her annual base salary in the event that sufficient revenue was generated and the grant of 150,000 PSUs that vest over a four year period subject to Ms. Yamashita's continued service with us. Ms. Yamashita is currently employed by and performing services for us on a full-time basis. Ms. Yamashita is employed by us on an at-will basis. Her employment offer letter agreement does not have a specified term and her employment may be terminated by us or Ms. Yamashita at any time, with or without cause. Ms. Yamashita is not entitled to any additional compensation or benefits under her employment offer letter agreement upon termination of her employment or a change of control. Ms. Yamashita's PSUs were cancelled in December 2015, and she was awarded a grant of RSUs pursuant to the terms of the 2015 Plan.

**Potential Payments upon Termination or Change of Control**

Regardless of the manner in which a named executive officer's service terminates, the named executive officer is entitled to receive amounts earned during his or her term of service, including salary and unused vacation pay.

Pursuant to Dr. Mohan's employment agreement, if he is terminated without cause, due to death or disability, if he resigns with good reason or upon expiration of the initial term following notice by us that the term will not be extended, subject to his execution of an effective release and waiver of claims in favor of us, he is entitled to continued payment of his base salary for the greater of the remainder of the term or 12 months following his termination and a pro-rated annual bonus for the calendar year of termination paid when annual bonuses are paid to other executives with respect to the calendar year, subject to his execution of a separation agreement with an effective release of claims in favor of us and his continued compliance with certain restrictive covenants set forth in his employment agreement.

For purposes of Dr. Mohan's agreement:

- "cause" generally means, (i) embezzlement, theft, misappropriation or conversion, or attempted embezzlement, theft, misappropriation or conversion, by Dr. Mohan of any of our or our subsidiaries' property, funds or business opportunities, (ii) any breach by Dr. Mohan of his restrictive covenants in the agreement, (iii) any breach by Dr. Mohan of any other material provision of the agreement that is not cured, to the extent susceptible to cure, within 14 days after we have given written notice to the executive describing such breach; (iv) continued failure or refusal by Dr. Mohan to perform any reasonable directive of our board or the duties of his employment under the agreement that continues for a period of 14 days following notice from our board to Dr. Mohan; (v) any act by Dr. Mohan constituting a felony (or its equivalent in any non-United States jurisdiction) or otherwise involving theft, fraud, dishonesty, misrepresentation or moral turpitude; (vi) conviction of, or plea of *nolo contendere* (or a similar plea) to, or the failure of Dr. Mohan to contest his prosecution for, any other criminal offense; (vii) any material violation of any law, rule or regulation relating in any way to our business or activities, or other law that is violated during the course of Dr. Mohan's performance of services for us; (viii) gross negligence or willful misconduct on the part of the executive in the performance of his duties as our employee, officer or director that is not cured, to the extent susceptible to cure, within 14 days after we have given written notice to the executive describing such gross negligence or willful misconduct; or (ix) Dr. Mohan's breach of duty of loyalty to us or any of our subsidiaries.
- "disability" means a condition entitling Dr. Mohan to benefits under our long term disability plan, policy or arrangement in which Dr. Mohan participates, but if no such plan, policy or arrangement is then maintained by us and applicable to Dr. Mohan, "disability" means Dr. Mohan's inability to perform, with or without reasonable accommodation, his duties under his employment agreement due to a mental or physical condition that can be expected to result in death or that can be expected to last (or has already lasted) for a continuous period of 90 days or more, or for an aggregate of 180 days in any 365 consecutive day period, as determined by the board in its good faith discretion.
- "good reason" means the occurrence, without Dr. Mohan's consent, of any of the following events, other than in connection with a termination of his employment for cause or due to disability: (i) a reduction in his rate of base salary under the employment agreement; (ii) an action by us resulting in a diminution in his titles, authority,

duties or responsibilities; or (iii) a breach by us of his employment agreement; provided, however, that none of the events described in this sentence will constitute good reason unless and until (1) Dr. Mohan reasonably determines in good faith that a good reason condition has occurred, (2) Dr. Mohan first notifies us in writing describing in reasonable detail the condition that constitutes good reason within 30 days of its occurrence, (3) we fail to cure the condition within 30 days after our receipt of written notice, and Dr. Mohan has cooperated in good faith with our efforts to cure the condition, (4) notwithstanding our efforts, the good reason condition continues to exist and (5) Dr. Mohan terminates his employment within 30 days after the end of the 30-day cure period.

Dr. Bahrt and Ms. Yamashita are not entitled to any termination or change in control compensation pursuant to their offer letter agreements with us.

Each of our named executive officers holds RSUs under the 2015 Plan that provide for acceleration of vesting of the time-based vesting conditions upon certain change in control transactions. A description of the termination and change in control provisions in the 2015 Plan and RSU agreements is provided below under "— Equity Benefit Plans."

### Outstanding Equity Awards at Fiscal Year-End.

The following table sets forth certain information regarding equity awards granted to our named executive officers that remain outstanding as of September 30, 2015.

	Equity Awards <sup>(1)</sup>				
	Grant Date	Number of Securities Underlying Unexercised PSUs Exercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned PSUs (#)	Exercise Price (\$)	Expiration Date
Pankaj Mohan, Ph.D.	—	—	—	—	—
Kenneth M. Bahrt, M.D.	6/22/2015	100,000 <sup>(2)</sup>	—	1.00	6/22/2025
Elizabeth A. Yamashita	6/30/2015	168,000 <sup>(3)</sup>	—	1.00	6/30/2024

- (1) All of the outstanding equity awards as of September 30, 2015 are PSUs that were granted under and subject to the terms of the 2011 Stock Incentive Plan, described below under "— Equity Benefit Plans." None of our named executive officers held any other stock awards at the end of 2015. Except as otherwise indicated, each PSU award is subject to performance-based and time-based vesting, subject to the executive's continuous service with us through the time-based vesting dates and the potential vesting acceleration of the time-based vesting conditions upon a change in control and certain terminations of employment, as described above under "— Narrative to Summary Compensation Table" and below under "Equity Benefit Plans— 2011 Stock Incentive Plan." Effective \_\_\_\_\_, 2015, all such outstanding PSUs were cancelled, and our named executive officers received grants of RSUs issued under the 2015 Plan.
- (2) As of September 30, 2015, these PSUs were subject to both time-based and performance-based vesting conditions: the time-based vesting restrictions will lapse with respect to 50% of the PSUs on June 22, 2018 and 50% of the PSUs on June 22, 2019, subject to Dr. Bahrt's continuous service with us through such date. In addition, 100% of the PSUs may not be exercised unless and until there is a change in control, an initial public offering of our stock or our achieving an enterprise value of at least \$400 million, subject to the discretion of the board of directors, within the term of the PSU. Effective \_\_\_\_\_, 2015, Dr. Bahrt's PSUs were cancelled and forfeited, and he received a grant of RSUs issued under the 2015 Plan, subject to the same time-based vesting schedule as applied to the forfeited PSUs and vesting in full upon a change in control prior to the vesting date.
- (3) As of September 30, 2015, these PSUs were subject to both time-based and performance-based vesting conditions: the time-based vesting restrictions will lapse with respect to 50% of the PSUs on April 7, 2017 and 50% of the PSUs on April 7, 2018, subject to Ms. Yamashita's continuous service with us through such date. In addition, 100% of the PSUs may not be exercised unless and until there is a change in control, an initial public offering of our stock or our achieving an enterprise value of at least \$400 million, subject to the discretion of the board of directors, within the term of the PSU. Effective \_\_\_\_\_, 2015, Ms. Yamashita's PSUs were cancelled and forfeited, and she received a grant of RSUs issued under the 2015 Plan, subject to the same time-based vesting schedule as applied to the forfeited PSUs and vesting in full upon a change in control prior to the vesting date.

### Option Exercises and Stock Vested

Our named executive officers did not exercise any stock option or PSUs during the fiscal year ended September 30, 2015.

### Option Repricings, Modifications and Cancellations

We did not engage in any repricings or other modifications or cancellations to any of our named executive officers' outstanding equity awards during the year ended September 30, 2015. In November, 2015, we commenced a tender-offer to all the holders of our outstanding PSUs except our officers and one director to amend the terms of such outstanding awards to increase the exercise price to an amount equal to the fair market value of a share of our common stock on the date of grant of the PSU, remove the right to be paid dividend equivalents and provide for settlement in shares of our common stock or cash, at our discretion. We closed the tender-offer on [REDACTED], 2015. Effective [REDACTED], 2015, Dr. Bahrt's and Ms. Yamashita's PSUs were cancelled and forfeited, and they each received a grant of restricted stock units issued under the 2015 Plan subject to the same time-based vesting schedule as applied to the forfeited PSUs and vesting in full upon a change in control prior to the vesting date.

### Perquisites, Health, Welfare and Retirement Benefits

Our named executive officers are eligible to participate in our employee benefit plans, including our medical, dental, vision, group life, disability and accidental death and dismemberment insurance plans, in each case on the same basis as all of our other employees, subject to the terms and eligibility requirements of those plans. We pay a portion of the health insurance premiums for all of our employees. We also provide a 401(k) plan to our employees, including our employee named executive officers, as discussed in the section below titled "— 401(k) Plan."

We generally do not provide perquisites or personal benefits to our named executive officers, but we do provide an automobile allowance and reimbursement of cell phone expenses for Dr. Mohan. In addition, we pay the premiums for term life insurance and disability insurance for all of our employees, including our employee named executive officers. Our board of directors may elect to adopt qualified or non-qualified benefit plans in the future if it determines that doing so is in our best interests.

### 401(k) Plan

We maintain a defined contribution employee retirement plan, or 401(k) plan, for our employees. Our named executive officers are eligible to participate in the 401(k) plan on the same basis as our other employees. The 401(k) plan is intended to qualify as a tax-qualified plan under Section 401(k) of the Internal Revenue Code. The 401(k) plan provides that each participant may contribute up to the lesser of 100% of his or her compensation or the statutory limit, which is \$18,000 for calendar year 2015. Participants that are 50 years or older can also make "catch-up" contributions, which in calendar year 2015 may be up to an additional \$5,500 above the statutory limit. We currently make matching contributions up to 3% of base salary into the 401(k) plan on behalf of participants. Participant contributions are held and invested, pursuant to the participant's instructions, by the plan's trustee.

### Pension Benefits

Our named executive officers did not participate in, or otherwise receive any benefits under, any defined benefit pension or retirement plan sponsored by us during 2015.

### Nonqualified Deferred Compensation

None of our named executive officers participate in or have account balances in nonqualified defined contribution plans or other nonqualified deferred compensation plans maintained by us. Our board of directors may elect to provide our officers and other employees with non-qualified defined contribution or other nonqualified deferred compensation benefits in the future if it determines that doing so is in our best interests.

### Equity Benefit Plans

#### 2015 Equity Incentive Plan

On December 4, 2015 our board of directors adopted, and on December 7, 2015, our stockholders approved, our 2015 Equity Incentive Plan, or the 2015 Plan. The 2015 Plan provides for the grant of statutory stock options within the meaning of Section 422 of the Internal Revenue Code, or the ISOs, to our employees and for the grant of nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance stock awards and other forms of equity compensation to our employees, including officers, directors and consultants. The 2015 Plan also provides for the grant of performance cash awards to our employees, consultants and directors.

*Authorized Shares.* The maximum number of shares of our common stock that may be issued under the 2015 Plan is 4,300,000 shares. The number of shares of our common stock reserved for issuance under the 2015 Plan will automatically increase on the date that is sixty (60) calendar days following the date of the underwriting agreement for this offering, by an amount of shares of our common stock equal to 3% of the total number of shares of our common stock outstanding on such sixtieth (60th) day. In addition, the number of shares of our common stock reserved for issuance under the 2015 Plan will automatically increase on January 1 of each year, beginning January 1, 2017 and continuing through and including January 1, 2025, by an amount equal to 3% of the total number of shares of our capital stock outstanding on December 31st of the preceding calendar year; or a lesser number of shares determined by our board of directors. The maximum number of shares of our common stock that may be issued upon the exercise of ISOs under the 2015 Plan is 7,000,000. As of \_\_\_\_\_, 2015, RSUs representing \_\_\_\_\_ shares of our common stock were outstanding under the 2015 Plan at a weighted-average base price of \$ \_\_\_\_\_ per share, and \_\_\_\_\_ shares remained available for grant under the 2015 Plan. No awards have been granted under the 2015 Plan other than RSUs.

Shares issued under the 2015 Plan may be authorized but unissued or reacquired shares of our common stock. Shares subject to stock awards granted under the 2015 Plan that expire or terminate without being exercised in full, or that are paid out in cash rather than in shares, will not reduce the number of shares available for issuance under the 2015 Plan. Additionally, shares issued pursuant to stock awards under the 2015 Plan that we repurchase or that are forfeited, as well as shares used to pay the exercise price of a stock award or to satisfy the tax withholding obligations related to a stock award, become available for future grant under the 2015 Plan.

*Plan Administration.* Our board of directors, or a duly authorized committee of our board of directors, administers the 2015 Plan. Our board of directors has delegated its authority to administer the 2015 Plan to our compensation committee. Our board of directors may also delegate to one or more of our officers the authority to (1) designate employees (other than officers) to receive specified stock awards and (2) determine the number of shares subject to such stock awards. Under the 2015 Plan, the board of directors has the authority to determine the terms of awards, including recipients, the exercise, purchase or strike price of stock awards, if any, the number of shares subject to each stock award, the fair market value of a share of our common stock, the vesting schedule applicable to the awards, together with any vesting acceleration, the form of consideration, if any, payable upon exercise or settlement of the award and the terms of the award agreements.

Our plan administrator may also modify outstanding awards under the 2015 Plan with the consent of any adversely affected participant. Our plan administrator has the authority to reprice any outstanding option or stock appreciation right, cancel any outstanding stock award in exchange for new stock awards, cash or other consideration or take any other action that is treated as a repricing under generally accepted accounting principles.

*Stock Options.* ISOs and NSOs are granted pursuant to stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for stock options, within the terms and conditions of the 2015 Plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2015 Plan vest at the rate specified by the plan administrator.

The plan administrator determines the term of stock options granted under the 2015 Plan, up to a maximum of 10 years. Unless the terms of an option holder's stock option agreement provide otherwise, if an option holder's service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the option holder may generally exercise any vested options for a period of three months following the option holder's cessation of service. The option term may be extended in the event that exercise of the option or sale of the underlying shares following such a termination of service is prohibited by applicable securities laws or by our insider trading policy. If an option holder's service relationship with us or any of our affiliates ceases due to disability or death, or an option holder dies within a certain period following cessation of service, the option holder or a beneficiary may generally exercise any vested options for a period of 12 months in the event of disability and 18 months in the event of death. Options generally terminate immediately upon the termination of the individual for cause. In no event may an option be exercised beyond the expiration of its term.

The plan administrator will determine acceptable consideration for the purchase of common stock issued upon the exercise of a stock option, which may include the following methods: (1) cash, check, bank draft or money order; (2) a broker-assisted cashless exercise procedure; (3) the tender of shares of our common stock previously owned by the option holder; (4) if the option is a nonstatutory stock option, by a net exercise arrangement; and (5) other legal consideration set forth in the applicable award agreement.

In general, options are not transferable except by will, the laws of descent and distribution, or as otherwise provided by the plan administrator under the 2015 Plan. An option holder may designate a beneficiary, however, who may exercise the option following the option holder's death.

*Tax Limitations on Incentive Stock Options.* The aggregate fair market value, determined at the time of grant, of our common stock with respect to incentive stock options that are exercisable for the first time by an option holder during any calendar year under all of our stock plans may not exceed \$100,000. Options or portions thereof that exceed such limit will generally be treated as nonstatutory stock options. No incentive stock option may be granted to any person who, at the time of 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 (1) 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 (2) the term of the incentive stock option does not exceed five years from the date of grant.

*Restricted Stock Unit Awards.* Restricted stock unit awards are granted pursuant to restricted stock unit award agreements adopted by the plan administrator. Restricted stock unit awards may be granted in consideration for any form of legal consideration that may be acceptable to our board of directors and permissible under applicable law. A restricted stock unit award may be settled by cash, delivery of stock, a combination of cash and stock as deemed appropriate by the plan administrator or in any other form of consideration set forth in the restricted stock unit award agreement. Additionally, dividend equivalents may be credited in respect of shares covered by a restricted stock unit award. Except as otherwise provided in the applicable award agreement, restricted stock units that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

*Restricted Stock Awards.* Restricted stock awards are granted pursuant to restricted stock award agreements adopted by the plan administrator. A restricted stock award may be awarded in consideration for cash, check, bank draft or money order, past services to us or any other form of legal consideration that may be acceptable to our board of directors and permissible under applicable law. The plan administrator determines the terms and conditions of restricted stock awards, including vesting and forfeiture terms. Common stock acquired under a restricted stock award may, but need not, be subject to a share repurchase option in our favor in accordance with a vesting schedule to be determined by the plan administrator. Rights to acquire shares under a restricted stock award may be transferred only upon such terms and conditions as set by the plan administrator. Except as otherwise provided in the applicable award agreement, restricted stock awards that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

*Stock Appreciation Rights.* Stock appreciation rights are granted pursuant to stock appreciation grant agreements adopted by the plan administrator. The plan administrator determines the purchase price or strike price for a stock appreciation right, which generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Upon the exercise of a stock appreciation right, we will pay the participant an amount equal to the product of (1) the excess, if any, of the per share fair market value of our common stock on the date of exercise over the purchase price or strike price and (2) the number of shares of common stock with respect to which the stock appreciation right is exercised. This amount may be paid in shares of our common stock, in cash, in any combination of cash and shares of our common stock or in any other form of consideration, as determined by the plan administrator and set forth in the award agreement. A stock appreciation right granted under the 2015 Plan vests at the rate specified in the stock appreciation right agreement as determined by the plan administrator.

The plan administrator determines the term of stock appreciation rights granted under the 2015 Plan, which may be up to a maximum of 10 years. Unless the terms of a participant's stock appreciation right agreement provides otherwise, if a participant's service relationship with us or any of our affiliates ceases for any reason other than cause, disability or death, the participant may generally exercise any vested stock appreciation right for a period of three months following the cessation of service. The term of the stock appreciation right may be further extended in the event that exercise of the stock appreciation right following such a termination of service is prohibited by applicable securities laws or by our insider trading policy. If a participant's service relationship with us, or any of our affiliates, ceases due to disability or death, or a participant dies within a certain period following cessation of service, the participant (or, if applicable, a beneficiary) may generally exercise any vested stock appreciation right for a period of 12 months (in the case of disability) or 18 months (in the case of death). Stock appreciation rights generally terminate immediately upon the occurrence of the event giving rise to the termination of the individual for cause. In no event may a stock appreciation right be exercised beyond the expiration of its term.

*Section 162(m) limits.* Certain limits apply when we make awards under the 2015 Plan that are intended to comply with Section 162(m) of the Code. These limitations are intended to give us the flexibility to grant compensation that will not be subject to the \$1,000,000 annual limitation on the income tax deductibility imposed by Section 162(m) of the Code. In the case of stock options, stock appreciation rights and other stock awards whose value is determined by reference to an increase over an exercise price or strike price of at least 100% of the fair market value of our common stock on the date of grant, such awards will not cover more than 1,500,000 shares of our common stock in any calendar year. Additionally, no participant may be granted in a calendar year a performance stock award covering more than 1,500,000 shares of our common stock or a performance cash award having a maximum value in excess of \$1,500,000 under the 2015 Plan.



*Performance Awards.* The 2015 Plan permits the grant of performance-based stock and cash awards that may qualify as performance-based compensation that is not subject to the \$1,000,000 limitation on the income tax deductibility imposed by Section 162(m) of the Code. Our compensation committee may structure awards so that the stock or cash will be issued or paid only following the achievement of certain pre-established performance goals during a designated performance period.

Our compensation committee may establish performance goals by selecting from one or more of the following performance criteria: (1) earnings (including earnings per share and net earnings); (2) earnings before interest, taxes and depreciation; (3) earnings before interest, taxes, depreciation and amortization; (4) earnings before interest, taxes, depreciation, amortization and legal settlements; (5) earnings before interest, taxes, depreciation, amortization, legal settlements and other income (expense); (6) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense) and stock-based compensation; (7) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense), stock-based compensation and changes in deferred revenue; (8) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense), stock-based compensation, other non-cash expenses and changes in deferred revenue; (9) total stockholder return; (10) return on equity or average stockholder's equity; (11) return on assets, investment, or capital employed; (12) stock price; (13) margin (including gross margin); (14) income (before or after taxes); (15) operating income; (16) operating income after taxes; (17) pre-tax profit; (18) operating cash flow; (19) sales or revenue targets; (20) increases in revenue or product revenue; (21) expenses and cost reduction goals; (22) improvement in or attainment of working capital levels; (23) economic value added (or an equivalent metric); (24) market share; (25) cash flow; (26) cash flow per share; (27) cash balance; (28) cash burn; (29) cash collections; (30) share price performance; (31) debt reduction; (32) implementation or completion of projects or processes (including, without limitation, clinical trial initiation, clinical trial enrollment and dates, clinical trial results, regulatory filing submissions, regulatory filing acceptances, regulatory or advisory committee interactions, regulatory approvals, new and supplemental indications for existing products, and product supply); (33) stockholders' equity; (34) capital expenditures; (35) debt levels; (36) operating profit or net operating profit; (37) workforce diversity; (38) growth of net income or operating income; (39) billings; (40) bookings; (41) employee retention; (42) initiation of phases of clinical trials and/or studies by specific dates; (43) acquisition of new customers, including institutional accounts; (44) customer retention and/or repeat order rate; (45) number of institutional customer accounts (46) budget management; (47) improvements in sample and test processing times; (48) regulatory milestones; (49) progress of internal research or clinical programs; (50) progress of partnered programs; (51) partner satisfaction; (52) milestones related to samples received and/or tests run; (53) expansion of sales in additional geographies or markets; (54) research progress, including the development of programs; (55) submission to, or approval by, a regulatory body (including, but not limited to the U.S. Food and Drug Administration) of an applicable filing or a product; (56) timely completion of clinical trials; (57) milestones related to samples received and/or tests or panels run; (58) expansion of sales in additional geographies or markets; (59) research progress, including the development of programs; (60) patient samples processed and billed; (61) sample processing operating metrics (including, without limitation, failure rate maximums and reduction of repeat rates); (62) strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property; and (63) and 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.

Our compensation committee may establish performance goals 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 otherwise specified by our board of directors (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, our compensation committee will appropriately make adjustments in the method of calculating the attainment of the performance goals as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (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; (5) to exclude the effects of any items of an unusual nature or of infrequency of occurrence as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by us achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of our common stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock-based compensation and the award of bonuses under our bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles; (12) to exclude the effect of any other unusual,

non-recurring gain or loss or other extraordinary item; and (13) to exclude the effects of the timing of acceptance for review and/or approval of submission to the FDA or any other regulatory body. In addition, to the extent set forth in an award agreement, our compensation committee retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of the goals. The performance goals may differ from participant to participant and from award to award.

*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 stock award and all other terms and conditions of such awards.

*Changes to Capital Structure.* In the event there is a specified type of change in our capital structure, such as a stock split, reverse stock split or recapitalization, appropriate adjustments will be made to (1) the class and maximum number of shares reserved for issuance under the 2015 Plan, (2) the class and maximum number of shares by which the share reserve may increase automatically each year, (3) the class and maximum number of shares that may be issued upon the exercise of incentive stock options, (4) the class and maximum number of shares subject to stock awards that can be granted in a calendar year (as established under the 2015 Plan pursuant to Section 162(m) of the Code) and (5) the class and number of shares and exercise price, strike price or purchase price, if applicable, of all outstanding stock awards.

*Corporate Transactions.* In the event of certain specified significant corporate transactions, the plan administrator has the discretion to take any of the following actions with respect to stock awards:

- arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company;
- arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company;
- accelerate the vesting of the stock award and provide for its termination prior to the effective time of the corporate transaction;
- arrange for the lapse of any reacquisition or repurchase right held by us;
- cancel or arrange for the cancellation of the stock award in exchange for such cash consideration, if any, as our board of directors may deem appropriate; or
- make a payment equal to the excess of (1) the value of the property the participant would have received upon exercise of the stock award over (2) the exercise price otherwise payable in connection with the stock award.

Our plan administrator is not obligated to treat all stock awards, even those that are of the same type, in the same manner.

Under the 2015 Plan, a corporate transaction is generally the consummation of (1) a sale or other disposition of all or substantially all of our consolidated assets, (2) a sale or other disposition of at least 50% of our outstanding securities, (3) a merger, consolidation or similar transaction following which we are not the surviving corporation or (4) a merger, consolidation or similar transaction following which we are the surviving corporation but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction.

*Change in Control.* The plan administrator may provide, in an individual award agreement or in any other written agreement between a participant and us that the stock award will be subject to additional acceleration of vesting and exercisability in the event of a change in control. For example, certain of our employees may receive an award agreement that provides for vesting acceleration upon a change in control or upon the individual's termination without cause or resignation for good reason (including a material reduction in the individual's base salary, duties, responsibilities or authority, or a material relocation of the individual's principal place of employment with us) in connection with a change in control. Under the 2015 Plan, a change in control is generally (i) the acquisition by a person or entity of more than 50% of our combined voting power other than by merger, consolidation or similar transaction; (ii) a consummated merger, consolidation or similar transaction immediately after which our stockholders cease to own more than 50% of the combined voting power of the surviving entity; or (iii) a consummated sale, lease or exclusive license or other disposition of all or substantially of our consolidated assets. The RSU award agreements for the named executive officers holding RSUs provide for full vesting upon the occurrence of a change in control.

*Transferability.* A participant may not transfer stock awards under the 2015 Plan other than by will, the laws of descent and distribution or as otherwise provided under the 2015 Plan.

*Plan Amendment or Termination.* Our board of directors has the authority to amend, suspend or terminate the 2015 Plan, provided that such action does not materially impair the existing rights of any participant without such participant's written

consent. No incentive stock options may be granted after the tenth anniversary of the date our board of directors adopted the 2015 Plan. No stock awards may be granted under the 2015 Plan while it is suspended or after it is terminated.

**2011 Stock Incentive Plan**

In October 2011, our board of directors adopted, and in December 2011 our stockholders approved, our 2011 Stock Incentive Plan, or the 2011 Plan. The 2011 Plan provides for the grant of ISOs to our employees, and for the grant of NSOs, restricted stock, restricted stock units and performance stock and cash awards to our officers, directors, employees and consultants.

*Authorized Shares.* We have reserved an aggregate of 4,000,000 shares of our common stock for issuance under the 2011 Plan. As of September 30, 2015, performance based stock units representing 2,370,280 shares of our common stock were outstanding under the 2011 Plan at a weighted-average base price of \$1.00 per share. Effective as of the effective date of the 2015 Plan, no further awards may be granted under our 2011 Plan, but all outstanding stock awards will continue to be governed by their existing terms.

*Administration.* Our board of directors, or a committee thereof appointed by our board of directors, administers our 2011 Plan and the awards granted under it. Our board of directors delegated its authority to administer our 2011 Plan to our Chief Executive Officer with respect to awards granted to any employee or service provider other than the chief executive officer.

*Corporate Transactions.* Our 2011 Plan provides that the administrator may provide that, in the event of a change in control transaction, options outstanding as of the date of the change in control that are not fully vested will become fully vested and exercisable, and the administrator has discretion to provide, with respect to any outstanding award under the 2011 Plan, that the securities of another entity be substituted for the common stock subject to the award and to make equitable adjustments to the award in the administrator's discretion. In addition, our form of award agreement for PSU grants provides that PSUs are subject to time-based vesting and that PSUs will become exercisable upon the occurrence of a change in control, an initial public offering of our stock or our achieving an enterprise value of at least \$400 million. In addition, the PSU award agreement provides that the time-based vesting restrictions will accelerate and the PSUs will become fully vested if the recipient's employment is terminated other than for cause as a result of a change in control and, if the recipient's employment terminates due to death, disability or retirement, then the PSUs will fully vest on the earlier of the one-year anniversary of termination or the expiration of the remaining time-based vesting period.

For these purposes, a change in control means (i) any corporation, person or other entity, other than us, one of our majority-owned subsidiaries or an employee benefit plan sponsored by us, becomes the beneficial owner of stock representing more than 50% of the combined voting power of our then outstanding securities, (ii) our stockholders approving a definitive agreement to merge or consolidate the company with or into another corporation other than a majority-owned subsidiary, or to sell or otherwise dispose of all or substantially all of our assets and the persons who were members of our Board prior to such approval do not represent a majority of the directors of the surviving, resulting or acquiring entity or its parent, (iii) our stockholders approve a plan of liquidation of the company, or (iv) within any 24 consecutive month period, persons who were members of our board of directors immediately prior to the 24 month period, together with persons who were first elected as directors during the 24 month period by or upon the recommendation of persons who were members of our board of directors immediately prior to the 24 month period and who constituted a majority of our board of directors at the time of such election, cease to constitute a majority of our board of directors.

*Plan Amendment and Termination.* Our board of directors may at any time amend, alter or discontinue our 2011 Plan. However, our board of directors must obtain approval of our stockholders for any amendment requiring such approval under federal tax or federal securities laws. In addition, our board of directors may not materially impair the rights of a holder of any award previously granted under our 2011 Plan without the consent of the holder of such award, except any amendment to avoid an expense charge to us or an affiliate, to comply with applicable law or to permit us or an affiliate a deduction under applicable law. Our 2011 Plan will terminate in August 2022 or, if earlier, a date determined by our board of directors.

**2015 Employee Stock Purchase Plan**

We expect that our board of directors will adopt, and our stockholders will approve, prior to the closing of this offering our 2015 Employee Stock Purchase Plan, or the ESPP. The ESPP will become effective immediately upon the execution and delivery of the underwriting agreement related to this offering. The purpose of the ESPP is to secure the services of new employees, to retain the services of existing employees and to provide incentives for such individuals to exert maximum efforts toward our success and that of our affiliates. The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code.

*Share Reserve.* Following this offering, the ESPP authorizes the issuance of \_\_\_\_\_ shares of our common stock pursuant to purchase rights granted to our employees or to employees of any of our designated affiliates. The number of shares of our common stock reserved for issuance will automatically increase on \_\_\_\_\_ of each calendar year, from \_\_\_\_\_ (assuming the ESPP becomes effective in 2016) through \_\_\_\_\_, by the lesser of (1) 1% of the total number of shares of our common stock outstanding on \_\_\_\_\_ of the preceding calendar year and (2) \_\_\_\_\_ shares; *provided*, that prior to the date of any such increase, our board of directors may determine that such increase will be less than the amount set forth in clauses (1) and (2). As of the date hereof, no shares of our common stock have been purchased under the ESPP.

*Administration.* Our board of directors has delegated its authority to administer the ESPP to our compensation committee. The ESPP is implemented through a series of offerings under which eligible employees are granted purchase rights to purchase shares of our common stock on specified dates during such offerings. Under the ESPP, we may specify offerings with durations of not more than 27 months, and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our common stock will be purchased for employees participating in the offering. We currently intend to have six month offerings with one purchase period (of approximately six months in duration) per offering, except that the first purchase period under our first offering may be shorter or longer than six months, depending on the date on which the underwriting agreement relating to this offering becomes effective. An offering under the ESPP may be terminated under certain circumstances.

*Payroll Deductions.* Generally, all regular employees, including executive officers, employed by us or by any of our designated affiliates, may participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings (as defined in the ESPP) for the purchase of our common stock under the ESPP. Unless otherwise determined by our board of directors, common stock will be purchased for the accounts of employees participating in the ESPP at a price per share equal to the lower of (a) 85% of the fair market value of a share of our common stock on the first date of an offering or (b) 85% of the fair market value of a share of our common stock on the date of purchase. For the initial offering, which we expect will commence upon the execution and delivery of the underwriting agreement relating to this offering, the fair market value on the first day of the offering period will be the price at which shares are first sold to the public.

*Limitations.* Employees may have to satisfy one or more of the following service requirements before participating in the ESPP, as determined by our board of directors, including: (1) being customarily employed for more than 20 hours per week; (2) being customarily employed for more than five months per calendar year; or (3) continuous employment with us or one of our affiliates for a period of time (not to exceed two years). No employee may purchase shares under the ESPP at a rate in excess of \$25,000 worth of our common stock based on the fair market value per share of our common stock at the beginning of an offering for each year such a purchase right is outstanding and the maximum number of shares an employee may purchase during a single purchase period is \_\_\_\_\_. Finally, no employee will be eligible for the grant of any purchase rights under the ESPP if immediately after such rights are granted, such employee has voting power over 5% or more of our outstanding capital stock measured by vote or value pursuant to Section 424(d) of the Code.

*Changes to Capital Structure.* In the event that there occurs a change in our capital structure through such actions as a stock split, merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or similar transaction, the board of directors will make appropriate adjustments to (1) the number of shares reserved under the ESPP, (2) the maximum number of shares by which the share reserve may increase automatically each year, (3) the number of shares and purchase price of all outstanding purchase rights and (4) the number of shares that are subject to purchase limits under ongoing offerings.

*Corporate Transactions.* In the event of certain significant corporate transactions, including: (1) a sale of all or substantially all of our assets, (2) the sale or disposition of 50% of our outstanding securities, (3) the consummation of a merger or consolidation where we do not survive the transactions and (4) the consummation of a merger or consolidation where we do survive the transaction but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction, any then-outstanding rights to purchase our stock under the ESPP may be assumed, continued or substituted for by any surviving or acquiring entity (or its parent company). If the surviving or acquiring entity (or its parent company) elects not to assume, continue or substitute for such purchase rights, then the participants' accumulated payroll contributions will be used to purchase shares of our common stock within 10 business days prior to such corporate transaction, and such purchase rights will terminate immediately.

*ESPP Amendments, Termination.* Our board of directors has the authority to amend or terminate our ESPP, provided that except in certain circumstances such amendment or termination may not materially impair any outstanding purchase rights without the holder's consent. We will obtain stockholder approval of any amendment to our ESPP as required by applicable law or listing requirements.

### **Limitations on Liability and Indemnification Matters**

Upon the closing of this offering, our certificate of incorporation will contain provisions that limit the liability of our current and former directors for monetary damages to the fullest extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to the corporation or its stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit. Such limitation of liability does not apply to liabilities arising under federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated certificate of incorporation and our amended and restated bylaws will provide that we are required to indemnify our directors, officers, employees and other agents to the fullest extent permitted by Delaware law. Our amended and restated bylaws will also provide that, upon satisfaction of certain conditions, we shall advance expenses incurred by a director in advance of the final disposition of any action or proceeding, and 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 that capacity regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of Delaware law. Our amended and restated certificate of incorporation and amended and restated bylaws will also provide our board of directors with discretion to indemnify our officers and employees when determined appropriate by the board. We have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by the board of directors. With certain exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these certificate of incorporation and bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain customary directors' and officers' liability insurance.

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

At present, there is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought and we are not aware of any threatened litigation that may result in claims for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted for 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.

### **Rule 10b5-1 Sales Plans**

Our directors and executive officers may adopt written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell shares of our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from them. The director or officer may amend a Rule 10b5-1 plan in some circumstances and may terminate a plan at any time. Our directors and executive officers also may buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material nonpublic information subject to compliance with the terms of our insider trading policy. Prior to 180 days after the date of this offering (subject to early termination), the sale of any shares under such plan would be subject to the lock-up agreement that the director or officer has entered into with the underwriters.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a summary of transactions since October 1, 2012 to which we have been a party, in which the amount involved exceeded or will exceed \$120,000 and in which any of our directors, executive officers or holders of more than 5% of our capital stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest other than compensation and other arrangements that are described in the section titled "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.

### Financings

#### Common Stock

##### Founders

In December 2012, Dr. Mohan, our Chief Executive Officer and a member of our board of directors, and his wife, Swati Mohan, a holder of more than 5% of our capital stock at such time, agreed to cancel an aggregate of 2,300,000 shares of our then issued and outstanding common stock held by them in exchange for nominal consideration.

In December 2012, we then issued 2,300,000 shares of our common stock to a third party associated with India Infrastructure Private Limited, or IIP, for services provided.

##### Strides Pharma, Inc.

In March 2014, we issued and sold to Strides Pharma, Inc., or Strides, 4,000,000 shares of our common stock at a purchase price of \$1.75 per share, or \$7,000,000. Following this investment, Strides became a beneficial owner of more than 5% of our outstanding capital stock. In June 2014, we issued and sold to Strides an additional 2,000,000 shares of our common stock at a purchase price of \$2.00 per share, or \$4,000,000. In connection with such issuances, we entered into an investors' rights agreement and a co-sale agreement with Strides. Upon the closing of this offering, certain provisions of the investors' rights agreement will terminate and the continuing provisions are described below. The co-sale agreement will automatically terminate effective upon the completion of this offering. In connection with the Strides investment, we were required to repurchase outstanding capital stock in order to reduce our fully diluted common stock to 40,000,000 shares after giving effect to its investment in our common stock. We refer to this repurchase as a "buyback."

In October 2014, we issued a 12% \$2,000,000 convertible promissory note to Strides, with a stated maturity date of December 31, 2016. The note is convertible at any time into shares of our common stock at a conversion price of \$6.00 per share. In October 2015, we repaid \$1,000,000 of the principal amount, and Strides has elected to receive payment in cash for the remainder rather than any equity conversion.

In December 2014, we issued a 12% \$2,000,000 convertible promissory note to Strides, which matured on March 31, 2015. This note was convertible at any time into shares of our common stock at a conversion price equal to 50% of the fair market value of our common stock on the conversion date. We repaid this note in full at maturity and it is no longer outstanding.

##### 2015 Mezzanine Financing

In June, July and September 2015, we issued and sold an aggregate of 6,091,035 shares of our common stock to nine institutional investors at a purchase price of \$7.475 per share, for aggregate gross proceeds of \$45,530,484. These investors became party to the Strides investors' rights agreement, as amended, and the co-sale agreement, as amended.

In December 2015, we issued and sold an aggregate of 753,677 shares of our common stock to 11 accredited investors at a purchase price of \$8.42 per share, for aggregate net proceeds of approximately \$6.3 million. These investors became party to the Strides investors' rights agreement, as amended, and the co-sale agreement, as amended.

#### Series A Redeemable Preferred Stock

From March 2011 to May 2013, we issued and sold an aggregate of 6,995 shares of Series A redeemable preferred stock at \$1,000 per share. Certain of our directors and executive officers, including some of their immediate family members, participated in these offerings as described below.

In October 2012, Mr. Canute, a member of our board of directors, purchased 100 additional shares of our Series A redeemable preferred stock for an aggregate purchase price of \$100,000, bringing his aggregate investment to 1,150 shares.

In May 2013, Dr. Brady, a member of our board of directors, purchased 100 shares of our Series A redeemable preferred stock for an aggregate purchase price of \$100,000.

In October 2015, upon our reincorporation in Delaware, each outstanding share of our Series A redeemable preferred stock held by holders that did not elect to participate in the June 2014 buyback described below, converted into and became 1,000 shares of common stock and approximately 1.4035 shares of Series A preferred stock. Accordingly, the following related parties received such shares upon conversion of the following amounts of our Series A redeemable preferred stock held by them:

<b>Related Party</b>	<b># of Shares of Series A Redeemable Preferred Stock Converted</b>	<b># of Shares of Common Stock Received Upon Conversion</b>	<b># of Shares of DE Series A Preferred Stock Received Upon Conversion</b>
Mr. Canute	250 shares	250,000 shares	351 shares
Dr. Brady	100 shares	100,000 shares	141 shares
Dr. Mohan's immediate family	150 shares	150,000 shares	212 shares
Mr. Gangloff's immediate family	55 shares	55,000 shares	79 shares
Mr. Griffith's immediate family	35 shares	35,000 shares	50 shares

#### **Series B Redeemable Preferred Stock**

From October 2012 to April 2013, we issued and sold an aggregate of 4,000 shares of our Series B redeemable preferred stock at \$1,000 per share. Certain of the beneficial owners of more than 5% of our outstanding capital stock participated in these offerings as described below.

From October 2012 to April 2013, we issued and sold to IIPL, a beneficial owner of more than 5% of our outstanding capital stock, an aggregate of 2,950 shares of our Series B redeemable preferred stock at a purchase price of \$1,000 per share, or a total of \$2,950,000. Collectively, these investments made IIPL a beneficial owner of more than 5% of our outstanding capital stock.

In October 2015, upon our reincorporation in Delaware, each outstanding share of our Series B redeemable preferred stock, converted into and became 1,000 shares of common stock and approximately 1.2867 shares of Series A preferred stock, including all 2,950 shares held by IIPL.

#### **June 2014 Buyback**

In June 2014, as required by the Strides investment in our common stock described above under "— Common Stock — Strides Pharma, Inc." we undertook a buyback of our then outstanding Series A redeemable preferred stock, common stock and restricted stock awards to reduce our fully diluted common stock to 40,000,000 shares after giving effect to Strides' investment in our common stock. No related parties participated in the buyback of common stock.

#### **Series A Redeemable Preferred**

In the June 2014 buyback, we offered Series A redeemable preferred stockholders \$2,000 per share, payable in cash as payment for their shares of Series A redeemable preferred stock, and a 4% promissory note due September 1, 2015, as payment for accrued but unpaid dividends on such shares (increasing to 6% if unpaid at maturity). However, certain holders elected to receive a 4% promissory note for payment for some of their shares in lieu of the \$2,000 per share cash payment. These holders included Dr. Mohan, a member of our board of directors, for 175 of his repurchased shares, Mr. Canute, a member of our board of directors, for 650 of his repurchased shares, and Mr. Griffith, a member of our board of directors, for 150 of his repurchased shares.

In the June 2014 buyback, we acquired an aggregate of 3,314 shares of our Series A redeemable preferred stock, which included the following shares repurchased from related parties:

Related Party	# of Series A Redeemable Preferred Stock Repurchased	Cash Received	Principal Amount of 4% Promissory Notes Received
Dr. Mohan	175	\$ —	\$ 423,003
Mr. Canute	900	\$ 500,000	\$ 1,511,384
Mr. Griffith and his immediate family	165	\$ 130,000	\$ 247,068
Mr. Gangloff's immediate family	45	\$ 90,000	\$ 12,580

In November 2014, we bought back an additional 25 shares of Series A redeemable preferred stock from Dr. Mohan for \$50,000 in cash. Dr. Mohan did not receive an additional 4% note for the accrued dividend on such shares as such amounts were reflected in the note received in June 2014.

#### *Restricted Stock*

In the June 2014 buyback, we offered restricted stockholders \$0.50 per share payable in the form of a 0% promissory note due December 31, 2015, as amended. In connection therewith, Mr. Canute received a 0% promissory note with an aggregate principal amount of \$200,000 due December 31, 2015, as amended, in exchange for 400,000 shares of restricted stock.

#### **Loans and Guarantees**

In March 2015, Mr. Canute, a member of our board of directors, extended a short-term loan to our company of \$1,000,000. Accordingly, we issued a promissory note to Mr. Canute for the principal amount of \$1,000,000, which note bore stated interest at a rate of 2% per month, with a stated maturity date of June 20, 2015. This note was repaid in full in October 2015 and is no longer outstanding.

Our Chief Executive Officer and member of our board of directors, Dr. Mohan, personally guaranteed our outstanding bank loans, as well as one of our equipment financing leases. In addition, since founding our company, Dr. Mohan has regularly extended short-term interest-free loans to our Company, and deferred payment of his compensation (both salary and bonuses) in order to address our liquidity needs. As of September 30, 2014 and September 30, 2015, amounts owed to Dr. Mohan amounted to \$200,315 and \$117,506, respectively. We are not accruing any interest on amounts owed to Dr. Mohan.

#### **Employment and Other Compensation Arrangements, Equity Plan Awards**

Prior to the completion of this offering, we will enter into employment agreements with certain of our executive officers in connection with their employment. For more information regarding these offer letters, see the section titled "Executive Compensation — Employment Agreements."

We also have established certain equity plans, pursuant to which we grant equity awards to our employees and directors. For more information regarding these plans, see the section titled "Executive Compensation — Equity Benefit Plans."

#### **Performance Stock Units**

We previously granted our employees, including our executive officers, options to purchase shares of our common stock or restricted stock under our 2011 Plan. In June 2014, we converted most of these outstanding equity awards into an aggregate of 2,454,480 performance stock units, or PSUs. The PSUs as issued are subject to time-based vesting, with 50% of the award vesting three-years after the original grant date, and the remaining 50% vesting four-years after the grant date and were to be settled in cash. The PSUs may only be exercised during their 10-year term on or following the achievement of specified performance conditions, including the occurrence of a change in control, the closing of this



offering, or, subject to the discretion of our board of directors, our achieving an enterprise value of at least \$400 million. In addition, PSUs may be subject to additional acceleration of time-based vesting restrictions upon certain termination and change in control events. The following related parties received PSUs in such conversion as follows:

Related Party	Restricted Stock	PSUs
Mr. Gangloff	400,000	448,000
Mr. Griffith	500,000	560,000
Dr. McAndrew	200,000	224,000
Ms. Yamashita	150,000	168,000

On June 22, 2015, in connection with his employment with us, we granted Dr. Bahrt, our Chief Medical Officer, 100,000 PSUs on the terms noted above.

In December 2015, Messrs. Bahrt, Gangloff, Griffith and McAndrew, and Ms. Yamashita forfeited their PSUs and were granted restricted stock units, or RSUs, under our 2015 Plan. The RSUs vest on the later of the date that is six months following the closing of this offering and the original time-based vesting schedule applicable to the PSUs, or if earlier, upon a change in control, subject to such executive officer's continued employment or service for us through such date. The RSUs are settled in shares of common stock upon vesting.

#### **Parilis Biopharmaceuticals, LLC**

In December 2012, our former subsidiary, Parilis Biopharmaceuticals, LLC, or Parilis, of which we were the sole member, issued 100 of its Series A Units to Dr. Brady, who became a director of our company in September 2014, at a purchase price of \$1,000 per share, or an aggregate of \$100,000 (bringing his total investment in Parilis to 200 Series A Units).

In September 2015, we terminated the license and business development agreements with Parilis, and reached agreement with the remaining holders of outstanding Series A and Series A Hybrid Units of Parilis to exchange their securities for securities in our company. These holders included Dr. Brady. Accordingly, in September 2015, we entered into an exchange and release agreement pursuant to which they received an aggregate of 782,000 shares of our common stock and an aggregate of 1,626 shares of our Series A preferred stock effective upon our reincorporation in Delaware in October 2015. Accordingly, in October 2015, Dr. Brady received an aggregate of 100,000 shares of our common stock and 257 shares of our Series A preferred stock in exchange for his 200 Series A Units of Parilis.

#### **Sonnet Biotherapeutics, Inc.**

In April 2015, we spun-off certain assets unrelated to our biosimilar business through a pro rata distribution to our stockholders. Accordingly, we entered into a contribution agreement with a newly-formed entity, Sonnet Biotherapeutics, Inc., or Sonnet, pursuant to which we contributed certain assets relating to our innovation business to Sonnet in exchange for these assets. We then immediately distributed all the issued and outstanding shares of Sonnet common stock to our stockholders on a pro rata basis, which stockholders included our executive officers, directors and holders of more than 5% of our outstanding capital stock. Accordingly, immediately following the distribution, the stockholders of Sonnet were identical to our stockholders as of April 6, 2015.

We continued to provide funding and certain services and assistance to Sonnet for a transition period that ran from the spin-off date through September 2015, including the transfer of nine of our employees who had been involved in Sonnet's business to Sonnet. In October 2015, Sonnet issued us a promissory note for the principal amount of \$1,047,715, which reflects the funding we have provided them through September 30, 2015. This note bears interest at the annual rate of 3%, and matures September 30, 2016, although Sonnet may prepay at any time. Sonnet paid 10% of the outstanding balance upon execution of the note in October 2015.

Dr. Mohan and Mr. Griffith are members of the board of directors of Sonnet. In addition, Mr. Griffith is the President, Chief Executive Officer and Chief Financial Officer of Sonnet.

#### **Investors' Rights Agreement**

In connection with our common stock financings, we entered into an investors' rights agreement containing registration rights, among other things, with certain holders of our common stock. The registration rights granted under the investors' rights agreement will terminate upon the closing of a qualified liquidation event and at such time as a particular stockholder is able to sell all of its shares pursuant to Rule 144 of the Securities Act. The registration rights are more fully described in "Description of Capital Stock — Registration Rights."

**Indemnification Agreements**

Our amended and restated certificate of incorporation will contain provisions limiting the liability of directors, and our amended and restated bylaws will provide that we will indemnify each of our directors to the fullest extent permitted under Delaware law. Our amended and restated certificate of incorporation and amended and restated bylaws will also provide our board of directors with discretion to indemnify our officers and employees when determined appropriate by the board. In addition, we have entered into an indemnification agreement with each of our directors and executive officers that requires us to indemnify our directors and executive officers. For more information regarding these agreements, see the section titled “Executive Compensation — Limitations on Liability and Indemnification Matters.”

**Related-Party Transaction Policy**

We intend to adopt a formal written policy that our executive officers, directors, holders of more than 5% of any class of our voting securities, and any member of the immediate family of and any entity affiliated with any of the foregoing persons, are not permitted to enter into a related-party transaction with us without the prior consent of our audit committee, or other independent members of our board of directors in the event it is inappropriate for our audit committee to review such transaction due to a conflict of interest. Any request for us to enter into a transaction with an executive officer, director, principal stockholder or any of their immediate family members or affiliates, in which the amount involved exceeds \$120,000 must first be presented to our audit committee for review, consideration and approval. In approving or rejecting any such proposal, our audit committee will consider the relevant facts and circumstances available and deemed relevant to our audit committee, including, but not limited to, whether the transaction will be on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related-party’s interest in the transaction.

All of the transactions described in this section were entered into prior to the adoption of this policy.

## PRINCIPAL STOCKHOLDERS

The following table sets forth certain information relating to the beneficial ownership of our common stock as of November 30, 2015, by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our outstanding shares of common stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

The percentage of shares beneficially owned before the offering shown in the table is based upon 46,905,266 shares of common stock outstanding as of November 30, 2015. This table does not give effect to the conversion of all outstanding shares of Series A redeemable preferred stock (with an aggregate liquidation preference of \$11,817,000 and a conversion price equal to the initial public offering price) into shares of common stock immediately prior to the closing of this offering (assuming an initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus). The information relating to the number and percentage of shares beneficially owned after the offering assumes the sale by us of shares of common stock in this offering. The percentage ownership information assumes no exercise of the underwriters' over-allotment option to purchase additional shares.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown beneficially owned by them, subject to applicable community property laws. Shares of common stock issuable upon vesting of outstanding equity awards that are exercisable or subject to vesting within 60 days after November 30, 2015 are deemed beneficially owned and such shares are used in computing the percentage ownership of the person holding the awards, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. The information contained in the following table is not necessarily indicative of beneficial ownership for any other purpose, and the inclusion of any shares in the table does not constitute an admission of beneficial ownership of those shares.

As otherwise noted below, the address for persons listed in the table is c/o Oncobiologics, Inc., 7 Clarke Drive, Cranbury, New Jersey 08512.

Name of Beneficial Owner	Percentage of Shares Beneficially Owned	
	Number	Before Offering / After Offering
<b>Five Percent Stockholders (other than directors and officers):</b>		
India Infrastructure Private Limited <sup>(1)</sup>	2,950,000	6.3%
Strides Pharma Limited <sup>(2)</sup>	6,000,000	12.8%
<b>Named Executive Officers and Directors:</b>		
Pankaj Mohan, Ph.D., <i>President, Chief Executive Officer and Director</i> <sup>(3)</sup>	25,775,000	54.9%
Kenneth M. Bahr, M.D., <i>Chief Medical Officer</i>	—	—
Elizabeth A. Yamashita, <i>Vice President, Regulatory Affairs</i>	—	—
Todd C. Brady, M.D., Ph.D., <i>Director</i> <sup>(4)</sup>	200,000	*
Scott Canute, <i>Director</i> <sup>(5)</sup>	250,000	*
Albert D. Dyrness, <i>Director</i>	—	—
Donald J. Griffith, <i>Director</i>	—	—
Kurt J. Hilzinger, <i>Director</i>	—	—
Robin Smith Hoke, <i>Director</i>	—	—
<b>All executive officers and directors as a group (12 persons)</b>	<b>26,225,000</b>	<b>55.9%</b>

\* Represents beneficial ownership of less than one percent (1%) of the outstanding common stock.

(1) Does not include shares of common stock issuable upon conversion of 3,796 shares of Series A preferred stock held by India Infrastructure Private Limited with a liquidation preference of \$1,000 per share. The address for India Infrastructure Private Limited is 11 North Bridge Road, #19-04/05, High Street Centre, Singapore 179094.

(2) The address for Strides Pharma Limited is Unit 4, Metro Centre, Tolpits Lane, Watford, Hertfordshire, WD18.

(3) Includes 75,000 shares held directly by Dr. Mohan's child. Does not include shares of common stock issuable upon conversion of 106 shares of Series A preferred stock held by Dr. Mohan's child with a liquidation preference of \$1,000 per share.

- (4) Does not include shares of common stock issuable upon conversion of 398 shares of Series A preferred stock held by Dr. Brady with a liquidation preference of \$1,000 per share.
- (5) Does not include shares of common stock issuable upon conversion of 351 shares of Series A preferred stock held by Mr. Canute with a liquidation preference of \$1,000 per share.

## DESCRIPTION OF CAPITAL STOCK

Upon the closing of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of 200,000,000 shares of common stock, par value \$0.01 per share, and 10,000,000 shares of preferred stock, par value \$0.01 per share. The following is a summary of the rights of our common and preferred stock and some of the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will each become effective upon the closing of this offering, the investors' rights agreement and relevant provisions of Delaware General Corporation Law. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description you should refer to our amended and restated certificate of incorporation, amended and restated bylaws and investors' rights agreement, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part, as well as the relevant provisions of Delaware General Corporation Law.

### **Common Stock**

As of September 30, 2015, there were \_\_\_\_\_ shares of common stock outstanding. After giving effect to (i) the issuance of an aggregate of 782,000 shares of common stock and 1,626 shares of preferred stock in October 2015 (ii) the issuance of an aggregate of 753,677 shares of our common stock in December 2015 and (iii) the conversion of all outstanding shares of Series A preferred stock (with an aggregate liquidation preference of \$11,817,000 and a conversion price equal to the initial public offering price) into \_\_\_\_\_ shares of common stock immediately prior to the closing of this offering (assuming an initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover page of this prospectus), there would have been \_\_\_\_\_ shares of common stock outstanding on that date held by \_\_\_\_\_ stockholders of record.

### **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. The affirmative vote of holders of 66⅔% of the voting power of all of the then-outstanding shares of capital stock, voting as a single class, will be required to amend certain provisions of our amended and restated certificate of incorporation, including provisions relating to amending our amended and restated bylaws, the classified board, the size of our board, removal of directors, director liability, vacancies on our board, special meetings, stockholder notices, actions by written consent and exclusive jurisdiction.

### **Dividends**

Subject to preferences that may apply to any outstanding preferred stock, holders of our common stock are entitled to receive ratably any dividends that our board of directors may declare out of funds legally available for that purpose on a non-cumulative basis.

### **Liquidation**

In the event of our liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any outstanding preferred stock.

### **Rights and Preferences**

Holders of our common stock have no preemptive, conversion, subscription or other rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of our preferred stock that we may designate in the future.

### **Preferred Stock**

Immediately prior to the closing of this offering, all outstanding shares of our preferred stock will convert into shares of common stock. Upon the closing of this offering and the filing of our amended and restated certificate of incorporation, our board of directors will have the authority, without further action by our stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series and to fix the number, rights, preferences, privileges and restrictions thereof. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and sinking fund terms, and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. The issuance of our preferred stock could

adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change in control or other corporate action. We have no current plan to issue any shares of preferred stock.

### **Common Stock Equivalents**

As of the closing of this offering, we will have RSUs, PSUs and other securities outstanding that will be convertible into, or exercisable for, an aggregate of \_\_\_\_\_ shares of our common stock.

### **Stockholder Registration Rights**

After the closing of this offering, certain holders of shares of our common stock, including certain holders of five percent of our capital stock and entities affiliated with certain of our directors, will be entitled to certain rights with respect to registration of such shares under the Securities Act. These shares are referred to as registrable securities. The holders of these registrable securities possess registration rights pursuant to the terms of the investors' rights agreement and are described in additional detail below.

The registration of shares of our common stock pursuant to the exercise of the registration rights described below would enable the holders to trade these shares without restriction under the Securities Act when the applicable registration statement is declared effective. We will pay the registration expenses, other than underwriting discounts, selling commissions and stock transfer taxes, of the shares registered pursuant to the demand, piggyback and Form S-3 registrations described below.

Generally, in an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares the holders may include. The demand, piggyback and Form S-3 registration rights described below will expire three years after the effective date of the registration statement, of which this prospectus forms a part, or with respect to any particular holder, at such time that such holder can sell its shares under Rule 144 of the Securities Act during any three-month period.

#### ***Demand Registration Rights***

The holders of the registrable securities will be entitled to certain demand registration rights. At any time beginning 180 days following the closing of this offering, the holders of the registrable securities then outstanding may make a written request that we register all or a portion of their shares, subject to certain specified exceptions. Such request for registration must cover securities the aggregate offering price of which, before payment of underwriting discounts, commissions and other expenses related to such registration, would exceed \$5,000,000.

#### ***Piggyback Registration Rights***

In connection with this offering, the holders of registrable securities were entitled to, and the necessary percentage of holders waived, their rights to notice of this offering and to include their shares of registrable securities in this offering. If we propose to register for offer and sale any of our securities under the Securities Act in another offering, either for our own account or for the account of other security holders, the holders of these shares will be entitled to certain "piggyback" registration rights allowing them to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act, including a registration statement on Form S-3 as discussed below, other than with respect to a demand registration or a registration statement on Forms S-4 or S-8 or related to stock issued upon conversion of debt securities, the holders of these shares are entitled to notice of the registration and have the right, subject to limitations that the underwriters may impose on the number of shares included in the registration, to include their shares in the registration.

#### ***Form S-3 Registration Rights***

The holders of the registrable securities will be entitled to certain Form S-3 registration rights. Any holder of these shares can make a request that we register for offer and sale their shares on Form S-3 if we are qualified to file a registration statement on Form S-3, subject to certain specified exceptions. Such request for registration on Form S-3 must cover securities the aggregate offering price of which, before payment of the underwriting discounts and commissions, equals or exceeds \$1,000,000. We will not be required to effect more than two registrations on Form S-3 within any 12-month period.

## Anti-Takeover Provisions of Delaware Law and Our Charter Documents

### Section 203 of the Delaware General Corporation Law

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of 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 began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (1) by persons who are directors and also officers and (2) 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; and
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66⅔% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines a “business combination” to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain 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;
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation; and
- in general, Section 203 defines an “interested stockholder” as an entity or person who, together with the person’s affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

### Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Among other things, our amended and restated certificate of incorporation and amended and restated bylaws will:

- permit our board of directors to issue up to 10,000,000 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 control;
- provide that the authorized number of directors may be changed only by resolution of our board of directors;
- provide that our board of directors will be classified into three classes 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 a majority of the voting power of all of our then-outstanding shares of the 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;
- 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 or electronic transmission;
- 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 advance notice in writing, and also specify requirements as to the form and content of a stockholder’s notice;

- provide that special meetings of our stockholders may be called only by the chairman of our board of directors, our chief executive officer or president or by our board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors; and
- 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.

The amendment of any of these provisions would require approval by the holders of at least 66⅔% of the voting power of all of our then-outstanding common stock entitled to vote generally in the election of directors, voting together as a single class.

The combination of these provisions will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Because our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to reduce our vulnerability to hostile takeovers and to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and may have the effect of delaying changes in our control or management. As a consequence, these provisions may also inhibit fluctuations in the market price of our stock that could result from actual or rumored takeover attempts. We believe that the benefits of these provisions, including increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure our company, outweigh the disadvantages of discouraging takeover proposals, because negotiation of takeover proposals could result in an improvement of their terms.

#### **Choice of Forum**

Our amended and restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our certificate of incorporation or our bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with one or more actions or proceedings described above, a court could find the choice of forum provisions contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable.

#### **Listing**

We have applied to list our common stock on the NASDAQ Global Market under the symbol "ONS."

#### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is . The transfer agent's address is



## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and a liquid trading market for our common stock may not develop or be sustained after this offering. Future sales of our common stock, including shares issued upon the exercise of outstanding options, in the public market after the completion of this offering, or the perception that those sales may occur, could adversely affect the prevailing market price for our common stock from time to time or impair our ability to raise equity capital in the future. As described below, only a limited number of shares of our common stock will be available for sale in the public market for a period of several months after the completion of this offering due to contractual and legal restrictions on resale described below. Future sales of our common stock in the public market either before (to the extent permitted) or after restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price of our common stock at such time and our ability to raise equity capital at a time and price we deem appropriate.

### Sale of Restricted Shares

Based on the number of shares of our common stock outstanding as of September 30, 2015 and after taking into account the issuance of an aggregate of (x) 782,000 shares of common stock and 1,626 shares of preferred stock in October 2015 and (y) 753,677 shares of our common stock in December 2015, upon the closing of this offering and assuming (1) the conversion of our outstanding preferred stock into common stock immediately prior to the closing of this offering, assuming an initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, (2) no exercise of the underwriters' option to purchase additional shares of common stock to cover over-allotments and (3) no exercise of outstanding options, we will have outstanding an aggregate of approximately shares of common stock. Of these shares, all of the shares of common stock to be sold in this offering will be freely tradable in the public market without restriction or further registration under the Securities Act unless the shares are held by any of our "affiliates" as such term is defined in Rule 144 of the Securities Act, or subject to lock-up agreements. All remaining shares of common stock held by existing stockholders immediately prior to the consummation of this offering will be "restricted securities" as such term is defined in Rule 144. These restricted securities were issued and sold by us in private transactions and are eligible for public sale only if registered under the Securities Act or if they qualify for an exemption from registration under the Securities Act, including the exemptions provided by Rule 144 or Rule 701, which rules are summarized below.

As a result of the lock-up agreements referred to below and the provisions of Rule 144 and Rule 701 under the Securities Act, based on the number of shares of our common stock outstanding as of September 30, 2015, the shares of our common stock (excluding the shares sold in this offering) that will be available for sale in the public market are as follows:

Approximate Number of Shares	First Date Available for Sale into Public Market
shares	181 days after the date of this prospectus, or longer if the lock-up period is extended, upon expiration of the lock-up agreements referred to below, subject in some cases to applicable volume, manner of sale and other limitations under Rule 144 and Rule 701

We may issue shares of common stock from time to time as consideration for future acquisitions, investments or other corporate purposes. In the event that any such acquisition, investment or other transaction is significant, the number of shares of common stock that we may issue may in turn be significant. We may also grant registration rights covering those shares of common stock issued in connection with any such acquisition and investment.

In addition, the shares of common stock reserved for future issuance under our 2011 Plan, 2015 Plan and ESPP will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements, a registration statement under the Securities Act or an exemption from registration, including Rule 144 and Rule 701.

### Lock-Up Agreements

In connection with this offering, we, our directors, our executive officers and holders of substantially all of our other outstanding shares of common stock or securities convertible into or exchangeable for shares of our common stock outstanding immediately prior to the closing of this offering, have agreed, subject to certain exceptions, with the underwriters not to directly or indirectly offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of or hedge any shares of our common stock or any options to purchase shares of our common stock, or any securities convertible into or exchangeable for shares of common stock during the period from the date of the

lock-up agreement continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Jefferies and certain other exceptions. These agreements are described in the section titled "Underwriting."

In addition to the restrictions contained in the lock-up agreements described above, we have entered into agreements with certain security holders, including the investors' rights agreement and our standard form of option agreement, that contain market stand-off provisions imposing restrictions on the ability of such security holders to offer, sell or transfer our equity securities for a period of 180 days following the date of this prospectus.

Prior to the completion of the offering, certain of our employees, including our executive officers, and/or directors may enter into written trading plans that are intended to comply with Rule 10b5-1 under the Exchange Act. Sales under these trading plans would not be permitted until the expiration of the lock-up agreements relating to the offering described above.

Following the lock-up periods set forth in the agreements described above, and assuming that the representatives of the underwriters do not release any parties from these agreements and that there is no extension of the lock-up period, all of the shares of our common stock that are restricted securities or are held by our affiliates as of the date of this prospectus will be eligible for sale in the public market in compliance with Rule 144 under the Securities Act.

#### **Rule 144**

In general, persons who have beneficially owned restricted shares of our common stock for at least six months, and any affiliate of the company who owns either restricted or unrestricted shares of our common stock, are entitled to sell their securities without registration with the SEC under an exemption from registration provided by Rule 144 under the Securities Act.

In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, and we are current in our Exchange Act reporting at the time of sale, a person (or persons whose shares are required to be aggregated) who is not deemed to have been one of our "affiliates" for purposes of Rule 144 at any time during the 90 days preceding a sale and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months, including the holding period of any prior owner other than one of our "affiliates," is entitled to sell those shares in the public market (subject to the lock-up agreement referred to above, if applicable) without complying with the manner of sale, volume limitations or notice provisions of Rule 144, but subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than "affiliates," then such person is entitled to sell such shares in the public market without complying with any of the requirements of Rule 144 (subject to the lock-up agreement referred to above, if applicable). In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, our "affiliates," as defined in Rule 144, who have beneficially owned the shares proposed to be sold for at least six months, are entitled to sell in the public market, upon expiration of any applicable lock-up agreements and within any three-month period, a number of those shares of our common stock that does not exceed the greater of:

- 1% of the number of common shares then outstanding, which will equal approximately shares of common stock immediately after the closing of this offering (calculated as of September 30, 2015 on the basis of the assumptions described above and assuming no exercise of the underwriter's option to purchase additional shares and no exercise of outstanding options); or
- the average weekly trading volume of our common stock on the NASDAQ Global Market, or NASDAQ, during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Such sales under Rule 144 by our "affiliates" or persons selling shares on behalf of our "affiliates" are also subject to certain manner of sale provisions, notice requirements and to the availability of current public information about us. Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted securities have entered into lock-up agreements as referenced above and their restricted securities will become eligible for sale (subject to the above limitations under Rule 144) upon the expiration of the restrictions set forth in those agreements.

#### **Rule 701**

In general, under Rule 701 as currently in effect, any of our employees, directors, officers, consultants or advisors who acquired common stock from us in connection with a written compensatory stock or option plan or other written agreement in compliance with Rule 701 under the Securities Act before the effective date of the registration statement of which this prospectus is a part (to the extent such common stock is not subject to a lock-up agreement) and who are not our

"affiliates" as defined in Rule 144 during the immediately preceding 90 days, is entitled to rely on Rule 701 to resell such shares beginning 90 days after the date of this prospectus in reliance on Rule 144, but without complying with the notice, manner of sale, public information requirements or volume limitation provisions of Rule 144. Persons who are our "affiliates" may resell those shares beginning 90 days after the date of this prospectus without compliance with Rule 144's minimum holding period requirements (subject to the terms of the lock-up agreement referred to below, if applicable).

**Registration Rights**

Based on the number of shares outstanding as of September 30, 2015 and after taking into account the issuance of an aggregate of (x) 782,000 shares of common stock and 1,626 shares of preferred stock in October 2015 and (y) 753,677 shares of our common stock in December 2015, after the consummation of this offering, the holders of approximately shares of our common stock, or their transferees, will, subject to any lock-up agreements they have entered into, be entitled to certain rights with respect to the registration of the offer and sale of those shares under the Securities Act. For a description of these registration rights, please see the section titled "Description of Capital Stock — Stockholder Registration Rights." If the offer and sale of these shares are registered, they will be freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration.

## MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of the material U.S. federal income and estate tax consequences of the acquisition, ownership and disposition of our common stock by "Non-U.S. Holders" (as defined below). This discussion is for general information purposes only and does not consider all aspects of U.S. federal income taxation that may be relevant to particular Non-U.S. Holders in light of their individual circumstances or to certain types of Non-U.S. Holders subject to special tax rules, including partnerships or other pass-through entities for U.S. federal income tax purposes, banks, financial institutions or other financial services entities, foreign governments or governmental entities, brokers or dealers in securities or currencies, insurance companies, tax-exempt organizations, pension plans, real estate investment trusts, controlled foreign corporations, passive foreign investment companies, corporations that accumulate earnings to avoid U.S. federal income tax, persons who use or are required to use mark-to-market accounting, persons that hold our shares as part of a "straddle," a "hedge," a "conversion transaction," "synthetic security," integrated investment or other risk reduction strategy, certain former citizens or permanent residents of the United States, persons who hold or receive shares of our common stock pursuant to the exercise of an employee stock option or otherwise as compensation, or investors in pass-through entities (or entities that are treated as disregarded entities for U.S. federal income tax purposes). In addition, this discussion does not address, except to the extent discussed below, the effects of any applicable gift or estate tax, and this discussion does not address the potential application of alternative minimum tax, or any tax considerations that may apply to Non-U.S. Holders of our common stock under state, local or non-U.S. tax laws and any other U.S. federal tax laws.

This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, and applicable Treasury Regulations, rulings, administrative pronouncements and judicial decisions that are issued and available as of the date of this registration statement, all of which are subject to change or differing interpretations at any time with possible retroactive effect. We have not sought, and will not seek, any ruling from the Internal Revenue Service, or the IRS, with respect to the tax consequences discussed herein, and there can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any position taken by the IRS would not be sustained. This discussion is limited to a Non-U.S. Holder who will hold our common stock as a capital asset within the meaning of the Code (generally, property held for investment). For purposes of this discussion, the term "Non-U.S. Holder" means a beneficial owner of our shares that is not a partnership (or entity or arrangement treated as a partnership for U.S. federal income tax purposes) and is not:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation) created or organized in the United States or under the laws of the United States or of 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 (1) a court within the United States can exercise primary supervision over the trust's administration and one or more U.S. persons have the authority to control all of the trust's substantial decisions or (2) the trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

If a partnership (or entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our common stock, the tax treatment of such partnership and a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our shares, you should consult your tax advisor regarding the tax consequences of the purchase, ownership and disposition of our common stock.

**THIS SUMMARY IS NOT INTENDED TO BE TAX ADVICE. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF OUR COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS AND ANY OTHER U.S. FEDERAL TAX LAWS.**

### Distributions on Our Common Stock

In general, subject to the discussion below under the headings "Information Reporting and Backup Withholding" and "Foreign Accounts," distributions, if any, paid on our common stock to a Non-U.S. Holder (to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles) will constitute dividends and be subject to U.S. withholding tax at a rate equal to 30% of the gross amount of the dividend, or a lower rate prescribed by an applicable income tax treaty, unless the dividends are effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States. The portion of any distribution that exceeds our current and accumulated earnings and profits will be treated first as reducing the Non-U.S. Holder's basis in its shares of common stock, but not below zero, and to the extent it exceeds the Non-U.S. Holder's basis, as gain from the sale or exchange of our common stock (see "Gain on Sale, Exchange or Other Taxable Disposition of Common Stock" below).

A Non-U.S. Holder who claims the benefit of an applicable income tax treaty generally will be required to satisfy certain certification and other requirements prior to the distribution date. Such Non-U.S. Holders must generally provide us or our paying agent with a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E (or other appropriate form) claiming an exemption from or reduction in withholding under an applicable income tax treaty. Such certificate must be provided before the payment of dividends and must be updated periodically. If tax is withheld in an amount in excess of the amount applicable under an income tax treaty, a refund of the excess amount may generally be obtained by a Non-U.S. Holder by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty.

Dividends that are effectively connected with a Non-U.S. Holder's conduct of a U.S. trade or business generally will not be subject to the 30% U.S. withholding tax if the Non-U.S. Holder files the required forms, including IRS Form W-8ECI, with us or our paying agent. Instead, such a Non-U.S. Holder generally will be subject to U.S. federal income tax on those dividends on a net income basis at regular graduated rates in the same manner as if the Non-U.S. Holder were a resident of the United States (except to the extent provided in an applicable income tax treaty, which may require that such dividends be attributable to a U.S. permanent establishment or fixed base in order to be subject to tax as described herein). A corporate Non-U.S. Holder that receives effectively connected dividends may be subject to an additional branch profits tax at a rate of 30% (or such lower rate as may be prescribed by an applicable income tax treaty) on its effectively connected earnings and profits, as adjusted under the Code.

### **Gain on Sale, Exchange or Other Disposition of Our Common Stock**

In general, subject to the discussion below under the headings "Information Reporting and Backup Withholding" and "Foreign Accounts," a non-U.S. holder will not be subject to U.S. federal income tax or withholding tax on any gain realized upon such holder's sale, exchange or other disposition of shares of our common stock unless:

- (1) the gain is effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States (and, if required by an applicable income tax treaty, attributable to a U.S. permanent establishment or fixed base of the Non-U.S. Holder);
- (2) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met; or
- (3) we are or have been a "United States real property holding corporation" for U.S. federal income tax purposes at any time during the shorter of the five year period ending on the date of disposition or the period that the Non-U.S. Holder held the common stock, and, in the case where shares of our common stock are regularly traded on an established securities market, the Non-U.S. Holder owns, or is treated as owning, more than 5% of our common stock at any time during the foregoing period.

Net gain realized by a Non-U.S. Holder that is described in clause (1) above generally will be subject to the regular graduated U.S. federal income tax rates in the same manner as if the Non-U.S. Holder were a resident of the United States. Any gains of a corporate Non-U.S. Holder described in clause (1) above may also be subject to an additional "branch profits tax" at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty) on its effectively connected earnings and profits, as adjusted under the Code.

Gain realized by an individual Non-U.S. Holder described in clause (2) above will be subject to a flat 30% tax, which gain may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States.

For purposes of clause (3) above, a corporation generally is a United States real property holding corporation, or USRPHC, if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. We believe that we are not, and we do not anticipate that we will become, 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 business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we became a USRPHC, a Non-U.S. Holder would not be subject to U.S. federal income tax on a sale, exchange or other taxable disposition of our common stock by reason of our status as an USRPHC so long as our common stock is regularly traded on an established securities market (within the meaning of the applicable regulations) and such Non-U.S. Holder does not own and is not deemed to own (directly, indirectly or constructively) more than 5% of our outstanding common stock at any time during the shorter of the five year period ending on the date of disposition and such holder's holding period. However, no assurance can be provided that our common stock will be regularly traded on an established securities market for purposes of the rules described above. Prospective investors are encouraged to consult their own tax advisors regarding the possible consequences to them if we are, or were to become, a USRPHC.

### Information Reporting and Backup Withholding

Generally, we must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid, the name and address of the recipient, and the amount, if any, of tax withheld. These information reporting requirements apply even if withholding was not required because the dividends were effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States or withholding was reduced by an applicable income tax treaty. Under applicable income tax treaties or other agreements, the IRS may make its reports available to the tax authorities in the Non-U.S. Holder's country of residence or country in which the Non-U.S. Holder was established.

Dividends paid to a Non-U.S. Holder that is not an exempt recipient generally will be subject to backup withholding, currently at a rate of 28%, unless the Non-U.S. Holder certifies to the payor as to its foreign status, which certification may generally be made on an applicable IRS Form W-8.

Proceeds from the sale or other disposition of common stock by a Non-U.S. Holder effected by or through a U.S. office of a broker will generally be subject to information reporting and backup withholding, currently at a rate of 28%, unless the Non-U.S. Holder certifies to the withholding agent under penalties of perjury as to, among other things, its name, address and status as a Non-U.S. Holder or otherwise establishes an exemption. Payment of disposition proceeds effected outside the United States by or through a non-U.S. office of a non-U.S. broker generally will not be subject to information reporting or backup withholding if the payment is not received in the United States. Information reporting, but generally not backup withholding, will apply to such a payment if the broker has certain connections with the United States unless the broker has documentary evidence in its records that the beneficial owner thereof is a Non-U.S. Holder and specified conditions are met or an exemption is otherwise established.

Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules from a payment to a Non-U.S. Holder that results in an overpayment of taxes generally will be refunded, or credited against the holder's U.S. federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

### Foreign Accounts

A U.S. federal withholding tax of 30% may apply to dividends on, and the gross proceeds of, a disposition of our common stock paid to a "foreign financial institution" (as specially defined under applicable rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding certain U.S. account holders of such institution (which includes certain equity holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or otherwise qualifies for an exemption from these rules. This U.S. federal withholding tax of 30% will also apply to payments of dividends on, and the gross proceeds of, a disposition of our common stock paid to a non-financial foreign entity (as specifically defined by applicable rules), unless such entity either certifies it does not have any substantial direct or indirect U.S. owners or provides the withholding agent with a certification identifying substantial direct and indirect U.S. owners of the entity or otherwise qualifies for an exemption from these rules. The withholding tax described above will not apply if the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from the rules. Under certain circumstances, a Non-U.S. Holder might be eligible for refunds or credits of such taxes. The United States has entered into agreements with certain countries that modify these general rules for entities resident in those countries. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of these rules on their investment in our common stock.

The withholding provisions described above currently apply to payments of dividends on our common stock and will apply to payments of gross proceeds from a sale or other disposition of our common stock by a foreign financial institution on or after January 1, 2019.

### U.S. Federal Estate Tax

An individual who at the time of death is not a citizen or resident of the United States and who is treated as the owner of, or has made certain lifetime transfers of, an interest in our common stock will be required to include the value thereof in his or her taxable estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise. The test for whether an individual is a resident of the United States for U.S. 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 the underwriting agreement, dated \_\_\_\_\_, 2016, between us and Jefferies LLC, as the representative of the underwriters named below, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the respective number of shares of common stock shown opposite its name below:

Underwriter	Number of Shares
Jefferies LLC	
Nomura Securities International, Inc.	
<b>Total</b>	

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers' certificates and legal opinions and approval of certain legal matters by their counsel. The underwriting agreement provides that the underwriters will purchase all of the shares of common stock if any of them are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated. We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

The underwriters have advised us that, following the pricing of this offering, they currently intend to make a market in the common stock as permitted by applicable laws and regulations. However, the underwriters are not obligated to do so, and the underwriters may discontinue any market-making activities at any time without notice in their sole discretion. Accordingly, no assurance can be given as to the liquidity of the trading market for the common stock, that you will be able to sell any of the common stock held by you at a particular time or that the prices that you receive when you sell will be favorable.

The underwriters are offering the shares of common stock subject to their acceptance of the shares of common stock from us and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

### Commission and Expenses

The underwriters have advised us that they propose to offer the shares of common stock to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers, which may include the underwriters, at that price less a concession not in excess of \$ \_\_\_\_\_ per share of common stock. The underwriters may allow, and certain dealers may reallocate, a discount from the concession not in excess of \$ \_\_\_\_\_ per share of common stock to certain brokers and dealers. Certain of the underwriters may sell shares through one or more of their affiliates as selling agents. After the offering, the initial public offering price, concession and reallocation to dealers may be reduced by the representatives. No such reduction will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus.

The following table shows the public offering price, the underwriting discounts and commissions that we are to pay the underwriters and the proceeds, before expenses, to us in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	Per Share		Total	
	Without Option to Purchase Additional Shares	With Option to Purchase Additional Shares	Without Option to Purchase Additional Shares	With Option to Purchase Additional Shares
Public offering price	\$	\$	\$	\$
Underwriting discounts and commissions paid by us	\$	\$	\$	\$
Proceeds to us, before expenses	\$	\$	\$	\$

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately \$ . We have also agreed to reimburse the underwriters for certain expenses, including an amount not to exceed \$ in connection with the clearance of this offering with the Financial Industry Regulatory Authority, as set forth in the underwriting agreement.

#### **Determination of Offering Price**

Prior to this offering, there has not been a public market for our common stock. Consequently, the initial public offering price for our common stock will be determined by negotiations between us and the representatives. Among the factors to be considered in these negotiations will be prevailing market conditions, our financial information, market valuations of other companies that we and the underwriters believe to be comparable to us, estimates of our business potential, the present state of our development and other factors deemed relevant.

We offer no assurances that the initial public offering price will correspond to the price at which the common stock will trade in the public market subsequent to the offering or that an active trading market for the common stock will develop and continue after the offering.

#### **Listing**

We have applied to have our common stock approved for listing on The NASDAQ Global Market under the trading symbol "ONS."

#### **Stamp Taxes**

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

#### **Option to Purchase Additional Shares**

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of shares from us at the public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions. If the underwriters exercise this option, each underwriter will be obligated, subject to specified conditions, to purchase a number of additional shares proportionate to that underwriter's initial purchase commitment as indicated in the table above. This option may be exercised only if the underwriters sell more shares than the total number set forth on the cover page of this prospectus.

#### **No Sales of Similar Securities**

We, our officers, directors and holders of all or substantially all our outstanding capital stock have agreed, subject to specified exceptions, not to directly or indirectly, offer, sell, contract to sell, pledge or otherwise dispose of, (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by such shareholder or any affiliate of such shareholder or any person in privity with such shareholder or any affiliate of such shareholder), directly or indirectly, including the filing (or participation in the filing) of a registration statement with the Securities and Exchange Commission, or the SEC, in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder with respect to, any shares of capital stock of the Company or any securities convertible into, or exercisable or exchangeable for such capital stock, or publicly announce an intention to effect any such transaction, for a period from the date hereof until 180 days after the date of the underwriting agreement.

Jefferies LLC may, in its discretion and at any time or from time to time before the termination of the 180-day period, release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any of our shareholders who will execute a lock-up agreement, providing consent to the sale of shares prior to the expiration of the lock-up period.

#### **Stabilization**

The underwriters have advised us that they, pursuant to Regulation M under the Securities Exchange Act of 1934, as amended, certain persons participating in the offering may engage in short sale transactions, stabilizing transactions,



syndicate covering transactions or the imposition of penalty bids in connection with this offering. These activities may have the effect of stabilizing or maintaining the market price of the common stock at a level above that which might otherwise prevail in the open market. Establishing short sales positions may involve either "covered" short sales or "naked" short sales.

"Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares of our common stock in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares of our common stock or purchasing shares of our common stock in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option to purchase additional shares.

"Naked" short sales are sales in excess of the option to purchase additional shares of our common stock. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering.

A stabilizing bid is a bid for the purchase of shares of common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the common stock. A syndicate covering transaction is the bid for or the purchase of shares of common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. Similar to other purchase transactions, the underwriter's purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. A penalty bid is an arrangement permitting the underwriters to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if the common stock originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member.

Neither we, nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

### **Electronic Distribution**

A prospectus in electronic format may be made available by e-mail or on the websites or through online services maintained by one or more of the underwriters or their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares of common stock for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' websites and any information contained in any other website maintained by any of the underwriters is not part of this prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.

### **Other Activities and Relationships**

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for us and our affiliates, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments issued by us and our affiliates. If the underwriters or their respective affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. The underwriters and their respective affiliates may hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the common stock offered hereby. Any such short

positions could adversely affect future trading prices of the common stock offered hereby. The underwriters and certain of their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **Selling Restrictions**

### **Australia**

This prospectus is not a disclosure document for the purposes of Australia's Corporations Act 2001 (Cth) of Australia, or Corporations Act, has not been lodged with the Australian Securities & Investments Commission and is only directed to the categories of exempt persons set out below. Accordingly, if you receive this prospectus in Australia:

You confirm and warrant that you are either:

- a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act;
- a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;
- a person associated with the Company under Section 708(12) of the Corporations Act; or
- a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act.

To the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this prospectus is void and incapable of acceptance.

You warrant and agree that you will not offer any of the securities issued to you pursuant to this prospectus for resale in Australia within 12 months of those securities being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

### **Canada**

The offering of our common shares in Canada is being made on a private placement basis in reliance on exemptions from the prospectus requirements under the securities laws of each applicable Canadian province and territory where the common shares may be offered and sold, and therein may only be made with investors that are purchasing as principal and that qualify as both an accredited investor, as such term is defined in National Instrument 45-106 Prospectus and Registration Exemptions and as a permitted client, as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligation. Any offer and sale of our common shares in any province or territory of Canada may only be made through a dealer that is properly registered under the securities legislation of the applicable province or territory wherein our common shares are offered and/or sold or, alternatively, by a dealer that qualifies under and is relying upon an exemption from the registration requirements therein.

Any resale of our common shares by an investor resident in Canada must be made in accordance with applicable Canadian securities laws, which may require resales to be made in accordance with prospectus and registration requirements, statutory exemptions from the prospectus and registration requirements or under a discretionary exemption from the prospectus and registration requirements granted by the applicable Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of our common shares outside of Canada.

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

### **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 common shares which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any common 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:

- to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters or the underwriters nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of common shares shall require us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer common shares to the public" in relation to the common 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 the common shares to be offered so as to enable an investor to decide to purchase or subscribe to the common shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

#### **Hong Kong**

No securities have been offered or sold, and no securities may be offered or sold, in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("SFO") and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong ("CO") or which do not constitute an offer or invitation to the public for the purpose of the CO or the SFO. No document, invitation or advertisement relating to the securities has been issued or may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

This prospectus has not been registered with the Registrar of Companies in Hong Kong. Accordingly, this prospectus may not be issued, circulated or distributed in Hong Kong, and the securities may not be offered for subscription to members of the public in Hong Kong. Each person acquiring the securities will be required, and is deemed by the acquisition of the securities, to confirm that he is aware of the restriction on offers of the securities described in this prospectus and the relevant offering documents and that he is not acquiring, and has not been offered any securities in circumstances that contravene any such restrictions.

#### **Japan**

The offering has not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 of Japan, as amended), or FIEL, and the Initial Purchaser will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

#### **Singapore**

This prospectus has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the common stock may not be circulated or distributed, nor may the common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the common stock is subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the common stock pursuant to an offer made under Section 275 of the SFA except:
  - to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
  - where no consideration is or will be given for the transfer;
  - where the transfer is by operation of law;
  - as specified in Section 276(7) of the SFA; or
  - as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

#### **Switzerland**

The securities may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the securities or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this prospectus nor any other offering or marketing material relating to the offering, the Company or the securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of securities.

#### **United Kingdom**

This prospectus 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 Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom it may lawfully be communicated (each such person being referred to as a "relevant person").

This prospectus 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 persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

### LEGAL MATTERS

The validity of the issuance of our common stock offered in this prospectus will be passed upon for us by Cooley LLP, New York, New York. Certain legal matters in connection with this offering will be passed upon for the underwriters by Goodwin Procter LLP, New York, New York.

### EXPERTS

The consolidated financial statements of Oncobiologics, Inc. as of September 30, 2014 and 2015 and for the years then ended have been included in this prospectus in reliance upon the report of KPMG LLP, 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 September 30, 2015 consolidated financial statements contains an explanatory paragraph that states that the Company has incurred recurring losses and negative cash flows from operations since inception and has an accumulated deficit at September 30, 2015 of \$94.1 million and \$14.2 million of indebtedness that is due on demand, which raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty.

### 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 about us and the common stock offered by this prospectus, we refer you to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You 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, NE, 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, NE, 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 the closing 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.oncobiologics.com](http://www.oncobiologics.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 on, or that can be accessed through, our website is not a part of this prospectus. Investors should not rely on any such information in deciding whether to purchase our common stock. We have included our website address in this prospectus solely as an inactive textual reference.

## ONCOBIOLOGICS, INC.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

---

	<b>Page</b>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	<a href="#">F-2</a>
<a href="#">Consolidated Balance Sheets as of September 30, 2014 and 2015</a>	<a href="#">F-3</a>
<a href="#">Consolidated Statements of Operations for the Years Ended September 30, 2014 and 2015</a>	<a href="#">F-4</a>
<a href="#">Consolidated Statements of Redeemable Preferred Stock, Common Stock, Noncontrolling Interests and Stockholders' Equity (Deficit) for the Years Ended September 30, 2014 and 2015</a>	<a href="#">F-5</a>
<a href="#">Consolidated Statements of Cash Flows for the Years Ended September 30, 2014 and 2015</a>	<a href="#">F-7</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">F-8</a>

---

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Oncobiologics, Inc.:

We have audited the accompanying consolidated balance sheets of Oncobiologics, Inc. and Subsidiaries (the Company) as of September 30, 2014 and 2015, and the related consolidated statements of operations, redeemable preferred stock, common stock, noncontrolling interests and stockholders' equity (deficit), and cash flows for years then ended. The 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oncobiologics, Inc. and subsidiaries as of September 30, 2014 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in note 2 to the consolidated financial statements, the Company has incurred recurring losses and negative cash flows from operations since inception and has an accumulated deficit at September 30, 2015 of \$94.1 million and \$14.2 million of indebtedness that is due on demand, which raises substantial doubt about its ability to continue as a going concern. Management's plan in regards to these matters are also described in note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ KPMG LLP

Philadelphia, Pennsylvania

November 16, 2015

**Oncobiologics, Inc.**  
**Consolidated Balance Sheets**

	September 30,		Pro Forma
	2014	2015	September 30, 2015 (Unaudited)
<b>Assets</b>			
Current assets:			
Cash	\$ 2,349,313	\$ 9,070,975	\$ 19,660,653
Accounts receivable	—	20,000	20,000
Stock subscription receivable	—	4,280,149	—
Prepaid and other current assets	797,279	1,793,109	1,793,109
Total current assets	3,146,592	15,164,233	21,473,762
Property and equipment, net	8,009,564	17,759,938	17,759,938
Restricted cash	211,452	213,663	213,663
Deferred offering costs	—	960,563	960,563
Other assets	236,099	910,224	910,224
Total assets	<u>\$ 11,603,707</u>	<u>\$ 35,008,621</u>	<u>\$ 41,318,150</u>
<b>Liabilities, redeemable preferred stock, common stock, noncontrolling interests and stockholders' equity (deficit)</b>			
Current liabilities:			
Current portion of debt	\$ 725,706	\$ 742,646	\$ 742,646
Current portion of capital lease obligations	132,090	862,849	862,849
Current portion of stockholder notes	10,624,784	14,214,196	14,214,196
Accounts payable	3,101,445	11,563,055	11,563,055
Accrued expenses	2,560,279	5,924,648	5,924,648
Income taxes payable	1,564,411	1,754,629	1,754,629
Deferred revenue	1,501,416	1,979,576	1,979,576
Total current liabilities	20,210,131	37,041,599	37,041,599
Long-term debt	3,653,038	2,922,764	2,922,764
Capital lease obligations	32,914	1,219,373	1,219,373
Stockholder notes	—	2,000,000	2,000,000
Deferred revenue	6,313,342	6,365,945	6,365,945
Stock-based compensation liability	1,557,789	12,726,722	12,726,722
Other liabilities	283,700	284,710	284,710
Total liabilities	<u>32,050,914</u>	<u>62,561,113</u>	<u>62,561,113</u>
Commitments (Note 9)			
Redeemable preferred stock, common stock and noncontrolling interests:			
Redeemable preferred stock, no par value:			
Series A – 8,000,000 shares authorized; 3,681 and 3,568 shares issued and outstanding at September 30, 2014 and 2015, respectively; (liquidation preference of \$5,072,653 at September 30, 2015)	4,787,996	5,072,653	—
Series B – 4,000 shares authorized; 4,000 shares issued and outstanding; (liquidation preference of \$5,118,208 at September 30, 2015)	4,589,872	5,118,208	—
Redeemable common stock – 6,000,000 shares issued and outstanding	12,225,096	15,426,673	—
Redeemable noncontrolling interests	3,101,047	1,703,777	—
Total redeemable preferred stock, common stock and noncontrolling interests	<u>24,704,011</u>	<u>27,321,311</u>	<u>—</u>
Stockholders' equity (deficit):			
Preferred stock, par value \$0.01 per share; 50,000 shares authorized pro forma, no shares issued and outstanding	—	—	—
Common stock, par value \$0.01 per share; 100,000,000 shares authorized, shares issued and outstanding pro forma September 30, 2015	—	—	73,475,740
Common stock, no par value; 100,000,000 shares authorized; 26,479,231 and 32,555,266 shares issued and outstanding at September 30, 2014 and 2015, respectively; actual	—	39,844,900	—
Additional paid-in capital	—	—	—
Accumulated deficit	(45,151,218)	(94,064,286)	(94,064,286)
Total Oncobiologics, Inc. stockholders' equity (deficit)	(45,151,218)	(54,219,386)	(20,588,546)
Noncontrolling interests	—	(654,417)	(654,417)
Total stockholders' equity (deficit)	(45,151,218)	(54,873,803)	(21,242,963)
Total liabilities, redeemable preferred stock, common stock, noncontrolling interests and stockholders' equity (deficit)	<u>\$ 11,603,707</u>	<u>\$ 35,008,621</u>	<u>\$ 41,318,150</u>

See accompanying notes to consolidated financial statements



**Oncobiologics, Inc.**  
**Consolidated Statements of Operations**

	Year Ended September 30,	
	2014	2015
Collaboration revenues	\$ 9,050,542	\$ 5,219,237
Operating expenses:		
Research and development	14,124,631	38,876,040
General and administrative	7,318,314	12,905,823
	<u>21,442,945</u>	<u>51,781,863</u>
Loss from operations	(12,392,403)	(46,562,626)
Interest expense	901,052	2,297,339
Loss before income taxes	(13,293,455)	(48,859,965)
Income tax expense (benefit)	439,018	(190,111)
Net loss	(13,732,473)	(48,669,854)
Less: Net loss attributable to noncontrolling interests	—	(1,276,571)
Net loss attributable to Oncobiologics, Inc.	(13,732,473)	(47,393,283)
Accretion of redeemable preferred stock and noncontrolling interests	(3,588,996)	(4,306,488)
Deemed dividends upon the repurchase of Series A redeemable preferred stock and redeemable noncontrolling interests	(3,336,855)	(1,298,631)
Net loss attributable to common stockholders of Oncobiologics, Inc.	<u>\$ (20,658,324)</u>	<u>\$ (52,998,402)</u>
Per share information:		
Net loss per share of common stock, basic and diluted	\$ (0.70)	\$ (1.57)
Weighted-average shares outstanding, basic and diluted	<u>29,358,331</u>	<u>33,650,012</u>
Pro forma net loss per share of common stock – basic and diluted (unaudited)		
Pro forma weighted average shares outstanding (unaudited)		

See accompanying notes to consolidated financial statements

**Oncobiologics, Inc.**  
**Consolidated Statements of Redeemable Preferred Stock, Common Stock, Noncontrolling Interests and Stockholders' Equity (Deficit)**

	Redeemable Preferred Stock, Common Stock and Noncontrolling Interests							Stockholders' Equity (Deficit)					
	Preferred Stock				Common Stock		Noncontrolling Interests	Common Stock		Accumulated Deficit	Noncontrolling Interests	Total Stockholders' Equity (Deficit)	
	Series A	Series B		Shares	Amount	Shares		Amount	Shares				Amount
Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Amount	Amount	
Balance at October 1, 2013	6,995	\$ 8,226,922	3,600	\$3,067,039	—	\$ —	—	\$ 2,829,733	33,347,000	\$ —	\$ (22,608,182)	\$ —	\$ (22,608,182)
Sale of redeemable common stock, net of issuance costs	—	—	—	—	6,000,000	10,895,000	—	—	—	—	—	—	—
Sale of Series B redeemable preferred stock and common stock, net of issuance costs	—	—	400	252,000	—	—	—	—	400,000	148,000	—	—	148,000
Issuance of restricted stock	—	—	—	—	—	—	—	—	313,500	—	—	—	—
Repurchase of restricted stock in exchange for notes payable	—	—	—	—	—	—	—	—	(2,195,500)	(148,000)	(949,750)	—	(1,097,750)
Exchange of restricted stock for performance-based stock units	—	—	—	—	—	—	—	—	(2,078,500)	—	—	—	—
Reclassification of equity classified stock-based compensation	—	—	—	—	—	—	—	—	—	—	(364,187)	—	(364,187)
Employee tax withholdings related to the vesting of restricted stock	—	—	—	—	—	—	—	—	(9,769)	—	(23,153)	—	(23,153)
Repurchase of common stock	—	—	—	—	—	—	—	—	(3,312,500)	—	(3,312,500)	—	(3,312,500)
Repurchase of Series A redeemable preferred stock and deemed dividends	(3,314)	(4,155,679)	—	—	—	—	—	—	—	—	(3,336,855)	—	(3,336,855)
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	2,764,878	—	—	2,764,878
Accretion of redeemable preferred stock, common stock and noncontrolling interests	—	716,753	—	1,270,833	—	1,330,096	271,314	—	(2,764,878)	(824,118)	—	—	(3,588,996)
Net loss	—	—	—	—	—	—	—	—	—	—	(13,732,473)	—	(13,732,473)
Balance at September 30, 2014	3,681	4,787,996	4,000	4,589,872	6,000,000	12,225,096	3,101,047	—	26,464,231	—	(45,151,218)	—	(45,151,218)

See accompanying notes to consolidated financial statements

**Oncobiologics, Inc.**  
**Consolidated Statements of Redeemable Preferred Stock, Common Stock, Noncontrolling Interests and Stockholders' Equity (Deficit)**  
**(Continued)**

	Redeemable Preferred Stock, Common Stock and Noncontrolling Interests							Stockholders' Equity (Deficit)				
	Preferred Stock				Common Stock		Noncontrolling Interests	Common Stock		Accumulated Deficit	Noncontrolling Interests	Total Stockholders' Equity (Deficit)
	Series A		Series B		Shares	Amount		Shares	Amount			
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount			
Distribution of common stock in Sonnet Biotherapeutics, Inc. to stockholders	—	—	—	—	—	—	—	—	—	(221,154)	221,154	—
Contributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	401,000	401,000
Repurchase of Series A redeemable preferred stock and deemed dividends	(113)	(142,370)	—	—	—	—	—	—	—	(83,631)	—	(83,631)
Repurchase of redeemable noncontrolling interests and deemed dividends	—	—	—	—	—	—	(1,546,818)	—	—	(1,215,000)	—	(1,215,000)
Forfeitures of restricted stock	—	—	—	—	—	—	—	—	—	—	—	—
Sale of common stock, net of issuance costs	—	—	—	—	—	—	—	6,091,035	44,142,463	—	—	44,142,463
Accretion of redeemable preferred stock, common stock and noncontrolling interests	—	427,027	—	528,336	—	3,201,577	149,548	—	(4,306,488)	—	—	(4,306,488)
Stock-based compensation expense	—	—	—	—	—	—	—	—	8,925	—	—	8,925
Net loss	—	—	—	—	—	—	—	—	—	(47,393,283)	(1,276,571)	(48,669,854)
Balance at September 30, 2015	<u>3,568</u>	<u>\$5,072,653</u>	<u>4,000</u>	<u>\$5,118,208</u>	<u>6,000,000</u>	<u>\$ 15,426,673</u>	<u>\$ 1,703,777</u>	<u>32,555,266</u>	<u>\$39,844,900</u>	<u>\$(94,064,286)</u>	<u>\$ (654,417)</u>	<u>\$( 54,873,803)</u>

See accompanying notes to consolidated financial statements

**Oncobiologics, Inc.**  
**Consolidated Statements of Cash Flows**

	Year Ended September 30,	
	2014	2015
<b>Operating activities:</b>		
Net loss	\$ (13,732,473)	\$ (48,669,854)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	878,477	1,824,600
Non-cash interest expense	12,264	12,264
Stock-based compensation	3,958,480	11,177,858
Changes in operating assets and liabilities:		
Accounts receivable	—	(20,000)
Prepaid expenses and other current assets	(719,302)	(1,021,852)
Other assets	(84,330)	(322,729)
Accounts payable	(96,403)	6,580,722
Accrued expenses	598,266	2,240,800
Income taxes payable	1,084,921	190,218
Deferred revenue	949,458	530,763
Other liabilities	130,173	1,010
Net cash used in operating activities	<u>(7,020,469)</u>	<u>(27,476,200)</u>
<b>Investing activities:</b>		
Purchase of property and equipment	(2,366,772)	(8,804,244)
Net cash used in investing activities	<u>(2,366,772)</u>	<u>(8,804,244)</u>
<b>Financing activities:</b>		
Proceeds from the sale of Series B redeemable preferred stock	252,000	—
Repurchase of Series A redeemable preferred stock	(4,128,000)	(226,001)
Proceeds from the sale of redeemable common stock	10,895,000	—
Proceeds from the sale of common stock	148,000	41,249,998
Proceeds from the sale of equity in noncontrolling interest	—	401,000
Payments of capital leases obligations	(193,973)	(686,676)
Proceeds from debt	2,460,434	—
Repayment of debt	(753,531)	(725,598)
Proceeds from stockholder notes	6,000,000	10,880,252
Repayment of stockholder notes	(3,125,000)	(7,888,658)
Change in restricted cash	(3,383)	(2,211)
Payment of employee tax withholdings related to the vesting of restricted stock	(23,153)	—
Payment of financing costs	(54,248)	—
Net cash provided by financing activities	<u>11,474,146</u>	<u>43,002,106</u>
Net increase in cash	2,086,905	6,721,662
Cash at beginning of year	262,408	2,349,313
Cash at end of year	<u>\$ 2,349,313</u>	<u>\$ 9,070,975</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 817,965	\$ 1,402,209
Cash paid for taxes	\$ 1,750	\$ 2,250
<b>Supplemental schedule of noncash investing activities:</b>		
Purchases of property and equipment in accounts payable and accrued expenses	\$ (215,907)	\$ (2,770,730)
<b>Supplemental schedule of noncash financing activities:</b>		
Accretion of redeemable preferred stock	\$ 3,588,996	\$ 4,306,488
Deemed dividend upon repurchase of Series A redeemable preferred stock in excess of carrying value	\$ (3,336,855)	\$ (1,298,631)
Reclassification of equity classified stock-based compensation	\$ (364,187)	\$ —
Issuance of notes upon repurchase of restricted stock and common stock	\$ 4,410,250	\$ —
Issuance of subscription receivable upon sale of common stock	\$ —	\$ (4,280,149)
Distribution of common stock in Sonnet Biotherapeutics Inc. to stockholders	\$ —	\$ (221,154)
Issuance of capital lease obligations in connection with purchase of property and equipment	\$ 215,908	\$ 2,603,894
Deferred offering costs and common stock issuance costs in accounts payable and accrued expenses	\$ —	\$ 2,310,961

See accompanying notes to consolidated financial statements

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

**1. Organization and Description of Business**

Oncobiologics, Inc. ("Oncobiologics" or the "Company") was incorporated in New Jersey on January 5, 2010 and started operations in July 2011. Oncobiologics is a clinical-stage biopharmaceutical company focused on identifying, developing, manufacturing and commercializing complex biosimilar therapeutics in the disease areas of immunology and oncology. The Company has established fully integrated in-house development and manufacturing capabilities that addresses the numerous complex technical and regulatory challenges in developing and commercializing mAb biosimilars. Since inception, the Company has advanced two product candidates into clinical trials: a Phase 3-ready biosimilar to adalimumab (Humira<sup>®</sup>) and a Phase 3-ready biosimilar to bevacizumab (Avastin<sup>®</sup>). Additionally, the Company has six preclinical biosimilar product candidates under active development, two of which are expected to enter clinical trials in 2016.

During 2011, the Company formed Parilis Biopharmaceuticals, LLC ("Parilis"), a New Jersey Limited Liability Company to which the Company owns 100% of Parilis's common member units. The Company entered into a licensing arrangement whereby Parilis was issued an exclusive right to commercialize the Company's Humira biosimilar product.

In April 2015, the Company spun-off certain assets unrelated to its biosimilar business through a pro rata distribution to its stockholders through a newly-formed subsidiary, Sonnet Biotherapeutics, Inc. ("Sonnet"). Concurrent with the Company's contribution of the assets relating to the innovation business of Sonnet, the Company distributed all of its shares of Sonnet to Oncobiologics's stockholders.

In October 2015, the Company reincorporated in Delaware through the merger with and into Oncobiologics, Inc., a newly formed Delaware corporation, with the Delaware corporation surviving the merger. As a result of the merger, each share of the Company's issued and outstanding common stock converted into and became a share of common stock of the Delaware corporation on a 1-for-1 basis, each share of Series A redeemable preferred stock converted into 1,000 shares of common stock and approximately 1.4035 shares of Series A preferred stock of the Delaware corporation, and each share of the Company's Series B redeemable preferred stock converted into 1,000 shares of common stock and approximately 1.2867 shares of Series A preferred stock of the Delaware corporation. Additionally, effective upon the reincorporation and in connection with the dissolution of Parilis, the Company issued 782,000 shares of common stock and 1,626 shares of Series A preferred stock to the holders of outstanding Parilis preferred member units in exchange for all such units.

**2. Liquidity**

The Company has incurred substantial losses and negative cash flows from operations since its inception and has an accumulated deficit of \$94.1 million and \$14.2 million of indebtedness that is due on demand, each as of September 30, 2015. These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

The Company has substantial indebtedness that includes \$14.2 million in notes payable to stockholders that are payable on demand. There can be no assurance that note holders will not exercise their right to demand repayment.

The Company anticipates incurring additional losses until such time, if ever, that it can generate significant sales of its products currently in development. Substantial additional financing will be needed by the Company to fund its operations and to commercially develop its product candidates. Management is currently evaluating different strategies to obtain the required funding for future operations. These strategies may include, but are not limited to: private placements of equity and/or debt, payments from potential strategic research and development, licensing and/or marketing arrangements with pharmaceutical companies, and public offerings of equity and/or debt securities. There can be no assurance that these future funding efforts will be successful.

The Company's future operations are highly dependent on a combination of factors, including (i) the timely and successful completion of additional financing discussed above; (ii) the Company's ability to complete revenue-generating partnerships with pharmaceutical companies; (iii) the success of its research and development; (iv) the development of competitive therapies by other biotechnology and pharmaceutical companies, and, ultimately; (v) regulatory approval and market acceptance of the Company's proposed future products.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

**3. Basis of Presentation and Summary of Significant Accounting Policies**

**Basis of presentation**

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB").

The consolidated financial statements include the accounts of the Company's subsidiaries and affiliates in which the Company holds a controlling financial interest as of the financial statement date. As the Company has been the primary funding source for Sonnet since its distribution to the Company's stockholders, the operations and financial position of Sonnet are included in the consolidated financial statements of the Company. Participation of the stockholders in the net assets and losses of Sonnet are reflected in the line items "Noncontrolling interests" in the Company's consolidated balance sheets and "Net loss attributable to the noncontrolling interests" in the Company's consolidated statements of operations. Noncontrolling interests adjusts the Company's consolidated results of operations to exclude all of the losses of Sonnet as Oncobiologics has no direct equity ownership in Sonnet. Changes in underlying net book value of Sonnet due to equity issuances are reflected as equity transaction in the Company's consolidated statements of stockholders' equity (deficit).

Parilis previously issued Series A and Series A Hybrid Redeemable Preferred Units ("Preferred Units") to investors other than Oncobiologics. Prior to October 2015, the Preferred Units were redeemable both at the option of the Parilis Preferred holders and upon the occurrence of an event that was not solely within the Company's control. Because redemption of Preferred Units was outside of the Company's control, the noncontrolling interests is presented on the consolidated balance sheets under the caption redeemable noncontrolling interests and carried at its current redemption value. As of and for the years ended September 30, 2014 and 2015, the redeemable noncontrolling interests is presented at its carrying amount and adjusted for dividends to and contributions from the noncontrolling interests with an offsetting charge to common stock or, in the absence of common stock, a charge to accumulated deficit.

**Unaudited pro forma balance sheet**

The unaudited pro forma consolidated balance sheet as of September 30, 2015 assumes the following:

- The issuance of 7,568,000 shares of common stock and 10,191 shares of Series A preferred stock to the holders of Series A and B redeemable preferred stock upon the reincorporation of the Company into a Delaware corporation.
- The issuance of 753,677 shares of common stock in December 2015 for a purchase price of \$8.42 per share for approximately \$6.3 million net proceeds.
- The issuance of 782,000 shares of common stock and 1,626 shares of Series A preferred stock to the holders of Preferred Units upon the dissolution of Parilis in October 2015.
- The cash proceeds of \$4,280,149 received subsequent to September 30, 2015 related to stock issued in September 2015.
- The conversion of            shares of Series A preferred stock into            shares of common stock.
- The reclassification of 6,000,000 shares of redeemable common stock upon lapse of a contractual redemption right.

**Use of estimates**

The preparation of the consolidated financial statements in conformity with 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 financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Due to the uncertainty of factors surrounding the estimates or judgments used in the preparation of the consolidated financial statements, actual results may materially vary from these estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

**Restricted cash**

As of September 30, 2014 and 2015, the Company had \$211,452 and \$213,663, respectively, in certificates of deposit with a maturity date of August 2017 and are related to the requirements of the Company's bank loan.

**Fair Value of financial instrument**

At September 30, 2014 and 2015, the Company's financial instruments included accounts payable, accrued expenses, stockholder notes, debt and stock-based compensation liability. The carrying amount of accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments. The stockholder notes and debt approximates fair value as the interest rates are reflective of the rate the Company could obtain on debt with similar terms and conditions. The carrying value of the stock-based compensation liability is the estimated fair value of the liability (note 11).

**Property and equipment**

Property and equipment are recorded at cost. Depreciation and amortization is determined using the straight-line method over the estimated useful lives ranging from 3 to 10 years. Leasehold improvements are amortized over the life of the lease or the estimated useful life of the assets, whichever is shorter. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized. When property and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in operations.

**Long-lived assets**

Long-lived assets are reviewed for impairment whenever events or 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 to future net cash flows expected to be generated. Impairment charges are recognized at the amount by which the carrying amount of an asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. The Company has not recognized any impairment or disposition of long-lived assets.

**Deferred offering costs**

The Company capitalizes costs that are directly associated with in-process equity financings until such financings are consummated at which time such costs are recorded against the gross proceeds of the offering.

**Stock-based compensation**

The Company measures equity classified stock-based awards granted to employees and directors based on the estimated fair value on the date of grant and recognizes compensation expense of those awards, net of estimated forfeitures, on a straight-line basis over the requisite service period, which is generally the vesting period of the respective award.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model, which is described more fully in note 11. The fair value of each restricted stock award is measured as the fair value per share of the Company's common stock on the date of grant.

Stock-based awards granted to consultants and non-employees are measured based on the fair value of the award on the date on which the related services are completed. Compensation expense is recognized over the period during which services are rendered by such consultants and non-employees until completed. At the end of each financial reporting period prior to completion of the service, the fair value of these awards is remeasured using the then-current fair value of the Company's common stock and updated assumption inputs in the Black-Scholes option-pricing model.

Stock-based awards that are settled in cash are accounted for as liabilities and are remeasured at each reporting period until the obligations are satisfied. Stock-based compensation liabilities are valued through the use of a Monte Carlo simulation model.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

**Revenue recognition**

The Company's revenue is generated primarily through collaboration research and license agreements. The terms of these agreements generally contain multiple deliverables which may include (i) licenses, (ii) research and development activities, (iii) clinical manufacturing, and (iv) product supply. The payment terms of these agreements may include nonrefundable upfront fees, payments for research and development activities, payments based upon the achievement of certain milestones, royalty payments based on product sales derived from the collaboration, and payments for supplying product.

The Company considers whether the deliverables under the arrangement represent separate units of accounting. In determining the units of accounting, management evaluates certain criteria, including whether the deliverables have stand-alone value. The consideration received is allocated to the separate units of accounting using the relative selling price method, and the applicable revenue recognition criteria are applied to each of the separate units.

The Company typically receives upfront, nonrefundable payments when licensing its intellectual property. For intellectual property licenses that do not have stand-alone value from the other deliverables to be provided, the upfront fee is deferred and revenue is recognized over the contractual or estimated performance period, which is typically the term of the research and development obligations. The periods over which revenue is recognized are subject to estimates by management and may change over the course of the research and development agreement. Such a change could have a material impact on the amount of revenue the Company records in future periods. Payments or reimbursements resulting from the Company's research and development efforts are recognized as the services are performed. Amounts received prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

The Company recognizes revenue from milestone payments when: (i) the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement, and (ii) the Company does not have ongoing performance obligations related to the achievement of the milestone earned. Milestone payments are considered substantive if all of the following conditions are met: the milestone payment (a) is commensurate with either the Company's performance to achieve the milestone or the enhancement of the value of the delivered item or items as a result of a specific outcome resulting from the Company's performance to achieve the milestone, (b) relates solely to past performance, and (c) is reasonable relative to all of the deliverables and payment terms (including other potential milestone consideration) within the arrangement.

**Research and development**

Research and development costs are expensed as incurred and consist primarily of funds paid to third parties for the provision of services for product candidate development, clinical and preclinical development and related supply and manufacturing costs, and regulatory compliance costs. At the end of the reporting period, the Company compares payments made to third-party service providers to the estimated progress toward completion of the research or development objectives. Such estimates are subject to change as additional information becomes available. Depending on the timing of payments to the service providers and the progress that the Company estimates has been made as a result of the service provided, the Company may record net prepaid or accrued expense relating to these costs.

Upfront milestone payments made to third parties who perform research and development services on the Company's behalf are expensed as services are rendered. Costs incurred in obtaining technology licenses are charged to research and development expense as acquired in-process research and development if the technology licensed has not reached technological feasibility and has no alternative future use.

**Income taxes**

The Company accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 income in the period that includes the enactment date. A valuation allowance is recorded to the extent it is more likely than not that some portion or all of the deferred tax assets will not be realized.



**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

**Accretion of redeemable preferred stock, redeemable common stock and redeemable noncontrolling interests**

Accretion of redeemable preferred stock includes the accretion of dividends and issuance costs of the Company's Series A and Series B redeemable preferred stock and the redeemable common stock. The carrying values of the Series A and Series B redeemable preferred stock, redeemable common stock and redeemable noncontrolling interests are being accreted to their respective redemption values, using the effective interest method, from the date of issuance to the earliest date the holders can demand redemption. Increases to the carrying value of redeemable preferred stock, common stock, and noncontrolling interests are charged to common stock or, in the absence of common stock, charged to accumulated deficit. Upon repurchase of redeemable preferred stock and redeemable noncontrolling interests, the excess consideration paid over the carrying value at the time of repurchase is accounted for as a deemed dividends to the preferred stockholders.

**Net loss per share**

Basic and diluted net loss per common share is determined by dividing net loss applicable to common stockholders by the weighted-average common shares during the period. For all periods presented, the outstanding shares of Series A and Series B redeemable preferred stock have been excluded from the calculation because their effects would be anti-dilutive. Therefore the weighted-average shares used to calculate both basic and diluted loss per share are the same.

The following potentially dilutive securities have been excluded from the computation of diluted weighted-average shares outstanding as of September 30, 2014 and 2015, as they would be antidilutive:

	September 30,	
	2014	2015
Series A redeemable preferred stock	3,681,000	3,568,000
Series B redeemable preferred stock	4,000,000	4,000,000
Unvested shares of restricted common stock	112,000	—
Convertible stockholder note	—	333,333

Amounts in the table above reflect the common stock equivalents of the noted instruments.

The unaudited pro forma net loss per common share is computed using the weighted-average number of common shares outstanding and assumes the issuance of 3,568,000, 4,000,000 and 782,000 shares of common stock issued to Series A and Series B redeemable preferred stockholders and Parilis Preferred Unit holders, respectively, in connection with the reincorporation of the Company in October 2015 and the issuance of 753,677 shares of common stock in December 2015. The pro forma weighted-average shares outstanding also assumes the reincorporation, the issuance of shares of common stock upon settlement of the Series A liquidation value of \$11,817,000 using the estimated midpoint per share price of \$ . The pro forma weighted-average shares outstanding of was used to compute the pro forma net loss per common share.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

The following table summarizes the calculation of unaudited pro forma basic and diluted net loss per common share:

<b>Numerator:</b>	
Net loss applicable to common stockholders of Oncobiologics, Inc.	\$ (52,998,402)
<b>Effect of pro forma adjustments:</b>	
Accretion of redeemable preferred stock and noncontrolling interests	4,306,488
Deemed dividends	<u>1,298,631</u>
Pro forma net loss attributable to common stockholders of Oncobiologics, Inc.	<u>\$ (47,393,283)</u>
<b>Denominator:</b>	
Weighted-average common shares outstanding	
<b>Effect of pro forma adjustments:</b>	
Exchange of Series A and Series B redeemable preferred stock	
Exchange of Parilis Preferred Units	
Conversion of Series A Preferred Stock liquidation value	
Issuance of common stock in December 2015	
Shares used in computing unaudited pro forma weighted-average basic and diluted common shares outstanding	
<b>Unaudited pro forma basic and diluted net loss per common share</b>	<u><u>\$</u></u>

### Recent accounting pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") 2015-03, *Interest—Imputation of Interest* (Subtopic 835-30). The update requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. The guidance is effective for fiscal years beginning after December 15, 2015. The Company early adopted this guidance for all periods presented.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The amendments in this update will explicitly require a company's management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The new standard will be effective in the first annual period ending after December 15, 2016. Early application is permitted. The Company is currently evaluating the potential impact of the adoption of this standard, but believes its adoption will have no impact on its consolidated results of operations, financial position and cash flows.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Qualitative and quantitative information is required about:

- *Contracts with customers* — including revenue and impairments recognized, disaggregation of revenue and information about contract balances and performance obligations (including the transaction price allocated to the remaining performance obligations).
- *Significant judgments and changes in judgments* — determining the timing of satisfaction of performance obligations (over time or at a point in time), and determining the transaction price and amounts allocated to performance obligations.
- *Certain assets* — assets recognized from the costs to obtain or fulfill a contract.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

In July 2015, the FASB delayed the effective date of this guidance. As a result, this guidance will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact that this guidance will have on its consolidated results of operations, financial position and cash flows.

#### 4. Fair Value Measurements

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis:

	September 30, 2014		
	(Level 1)	(Level 2)	(Level 3)
<b>Liabilities</b>			
Stock-based compensation liability	\$ —	\$ —	\$ 1,557,789

	September 30, 2015		
	(Level 1)	(Level 2)	(Level 3)
<b>Liabilities</b>			
Stock-based compensation liability	\$ —	\$ —	\$ 12,726,722

The table presented below is a summary of changes in the fair value of the Company's Level 3 valuation for the stock-based compensation liability for the years ended September 30, 2014 and 2015:

Balance at October 1, 2013	\$ —
Issued	364,187
Change in fair value	<u>1,193,602</u>
Balance at September 30, 2014	1,557,789
Change in fair value	<u>11,168,933</u>
Balance at September 30, 2015	<u>\$ 12,726,722</u>

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

The Company has issued stock-based performance units ("PSUs"), which generally have a ten year life from the date of grant and vest 50% after the third anniversary from issuance and the remaining 50% on the fourth anniversary. In addition, the PSUs are exercisable upon the earlier of (i) a change in control, (ii) consummation of an initial public offering, or (iii) a corporate valuation in excess of \$400 million and at the discretion by the Company's Board of Directors. Upon exercise, the PSU holder receives a cash payment for the difference between the current per share value of the Company and the base price of the PSU. Given the cash settlement, the PSUs are liability classified and re-measured at each reporting date with changes in fair value recorded within the Company's consolidated statements of operations.

The PSUs contain a market condition as the exercisability of the awards are based on the Company achieving a market value of \$400 million during the relevant performance period. The fair value of the market condition is valued using a Monte Carlo simulation model. The significant assumptions used in preparing the Monte Carlo simulation model include (i) volatility of the Company's common stock, (ii) risk free interest rate, (iii) base price of the PSUs, (iv) fair value of the Company's common stock and enterprise value of the Company, and (v) derived service period.

The fair value of the PSUs of \$1.00 and \$6.44 per PSU at September 30, 2014 and 2015, respectively, was derived using the following assumptions:

	September 30,	
	2014	2015
Risk-free interest rate	1.8%	1.4%
Derived service period	5 years	5 years
Expected volatility	60%	60%
Annual dividend yield	0%	0%
Fair value of common stock	\$2.21 per share	\$7.475 per share

### 5. Property and Equipment

Property and equipment, net, consists of:

	September 30,	
	2014	2015
Laboratory equipment	\$ 6,847,970	\$ 10,936,364
Leasehold improvements	2,756,291	9,889,521
Computer software and hardware	224,150	402,075
Construction in process	—	175,425
	9,828,411	21,403,385
Less: accumulated depreciation and amortization	(1,818,847)	(3,643,447)
	<u>\$ 8,009,564</u>	<u>\$ 17,759,938</u>

Depreciation and amortization expense for the years ended September 30, 2014 and 2015 was \$878,477 and \$1,824,600, respectively.

At September 30, 2014 and 2015, \$926,231 and \$3,530,301, respectively, represents laboratory equipment under capital leases. The term of the leases are between 11 and 36 months and qualify as capital leases. The leases bear interest between 8.6% and 21.4%. At September 30, 2014 and 2015, \$206,663 and \$407,210 respectively, of accumulated depreciation related to this leased equipment has been recognized.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

The following is a schedule of future minimum lease payments under capital leases as of September 30, 2015:

2016	\$ 1,087,192
2017	1,053,748
2018	295,010
	<u>2,435,950</u>
Less: amounts representing interest	(353,728)
Less: current portion	(862,849)
Capital lease obligations, excluding current portion	<u>\$ 1,219,373</u>

#### 6. Accrued Expenses

Accrued expenses consists of:

	September 30,	
	2014	2015
Compensation	\$ 1,907,684	\$ 2,321,508
Research and development	170,513	951,759
Interest payable	106,940	806,475
Deferred offering costs	—	657,892
Professional fees	131,668	594,572
Director fees	239,420	414,421
Other accrued expenses	4,054	178,021
	<u>\$ 2,560,279</u>	<u>\$ 5,924,648</u>

#### 7. Stockholder Notes

	September 30,	
	2014	2015
Series A repurchase notes	\$ 3,014,534	\$ 800,534
Parilis Series A repurchase notes	—	2,275,818
Restricted stock repurchase notes	1,097,750	1,097,750
Common stock repurchase note	2,812,500	2,812,500
Convertible note	—	2,000,000
Working capital notes	3,700,000	7,227,594
	<u>10,624,784</u>	<u>16,214,196</u>
Less current portion	(10,624,784)	(14,214,196)
Stockholder notes, excluding current portion	<u>\$ —</u>	<u>\$ 2,000,000</u>

In June 2014, the Company, upon the repurchase of its Series A redeemable preferred stock, issued \$3,364,534 in notes to the investors as settlement of cumulative unpaid dividends. The notes bear interest at 4.0% and were originally due in June 2015. Pursuant to the terms of the notes, the interest rate increased to 6% as a result of nonpayment and are due on demand. During the years ended September 30, 2014, and 2015, \$350,000 and \$64,000 of the notes were offset against advances previously made to the Company's CEO. Additionally, \$100,000 of the notes were offset against advances previously made to an investor. The Company made principal payments of \$2,050,000 during the year ended September 30, 2015.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

In October 2014, the Company, upon the repurchase of 1,215 Parilis Preferred Units, issued \$2,761,818 in notes to the investors at a price of \$2,000 per unit and \$331,818 in cumulative unpaid dividends. During the year ended September 30, 2015, the Company made \$486,000 in principal payments. The notes bear interest at 4.0% and, as of September 30, 2015, are due upon demand.

In June 2014, the Company repurchased shares of its restricted stock in exchange for \$1,097,750 in notes payable. The notes bear interest at rates ranging from 0%-4% and are due on demand as of September 30, 2015.

In June 2014, the Company repurchased 3,312,500 shares of its common stock in exchange for a \$3,312,500 note payable. The note does not bear interest and is due on demand. During the year ended September 30, 2014, the Company made \$500,000 in principal payments.

In October and December 2014, the Company issued convertible promissory notes to a redeemable common stock investor, each in the amount of \$2,000,000 and bearing interest at 12%. The December note was paid in full during the year ended September 30, 2015. The October note matures in December 2016 and is convertible at any time into shares of the Company's common stock at a conversion price of \$6.00 per share. Upon issuance, the Company determined there was no beneficial conversion feature as the conversion price exceeded the estimated fair value of the underlying common stock to be issued upon conversion.

During the years ended September 30, 2014 and 2015, the Company borrowed \$6,000,000 and \$6,880,252, respectively, from stockholders for working capital purposes. During the years ended September 30, 2014 and 2015, the Company made principal payments of \$2,625,000 and \$3,352,658, respectively. The notes bear interest from 0% to 24% per annum with a weighted-average interest rate of 14.5%. Certain notes are secured by future revenue streams from existing licensing agreements. In addition, one of the notes is collateralized by 1.0 million common shares of the Company's founding stockholder and Chief Executive Officer ("CEO"). The notes are due on demand as of September 30, 2015.

During the years ended September 30, 2014 and 2015, the Company recognized interest expense related to the stockholder notes of \$541,914 and \$1,869,113, respectively.

## 8. Debt

	September 30,	
	2014	2015
Term loans-Bank	\$ 3,935,574	\$ 3,404,759
Equipment loans	528,876	334,093
Unamortized debt discount	(85,706)	(73,442)
	4,378,744	3,665,410
Less current portion	725,706	742,646
Long-term debt, excluding current portion	<u>\$ 3,653,038</u>	<u>\$ 2,922,764</u>

The term bank loans bear interest at the prime rate plus 2.75% and are adjusted monthly. The original term of the loans range from 7 – 10 years. Minimum monthly payments of principal and interest under the terms of the loans are \$62,654 and are collateralized by equipment, a secured interest in the personal residence of the founding stockholder and CEO, an unconditional personal guarantee by the founding stockholder and CEO and a \$200,000 certificate of deposit. The Company maintains a life insurance policy on its founding stockholder and CEO in which the bank is the primary beneficiary. The loans contain certain non-financial covenants.

The equipment loans bear interest at rates ranging from 11%-18% with the original term of the loans ranging from 1-5 years. Minimum monthly payments of principal and interest under the equipment loans are \$26,539 and are collateralized by the related equipment purchased and an unconditional personal guarantee by the founding stockholder and CEO.

Interest expense on the above loans for the years ended September 30, 2014 and 2015 was \$276,496 and \$287,280, respectively.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

Future maturities of debt at September 30, 2015 are as follows:

2016	\$ 742,646
2017	717,794
2018	637,479
2019	509,864
2020	523,062
Thereafter	608,007
	<u>\$ 3,738,852</u>

## 9. Commitments

### *Selexis Commercial License Agreements*

In April 2013, the Company entered into commercial license agreements with Selexis for each of the ONS-3010, ONS-1045 and ONS-1050 biosimilar product candidates (which agreements were subsequently amended on May 21, 2014). Under the terms of each commercial license agreement, the Company acquired a non-exclusive worldwide license under the Selexis Technology to use the applicable Selexis expression technology along with the resulting Selexis materials/cell lines, each developed under the research license, to manufacture and commercialize licensed and final products, with a limited right to sublicense.

The Company paid an upfront licensing fee to Selexis for each commercial license and also agreed to pay a fixed milestone payment for each licensed product. In addition, the Company is required to pay a low single-digit royalty on a final product-by-final product and country-by-country basis, based on worldwide net sales of such final products by the Company or any of the Company's affiliates or sublicensees during the royalty term. The royalty term for each final product in each country is the period commencing from the first commercial sale of the applicable final product in the applicable country and ending on the expiration of the specified patent coverage. At any time during the term, the Company has the right to terminate its royalty payment obligation by providing written notice to Selexis and paying Selexis a royalty termination fee.

Each of the Company's commercial agreements with Selexis will expire upon the expiration of all applicable Selexis patent rights. Either party may terminate the related agreement in the event of an uncured material breach by the other party or in the event the other party becomes subject to specified bankruptcy, winding up or similar circumstances. Either party may also terminate the related agreement under designated circumstances if the Selexis Technology infringes third-party intellectual property rights. In addition, the Company has the right to terminate each of the commercial agreements at any time at its convenience; however, with respect to the agreements relating to ONS-3010 and ONS-1045, this right is subject to the licensee's consent pursuant to a corresponding letter the Company executed in conjunction with the standby agreement entered into between Selexis and Liomont in November 2014.

The standby agreement permits Liomont to assume the license under the applicable commercial agreement for Mexico upon specified triggering events involving our bankruptcy, insolvency or similar circumstances.

### *Technology License*

The Company entered into a technology license agreement which will require milestone payments of 365,000 Swiss Francs (CHF) to the licensor by the Company upon achievement of certain clinical milestones and pay a single digit royalty on net sales by the Company utilizing such technology. The Company also has the contractual right to buy out the royalty payments at a future date.

### *Leases*

In May 2012, the Company entered into a lease agreement for its office and operating space which, as amended, has a term ending in June 2021. Rent expense under the leases was \$581,464 and \$720,875 for the years ended September 30, 2014 and 2015, respectively. The Company recognizes rent expense on a straight-line basis over the lease period and has accrued for rent expense incurred but not yet paid. Landlord allowances for tenant improvements are

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

deferred and recognized as a reduction to rent expense on a straight line basis and over the remaining lease term. As part of the most recent amendment to the lease agreement in May 2014, the Company increased the amount of space to be leased and, accordingly, agreed to new monthly lease terms for the additional space.

Future minimum rental payments under noncancelable operating leases at September 30, 2015 are as follows:

2016	\$ 888,710
2017	865,763
2018	865,763
2019	876,323
2020	887,045
Thereafter	643,749
	<u>\$ 5,027,353</u>

*Employment Benefit Plan*

The Company maintains a defined contribution 401(k) plan in which employees may contribute up to 100% of their salary and bonus, subject to statutory maximum contribution amounts. The Company matches 100% of the first 3% of employee contributions. The Company assumes all administrative costs of the Plan. For the years ended September 30, 2014 and 2015, the expense relating to the matching contribution was \$83,969 and \$131,385, respectively.

**10. Redeemable Preferred Stock, Common Stock, Noncontrolling Interests and Stockholders' Equity (Deficit)**

**Common stock**

During the year ended September 30, 2015, the Company sold 6,091,035 shares of its common stock at \$7.475 per share under a mezzanine funding round raising \$44,142,463 in net proceeds of which \$4,280,149 was received in October 2015.

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are entitled to receive dividends, as may be declared by the board of directors, if any, subject to the preferential dividend rights of the Series A and Series B redeemable preferred stock (collectively, the "Redeemable Preferred Stock"). The Company may not pay dividends to common stockholders until all dividends accrued or declared but unpaid on the Redeemable Preferred Stock have been paid in full. No dividends had been declared through September 30, 2015.

**Redeemable common stock**

During the year ended September 30, 2014, the Company sold 4,000,000 and 2,000,000 shares of its common stock to an investor at \$1.75 and \$2.00 per share, respectively, and net of \$105,000 in issuance costs. Pursuant to the terms of the purchase agreement, in the event that the Company sells its common stock any time prior to the Company engaging in a Qualified IPO or Qualified Liquidation Event, as defined, at a price below \$1.75 per share and \$2.00 per share for 4,000,000 and 2,000,000 shares sold, respectively, the investors are entitled to receive additional shares of common stock. In addition, if the Company fails to engage in a Qualified IPO or Qualified Liquidation Event prior to March 10, 2017, the investor shall have the right to require the Company to redeem any or all of the investor's common stock at a redemption price equal to \$3.50 per share for 4,000,000 of its shares and \$4.00 per share for 2,000,000 of its shares.

The Redeemable Common Stock is classified outside of stockholders' equity (deficit) because of the redemption right held by the investors.

**Redeemable preferred stock**

The Company has Redeemable Preferred Stock which is classified outside of stockholders' deficit because the shares contain redemption features that are not solely within the control of the Company.



**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

Through December 2013, the Company sold 6,995 shares of Series A Participating Preferred Stock (Series A) and 3,600 shares of Series B Participating Preferred Stock (Series B). During the year ended September 30, 2014, the Company sold an additional 400 shares of Series B. In connection with the sale of Series B, the Company issued 3,862,500 shares of common stock. In addition to the rights and preferences described below for the Series A and Series B, the investors also received the right to receive an additional 1,000 shares of common stock for each share of Redeemable Preferred Stock upon redemption.

The total purchase of \$10,995,000 was allocated on a relative fair value basis between redeemable preferred stock and the equity instruments resulting in \$5,920,000 and \$2,280,000 allocated to the initial carrying value of the Series A and Series B, respectively, with the balance allocated to common stock. Subsequently, the carrying value of the Series A and Series B are accreted up to their redemption value using the effective interest method.

**Dividends**

The holders of the Redeemable Preferred Stock are entitled to receive cumulative dividends at an annual rate of \$100 per share. In the event the Company cannot satisfy its redemption obligation to the holders, the annual dividend will increase to \$120 per share. Dividends accrue whether or not earned or declared, irrespective of the availability of profits. Dividends on redeemable preferred stock are payable upon redemption or upon liquidation.

**Liquidation preference**

In the event of a liquidation, dissolution or winding up of the Company, either voluntary or involuntary, or in the event of a Deemed Liquidation Event, as defined, holders of Series A are entitled to receive, in preference to all other stockholders, an amount equal to the Original Issue Price, as defined in the Certificate of Designation for the Series A, plus any unpaid accrued dividends. If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series A shall be insufficient to pay such holders, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series A in proportion to the respective amount of such stock owned by each such holder. After payments have been made in full to the holders of Series A, then, to the extent available, holders of the Series B are entitled to participate in the distribution of the remaining assets, pro rata based on the number of shares by each holder.

**Redemption**

The holders of redeemable preferred stock have a right to require the Company to redeem all outstanding shares at a redemption price equal to the Original Issue Price plus unpaid accrued dividends. In addition, the holders of Redeemable Preferred Stock will receive 1,000 shares of common stock for each share of Redeemable Preferred Stock redeemed.

**Voting rights**

The holders of the Redeemable Preferred Stock have no voting rights outside of matters directly related to each series of Redeemable Preferred Stock. In addition, the holders of the Redeemable Preferred Stock, as a class, may elect 1 board member to represent its interest, respectively.

**Repurchase transactions**

In June 2014, the Company entered into a series of equity transactions in which it (1) repurchased 3,314 shares of the Series A, (2) repurchased 3,312,500 shares of common stock, and (3) settled accrued dividends on the Series A of \$864,534.

The Series A repurchase price was \$2,000 per share for a total of \$6,628,000 of which \$4,128,000 was paid in cash with the balance of \$2,500,000 through the issuance of notes payable. The Company also issued \$864,534 of notes payable for the accrued dividends. The Company recorded a deemed dividend of \$3,336,855, which represents the total consideration paid of \$7,492,534 in excess of carrying value of the Series A of \$4,155,679.

In June 2014, the Company repurchased 3,312,500 shares of common stock and issued notes payable at a repurchase price of \$1.00 per share.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

In 2015, the Company purchased an additional 113 shares of Series A and cumulative dividends of \$29,370 for \$2,000 per share upon which the Company recorded a deemed dividend of \$83,631, which represents the total consideration paid of \$226,000 in excess of carrying value of the Series A of \$142,370.

From October through December 2014, the Company repurchased 1,215 Parilis Preferred Units. The repurchase price was \$2,000 per share plus unpaid dividends of \$331,818 for a total of \$2,761,818. The Company recorded a deemed dividend of \$1,215,000, which represents the total consideration paid in excess of the carrying value of the redeemable noncontrolling interest of \$1,546,818. Upon repurchase, the Company issued notes to the investors.

### 11. Stock-Based Compensation

The Company's 2011 Equity Compensation Plan (the "2011 Plan") provides for the Company to sell or issue restricted common stock, restricted stock units, performance-based awards, cash-based awards or to grant stock options for the purchase of common stock. The 2011 Plan is administered by the board of directors or, at the discretion of the board of directors, by a committee of the board. The number of shares of common stock reserved for issuance under the 2011 Plan is 4,000,000, which may be granted to officers, employees, consultants and directors of the Company.

As required by the 2011 Plan, the exercise price for stock options granted is not to be less than the fair value of common shares as determined by the Company as of the date of grant. The term of stock options may not be greater than ten years. Generally, stock options granted under the 2011 Plan vest 50% on the third anniversary from the grant date and 50% on the fourth anniversary. In the event of change in control, any outstanding option shall become fully vested and exercisable.

For restricted stock awards granted to employees, the fair value of the award is the current fair value of the Company's common stock on the grant date, while for non-employees, the fair value of the award is re-measured each reporting period using the then-current fair value of the Company's common stock until performance is complete. The restricted stock awards vest 50% on the third anniversary from the grant date and 50% on the fourth anniversary. In the event of change in control, any outstanding unvested share shall become fully vested.

The Company recorded stock-based compensation expense in the following expense categories of its statements of operations for the years ended September 30, 2014 and 2015:

	September 30,	
	2014	2015
Research and development	\$ 671,745	\$ 5,817,830
General and administrative	3,286,735	5,360,028
	<u>\$ 3,958,480</u>	<u>\$ 11,177,858</u>

	September 30,	
	2014	2015
Equity-classified compensation	\$ 2,764,878	\$ 8,925
Liability-classified compensation	1,193,602	11,168,933
	<u>\$ 3,958,480</u>	<u>\$ 11,177,858</u>

In June 2014, the Company entered into agreements with certain employees and non-employees to exchange 108,000 stock options and 2,078,500 restricted stock awards for 2,454,480 PSUs. In addition, the Company repurchased 2,195,500 restricted stock awards in exchange for \$1,097,750 of notes payable. Upon issuing the notes payable, the Company recognized the unamortized balance of stock-based compensation expense of \$1,730,791.

The repurchase of restricted stock in exchange for notes payable was accounted for as a settlement which effectively accelerated vesting of any unvested awards, requiring the immediate recognition of any unrecognized compensation cost. The Company recorded incremental stock-based compensation expense of \$792,601 to reflect this settlement. The exchange of restricted stock and stock options for PSUs was considered a modification with a change in classification from an equity classified award to a liability classified award due to the cash settlement feature of the PSUs. The liability related

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

to the PSUs is re-measured at each reporting period until the PSUs are exercised or expire. Upon recording the initial stock-based compensation liability, the Company increased accumulated deficit \$364,187, which represents the cumulative stock-based compensation expense recognized to date for the stock options and restricted stock exchanged into PSUs.

**Performance-based stock units**

The Company has issued PSUs, which generally have a ten year life from the date of grant and vest 50% after the third anniversary from issuance and the remaining 50% on the fourth anniversary. The PSUs are exercisable upon the earlier of (i) a change in control, (ii) consummation of an initial public offering, or (iii) a corporate valuation in excess of \$400 million and at the discretion by the Company's board of directors. Upon exercise, the PSU holder receives a cash payment for the difference between the current per share fair value of the Company's common stock and the base price of the PSU, which is \$1.00 per PSU. Given the cash settlement, the PSUs are liability classified and re-measured at each reporting date with changes in fair value recorded within the Company's consolidated statements of operations. See note 4 for discussion of fair value of the PSUs.

The following table summarizes the PSU activity for the years ended September 30, 2014 and 2015:

Balance at October 1, 2013	—
Issued in exchange for restricted shares and stock options	2,454,480
Additional issuances	58,200
Forfeitures	(240,800)
Balance at September 30, 2014	2,271,880
Grants	138,000
Forfeitures	(39,600)
Balance at September 30, 2015	<u>2,370,280</u>

**Restricted stock**

The following table summarizes the activity related to restricted stock grants to employees and non-employees for the years ended September 30, 2014 and 2015:

	Employees	Non Employees	Weighted Average Grant Date Fair Value
Balance at October 1, 2013	2,269,000	1,915,500	\$ 0.30
Granted	313,500	—	1.61
Vested	(102,000)	(10,000)	0.20
Exchange for PSUs	(1,978,500)	(100,000)	0.40
Repurchased for stockholder notes	(400,000)	(1,795,500)	0.39
Balance at September 30, 2014	102,000	10,000	0.20
Vested	(102,000)	(10,000)	0.20
Balance at September 30, 2015	<u>—</u>	<u>—</u>	<u>\$ —</u>

At September 30, 2015, there was no unrecognized compensation cost related to non-vested restricted stock.

Of the 112,000 shares of restricted stock that vested during the year ended September 30, 2014, 9,769 shares were withheld by the Company for income tax withholdings. No shares were withheld by the Company for taxes on the restricted stock that vested during the year ended September 30, 2015.

**Stock options**

The Company has not granted stock options since December 2011 and there is no unrecognized compensation expense as of September 30, 2015.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

The fair value of stock options granted was estimated using the Black-Scholes option pricing model. As a private company, the expected volatility is based on the historical volatility of a publicly traded set of peer companies. The expected term of the Company's stock options is determined utilizing the "simplified" method. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award.

The following table summarizes stock option activity for the year ended September 30, 2014:

	Number of Options	Weighted Average Exercise Price Per Share
Balance at October 1, 2013	108,000	\$ 1.00
Exchange for PSUs	(108,000)	1.00
Balance at September 30, 2014	—	\$ —

## 12. Collaboration Arrangements

### Huahai agreement

In May 2013, the Company entered into strategic license and collaboration arrangement with Zhejiang Huahai Pharmaceutical Co., Ltd ("Huahai") under which the Company granted Huahai and its affiliates an exclusive license for the research, development, manufacture, use or sale of ONS-3010 or ONS-1045 in China, including, the People's Republic of China, Hong Kong, Macau and Taiwan. In addition, the Company granted Huahai a right and license under the Selexis Technology agreement to establish a production process for the products in the agreed territory and to market the products in the agreed territory pursuant to the relevant terms and conditions of the Company's commercial license agreement with Selexis. The Company retains the right to reacquire all the rights to ONS-3010 from Huahai at a reacquisition price of \$28,000,000. As of September 30, 2015, the Company has not exercised its reacquisition right.

Under the terms of the arrangement, the Company has received \$7,500,000 in upfront payments and non-substantive milestones and received \$8,500,000 in substantive milestones. The Company determined that the deliverables under the Huahai arrangement were the exclusive license and the research and development services to be completed by the Company. Since the license did not have standalone value, the upfront and non-substantive milestones payments received have been deferred and are being recognized ratably on a straight line basis through December 2019, the expected date in which the research and development will be completed. Substantive milestones received under the Huahai arrangement are recognized upon achievement.

During the years ended September 30, 2014 and 2015, the Company recognized \$1,076,979 and \$1,175,580, respectively, of deferred revenues. For the years ended September 30, 2014 and 2015, the Company received and recognized \$6,500,000 and \$2,000,000 in substantive milestone payments, respectively. As of September 30, 2014 and 2015, deferred revenue included in the Company's consolidated balance sheet related to the Huahai arrangement was \$6,104,110 and \$4,928,530, respectively.

### IPCA agreements

#### *License and Collaboration Agreement*

In August 2013, the Company entered into a strategic license agreement with IPCA Laboratories Limited and its affiliates ("IPCA") under which the Company granted IPCA a license for the research, development, manufacture, use or sale of the ONS-3010 and, by amendment in May 2014, the ONS-1045 biosimilar product candidates with respect to India, Sri-Lanka, and Myanmar, and non-exclusive with respect to Nepal and Bhutan, or collectively, the agreed territory. In addition, the Company granted IPCA a right and license under the Selexis Technology to enable IPCA to establish an exclusive production process for the products in its agreed territory and to exclusively market the products in the agreed territory. The Company also agreed not to amend or terminate its rights under its commercial license agreement with Selexis without IPCA's prior written consent.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

Pursuant to the agreement, the Company agreed to continue the non-clinical and clinical development of each of ONS-3010 and ONS-1045 and corresponding products around the world and to develop and commercialize such products through Phase 3 clinical trials and regulatory approval in the United States and European Union. These obligations continue until termination of the agreement or the individual development programs or upon final regulatory approval of the last product for such biosimilars in the United States or European Union. The Company agreed to provide IPCA with a pre-IND package as submitted to EMEA and FDA, as well as perform preclinical development and characterization of ONS-3010 and ONS-1045 so as to enable IPCA to file an IND to conduct clinical trials and to perform clinical trials.

Under the terms of the agreement, the Company has received upfront and non-substantive milestone payments of \$2,400,000, and received \$1,000,000 in regulatory milestone payments. In addition, the Company is eligible to receive royalties at a low double-digit percentage rate of annual net sales of products by IPCA and its affiliates in the agreed territory. For each of ONS-3010 and ONS-1045, IPCA agreed to fund a portion of the global costs associated with the Phase 3 clinical trials.

The Company determined that the deliverables under the IPCA arrangement were the exclusive license and the research and development services to be completed by the Company. Since the license did not have standalone value, the upfront and non-substantive milestones payments received have been deferred and are being recognized ratably on a straight line basis through December 2019, the expected date in which the research and development will be completed. Substantive milestone payments received under the IPCA arrangement are recognized upon achievement. Cost reimbursements from IPCA related to the global costs associated with the Phase 3 clinical trials are recognized when payments are received and recorded as a reduction in research and development expense.

During the years ended September 30, 2014 and 2015, the Company recognized deferred revenues of \$189,472 and \$402,377, respectively. For each of the years ended September 30, 2014 and 2015, the Company received and recognized a \$500,000 substantive milestone payment. As of September 30, 2014 and 2015, deferred revenue included in the Company's consolidated balance sheets was \$994,739 and \$1,792,362, respectively.

*Strategic Collaboration and Non-Exclusive License Agreement*

In January 2014, the Company entered into a strategic collaboration and license agreement with IPCA to assist IPCA in establishing its research, development and manufacturing capabilities for monoclonal antibodies and biologics, including, in part, through collaborative development, manufacture and commercialization of ONS-1050 in the agreed territory (as specified below). Under the agreement, the Company granted IPCA and its affiliates a non-exclusive license in the agreed territory for the research, development, manufacture, use or sale of ONS-1050. The Company also agreed to assist IPCA with its research and development program. The agreed territory for ONS-1050 includes the Republics of India, Sri-Lanka, and Myanmar, Nepal and Bhutan, while the agreed territory for any product candidates developed independent of the Company's involvement is global without geographical restriction. Any further collaboration between for such independently developed product candidates will be the subject of a separate written agreement if required by IPCA.

Under the terms of the agreement, the Company receives development payments and commercialization fees. In addition, the Company is eligible to receive royalties from IPCA at a mid-single digit rate on annual net sales of ONS-1050 commercialized by IPCA and its affiliates in the agreed territory.

The Company accounts for the agreement with IPCA as a research and development services arrangement and recognizes revenue under the proportional performance model. For the years ended September 30, 2014 and 2015, the Company recognized revenue of \$750,000 and \$800,000, respectively.

**Liomont agreement**

In June 2014, the Company entered into a strategic license agreement with Laboratorios Liomont, S.A. ("Liomont"), under which the Company granted Liomont and its affiliates an exclusive, sublicenseable license in Mexico for the research, development, manufacture, use or sale of the ONS-3010 and ONS-1045 biosimilar product candidates in Mexico. In addition, the Company granted Liomont a non-exclusive right and license under the Selexis Technology and related intellectual property to enable Liomont to distribute, market and commercialize the products in Mexico. The Company also agreed not to amend or terminate its rights under the commercial agreement with Selexis without Liomont's prior written consent.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

Under the terms of the agreement, the Company has received \$1,500,000 of upfront payments and \$500,000 in non-substantive milestone payments and is eligible to receive up to \$3,500,000 in future substantive milestone payments. For each of ONS-3010 and ONS-1045, Liomont agreed to fund a portion of the global costs for Phase 3 clinical trials. The Company is eligible to receive tiered royalties at upper single-digit to low double-digit percentage rates of annual net sales of products by Liomont and its affiliates in Mexico.

The Company determined that the deliverables under the Liomont arrangement were the exclusive license and the research and development services to be completed by the Company. Since the license did not have standalone value, the upfront payments received have been deferred and are being recognized ratably on a straight line basis through December 2019, the expected date in which the research and development will be completed. Cost reimbursements from Liomont related to the global costs associated with the Phase 3 clinical trials are recognized when payments are received and recorded as a reduction in research and development expense.

During the years ended September 30, 2014 and 2015, the Company recognized deferred revenue of \$34,091 and \$341,280, respectively. As of September 30, 2014 and 2015, deferred revenue included in the Company's consolidated balance sheets was \$715,909 and \$1,624,629, respectively.

### 13. Related Party Transactions

During the years ended September 30, 2014 and 2015, the following related party transactions occurred:

- During the years ended September 30, 2014 and 2015, the Company provided \$666,110 and \$783,707 of non-interest bearing advances to the Company's founding stockholder and CEO, of which \$550,000 and \$395,257 was repaid, respectively. Additionally, the CEO has deferred a portion of his salary, bonus, and related benefits during the years ended September 30, 2014 and 2015 and applied such deferrals against previous advances. As of September 30, 2015, the Company had accrued compensation payments of \$117,506, due to the CEO.
- In March 2015, a director of the Company loaned \$1,000,000 to the Company with an interest rate of 24%. The loan was repaid in October 2015 and included \$128,219 in accrued interest.
- In June 2014, the Company repurchased 400,000 shares of restricted stock from a director of the Company in exchange for \$200,000 stockholder note at a zero interest rate due September 1, 2015. Terms of the grant and repurchase were the same as non-related parties. Refer to notes 7 and 10.
- During the years ended September 30, 2014 and 2015, the Company repurchased 1,250 shares of Series A redeemable preferred stock and satisfied accrued dividends of \$326,354 from three directors of the Company in exchange for \$650,000 in cash payments and the issuance of \$1,850,000 in stockholder notes. The notes bear interest at 4% which are due on demand as of September 30, 2015. Under the terms of the agreement, because the notes were not paid upon maturity, they now bear interest at 6%. Terms of the share repurchase were the same as non-related parties. Refer to notes 7 and 10.

### 14. Income Taxes

Income tax expense (benefit) for the years ended September 30, 2014 and 2015 consists of the following:

	Year Ended September 30,	
	2014	2015
State tax, including sale of New Jersey losses and credits	\$ (833,403)	(725,969)
Foreign tax provision	1,272,421	535,858
	<u>\$ 439,018</u>	<u>\$ (190,111)</u>

The Company has been eligible to receive cash from the sale of its net operating losses ("NOLs") and R&D tax credits under the State of New Jersey Technology Business Tax Certificate Transfer Program. During the years ended September 30, 2014 and 2015, the Company received \$835,153 and \$728,218, respectively, from the sale of New Jersey NOLs. In addition, the Company incurred \$1.3 million and \$0.5 million of foreign withholding taxes in connection with the Company's collaboration and licensing agreements during the years ended September 30, 2014 and 2015, respectively.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

A reconciliation of income tax expense (benefit) at the statutory U.S. federal income tax rate and the Company's effective tax rate is as follows:

	Year Ended September 30,	
	2014	2015
U.S. federal statutory rate	(34.0)%	(34.0)%
State taxes, net of federal benefit	(5.1)	(5.5)
Foreign withholding tax	9.6	1.1
Permanent differences	2.7	1.8
Foreign tax credits	(9.6)	(1.1)
Research and development credit	(11.7)	(6.9)
Change in valuation allowance	51.1	44.8
Other	0.3	(0.4)
Effective income tax rate	<u>3.3%</u>	<u>(0.4)%</u>

The tax effects of the temporary differences that gave rise to deferred taxes were as follows:

	Year Ended September 30,	
	2014	2015
<b>Current and long term deferred tax assets:</b>		
Net operating loss carryforwards	\$ 7,340,745	\$ 20,164,392
Stock compensation	1,853,056	6,317,492
Deferred revenue	3,121,214	3,333,201
Research and development credit carryforward	2,680,441	5,979,964
Foreign tax credits	2,067,091	2,602,949
Accruals and others	1,040,117	1,072,422
Gross deferred tax assets	(18,102,664)	(39,470,420)
Less valuation allowance	(17,400,409)	(38,694,795)
	702,255	775,625
<b>Deferred tax liability:</b>		
Fixed assets	(702,255)	(775,625)
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

As of September 30, 2015, the Company has approximately \$52.9 million and \$36.9 million of Federal and New Jersey net operating losses that will begin to expire in 2030 and 2032, respectively. As of September 30, 2015, the Company also had federal and state research and development tax credit carryforwards of \$4.2 million and \$1.7 million, respectively, which begin to expire in 2021. As of September 30, 2015, the Company had Federal foreign tax credit carryforwards of \$2.6 million available to reduce future tax liabilities, which will begin to expire at various dates starting in 2023. \$1.8 million of the FTC carryforward is included in the balance of unrecognized tax benefits. Realization of the deferred tax asset is contingent on future taxable income and based upon the level of historical losses, management has concluded that the deferred tax asset does not meet the more-likely-than-not threshold for realizability. Accordingly, a full valuation allowance continues to be recorded against the Company's deferred tax assets as of September 30, 2014 and 2015.

When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely-than-not be realized. The determination as to whether the tax benefit will more-likely-than-not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. The Company recognizes interest and penalties accrued on any unrecognized tax benefits within the provision for income taxes in its consolidated statements of operations. As of September 30, 2014 and 2015, the Company does not have any significant uncertain tax positions. The Company's income tax returns for the years from 2011 through 2014 remain open for examination by the Internal Revenue Service as well as various states and municipalities.

**Oncobiologics, Inc.**  
**Notes to Consolidated Financial Statements**

The Company does not recognize tax benefits that are not more-likely-than-not to be supported based upon the technical merits of the tax position taken. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Year Ended September 30,	
	2014	2015
Balance at beginning of year	\$ 479,490	\$ 1,564,411
Additions based on tax positions related to the current year	1,084,921	190,218
Balance at end of year	<u>\$ 1,564,411</u>	<u>\$ 1,754,629</u>

The Company does not anticipate material change in the unrecognized tax benefits in the next 12 months. These unrecognized tax benefits, if recognized, would affect the annual effective tax rate.

Due to the change in ownership provisions of the Internal Revenue Code, the availability of the Company's net operating loss carryforwards may be subject to annual limitations against taxable income in future periods, which could substantially limit the eventual utilization of such carryforwards. The Company has not analyzed the historical or potential impact of its equity financings on beneficial ownership and therefore no determination has been made whether the net operating loss carry forward is subject to any Internal Revenue Code Section 382 limitation. To the extent there is a limitation, there would be a reduction in the deferred tax assets with an offsetting reduction in the valuation allowance.

#### **15. Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through the date of the filing, the date at which the consolidated financial statements were available to be issued, and determined there are no other items requiring disclosure.



---

---

## Shares



## Common Stock

---

### PRELIMINARY PROSPECTUS

---

## Jefferies

## Nomura

, 2016

Until , 2016 (25 days after the date of this prospectus), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.

---

---

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

**Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth the costs and expenses, other than the underwriting discounts and commissions, payable by the registrant in connection with the sale of our common stock being registered. All amounts are estimates except for the Securities and Exchange Commission, or SEC, registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the NASDAQ Global Market, or NASDAQ, listing fee.

Item	Amount to be paid
SEC registration fee	\$ *
FINRA filing fee	*
NASDAQ listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue Sky qualification fees and expenses	*
Transfer agent fees and expenses	*
Miscellaneous expenses	*
Total	\$ *

\* To be filed by amendment.

**Item 14. Indemnification of Directors and Officers.**

As permitted by Section 102 of the Delaware General Corporation Law, we have adopted provisions in our amended and restated certificate of incorporation and amended and restated bylaws that limit or eliminate the personal liability of our directors for a breach of their fiduciary duty of care as a director. The duty of care generally requires that, when acting on behalf of the corporation, directors exercise an informed business judgment based on all material information reasonably available to them. Consequently, a director will not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any act related to unlawful stock repurchases, redemptions or other distributions or payment of dividends; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not affect the availability of equitable remedies such as injunctive relief or rescission. Our amended and restated certificate of incorporation also authorizes us to indemnify our officers, directors and other agents to the fullest extent permitted under Delaware law.

As permitted by Section 145 of the Delaware General Corporation Law, our amended and restated bylaws provide that:

- we may indemnify our directors, officers and employees to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions;
- we may advance expenses to our directors, officers and employees in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions; and
- the rights provided in our bylaws are not exclusive.

Our certificate of incorporation, attached as Exhibit 3.1, and our bylaws, attached as Exhibit 3.3, provide for the indemnification provisions described above and elsewhere herein. We have entered into separate indemnification agreements with our directors and officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements generally require us, among other things, to indemnify our officers and directors against liabilities that may arise by reason of their status or service as directors or

officers, other than liabilities arising from willful misconduct. These indemnification agreements also generally require us to advance any expenses incurred by the directors or officers as a result of any proceeding against them as to which they could be indemnified. In addition, we have purchased a policy of directors' and officers' liability insurance that insures our directors and officers against the cost of defense, settlement or payment of a judgment in some circumstances. These indemnification provisions and the indemnification agreements may be sufficiently broad to permit indemnification of our officers and directors for liabilities, including reimbursement of expenses incurred, arising under the Securities Act of 1933, as amended, or the Securities Act.

We have entered into indemnification agreement with our directors and executive officers, in addition to the indemnification provided for in our amended and restated certificate of incorporation and amended and restated bylaws, and intend to enter into indemnification agreements with any new directors and executive officers in the future.

We have purchased and currently intend to maintain insurance on behalf of each and every person who is or was a director or officer of our company against any loss arising from any claim asserted against him or her and incurred by him or her in any such capacity, subject to certain exclusions.

The form of Underwriting Agreement, attached as Exhibit 1.1 hereto, provides for indemnification by the underwriters of us and our officers who sign this Registration Statement and directors for specified liabilities, including matters arising under the Securities Act.

#### **Item 15. Recent Sales of Unregistered Securities.**

The following list sets forth information as to all securities we have sold since the preceding three years up to the date of this document, which were not registered under the Securities Act.

- (a) From December 2012 to December 2013, we issued a total of 2,700 shares of our Series B redeemable preferred stock to two institutional investors and two individual investors for a purchase price of \$1,000 per share, or \$2,700,000 in the aggregate. Each share of Series B redeemable preferred stock converted into shares of our common stock and Series A preferred stock in October 2015 in connection with our reincorporation in Delaware.
- (b) In December 2012, our former subsidiary Parilis Biopharmaceuticals LLC issued a total of 250 of its Series A 10% Cumulative Participating Preferred Units and 250 of its Series A Hybrid 10% Cumulative Participating Preferred Units to an aggregate of three investors for a purchase price of \$1,000 per unit or \$500,000 in the aggregate. All outstanding Series A and Series A Hybrid units in Parilis were either repurchased in October 2014, or exchanged for shares of our common stock and Series A preferred stock effective upon our reincorporation in Delaware in October 2015 as described in (k) below.
- (c) From March 2013 to May 2013, we issued a total of 605 shares of our Series A redeemable preferred stock to five individual investors for a purchase price of \$1,000 per share, or \$605,000 in the aggregate. Each share of Series A redeemable preferred stock converted into shares of our common stock and Series A preferred stock in October 2015 in connection with our reincorporation in Delaware.
- (d) Between July 2013 and November 2013, we issued 550,000 shares of common stock to two individuals for services provided in connection with sales of redeemable preferred stock. All of these shares of common stock converted into shares of our common stock in October 2015 in connection with our reincorporation in Delaware.
- (e) In March 2014 we sold an aggregate of 4,000,000 shares of our common stock to an institutional investor at a purchase price of \$1.75 per share, or \$7,000,000. In June 2014, we sold an additional 2,000,000 shares of our common stock to this investor at a purchase price of \$2.00 per share, or \$4,000,000. All of these shares of common stock converted into shares of our common stock in October 2015 in connection with our reincorporation in Delaware.
- (f) Between June and September 2014, we issued an aggregate of 102,231 shares of common stock to six employees in settlement of an equivalent number of restricted share units held by them.
- (g) From June 2014 through November 13, 2015, we issued 2,454,480 performance stock units, or PSUs, in exchange for restricted shares, or RSUs, and stock options granted prior to June 2014, and 196,200 additional PSUs during the years ended September 30, 2014 and 2015, all of which were granted under our 2011 Equity Incentive Plan. Of the RSUs included in the exchange, 333,500 RSUs were granted subsequent to November 2012.
- (h) In June, July and September 2015, we sold an aggregate of 6,091,035 shares of our common stock to nine institutional investors for a purchase price of \$7.475 per share or approximately \$45.5 million in the aggregate. Citigroup Global Markets, Inc. and Jefferies LLC, each a registered broker-dealer and member of Financial Industry Regulation Authority, Inc., served as placement agents in this offering. The placement agents earned an aggregate of \$1.4 million in commissions with respect to this offering.

- (i) In October 2015, in connection with our reincorporation in Delaware, we issued 7,568,000 shares of our common stock and 10,191 shares of our Series A preferred stock in exchange for all then outstanding shares of common stock, Series A redeemable preferred stock and Series B redeemable preferred stock.
- (j) In October 2015, we issued 782,000 shares of our common stock and 1,626 shares of our Series A preferred stock in exchange for all outstanding Series A and Series A Hybrid Units of Parilis.
- (k) In December 2015, we sold an aggregate of 753,677 shares of our common stock to 11 accredited investors for a purchase price of \$8.42 per share or approximately \$6.3 million in the aggregate. Jefferies LLC and Alere Financial Partners (a division of Cova Capital Partners, LLC), each a registered broker-dealer and member of Financial Industry Regulation Authority, Inc., served as placement agents in this offering. The placement agents earned an aggregate of approximately \$36,000 in commissions with respect to this offering.

We claimed exemption from registration under the Securities Act for the sale and issuance of securities in the transactions described in paragraphs (a)-(e) and (h)-(k) by virtue of Section 3(a)(9), 4(a)(2) and/or Regulation D promulgated thereunder as transactions not involving any public offering. All of the purchasers of unregistered securities for which we relied on Section 4(a)(2) and/or Regulation D represented that they were accredited investors as defined under the Securities Act. We claimed such exemption on the basis that (a) the purchasers in each case represented that they intended to acquire the securities for investment only and not with a view to the distribution thereof and that they either received adequate information about the registrant or had access, through employment or other relationships, to such information and (b) appropriate legends were affixed to the stock certificates issued in such transactions.

We claimed exemption from registration under the Securities Act for the sales and issuances of securities in the transactions described in paragraphs (f)-(g) above under Section 4(a)(2) of the Securities Act in that such sales and issuances did not involve a public offering or under Rule 701 promulgated under the Securities Act, in that they were offered and sold either pursuant to written compensatory plans or pursuant to a written contract relating to compensation, as provided by Rule 701.

#### **Item 16. Exhibits and Financial Statement Schedules.**

- (a) Exhibits. See the Exhibit Index attached to this Registration Statement, which is incorporated by reference herein.
- (b) Financial Statement Schedules. Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

#### **Item 17. Undertakings.**

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Cranbury, New Jersey, on \_\_\_\_\_, 2016.

**ONCOBIOLOGICS, INC.**

By: \_\_\_\_\_  
Pankaj Mohan, Ph.D.  
President and Chief Executive Officer

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Pankaj Mohan, Ph.D. and Lawrence A. Kenyon and each of them, individually, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, in connection with this registration statement, including to sign in the name and on behalf of the undersigned, this registration statement and any and all amendments thereto, including post-effective amendments and registrations filed pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents 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 his substitute, 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.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
_____	President, Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	_____, 2016
Pankaj Mohan, Ph.D.		
_____	Chief Financial Officer <i>(Principal Accounting and Financial Officer)</i>	_____, 2016
Lawrence A. Kenyon		
_____	Director	_____, 2016
Todd C. Brady, M.D., Ph.D.		
_____	Director	_____, 2016
Scott Canute		
_____	Director	_____, 2016
Albert D. Dyrness		
_____	Director	_____, 2016
Donald J. Griffith		
_____	Director	_____, 2016
Kurt J. Hilzinger		
_____	Director	_____, 2016
Robin Smith Hoke		

## EXHIBIT INDEX

Exhibit Number	Description
1.1+	Form of Underwriting Agreement.
3.1	Certificate of Incorporation of Oncobiologics, Inc., as presently in effect.
3.2+	Certificate of Amendment of Certificate of Incorporation, dated
3.3	Bylaws of Oncobiologics, Inc., as presently in effect.
3.4+	Form of Amended and Restated Certificate of Incorporation of Oncobiologics, Inc., to be in effect upon the closing of this offering.
3.5+	Form of Amended and Restated Bylaws of Oncobiologics, Inc., to be in effect upon the closing of this offering.
5.1+	Opinion of Cooley LLP.
10.1	Investors' Rights Agreement by and among Oncobiologics, Inc. and certain of its stockholders, dated March 10, 2014, as amended.
10.2	2011 Stock Incentive Plan.
10.3	2015 Equity Incentive Plan.
10.4	Forms of option agreement and option grant notice for 2015 Equity Incentive Plan.
10.5+	2016 Employee Stock Purchase Plan.
10.6	Employment Agreement between Oncobiologics, Inc. and Pankaj Mohan, Ph.D., dated January 1, 2011.
10.7	Offer Letter between Oncobiologics, Inc. and Lawrence A. Kenyon, dated September 3, 2015.
10.8	Offer Letter between Oncobiologics, Inc. and Elizabeth A. Yamashita, dated March 27, 2014.
10.9	Offer Letter between Oncobiologics, Inc. and Kenneth Bahrt, M.D., dated June 14, 2015.
10.10	Letter between Oncobiologics, Inc. and Todd Brady, dated September 12, 2014.
10.11	Letter between Oncobiologics, Inc. and Scott Canute, dated October 10, 2011.
10.12	Form of Indemnity Agreement, by and between Oncobiologics, Inc. and each of its directors and executive officers.
10.13+†	Research License Agreement by and between Oncobiologics, Inc. and Selexis SA, effective as of October 3, 2011, as amended by Amendment No. 1 dated as of October 9, 2014.
10.14+†	ONS-3010 Commercial License Agreement by and between Oncobiologics, Inc. and Selexis SA effective as of April 11, 2013, as amended effective as of May 21, 2014.
10.15+†	ONS-1045 Commercial License Agreement by and between Oncobiologics, Inc. and Selexis SA effective as of April 11, 2013, as amended effective as of May 21, 2014.
10.16+†	ONS-1050 Commercial License Agreement by and between Oncobiologics, Inc. and Selexis SA effective as of April 11, 2013, as amended effective as of May 21, 2014.
10.17+†	Joint Participation Agreement by and between Oncobiologics, Inc. and Zhejiang Huahai Pharmaceutical Co., Ltd., effective as of May 6, 2013, as amended by that Amendment No. 1 and Mutual Termination Agreement re: Joint Participation Agreement, dated December 23, 2014.
10.18	Lease Agreement by and between Oncobiologics, Inc. and Cedar Brook 7 Corporate Center, LP, dated as of March 18, 2011.
10.19	First Amendment to Lease Agreement by and between Oncobiologics, Inc. and Cedar Brook 7 Corporate Center, LP, dated as of December 2013.
10.20	Second Amendment to Lease Agreement by and between Oncobiologics, Inc. and Cedar Brook 7 Corporate Center, LP, dated as of July 18, 2014.
10.21	Third Amendment to Lease Agreement by and between Oncobiologics, Inc. and Cedar Brook 7 Corporate Center, LP, dated as of January 16, 2015.
10.22	Fourth Amendment to Lease Agreement by and between Oncobiologics, Inc. and Cedar Brook 7 Corporate Center, LP, dated as of February 9, 2015.
10.23	Fifth Amendment to Lease Agreement by and between Oncobiologics, Inc. and Cedar Brook 7 Corporate Center, LP, dated as of September 26, 2015.
10.24	Lease Agreement by and between Cedar Brook East Corporate Center, LP and Oncobiologics, Inc., dated as of August 31, 2015.

<b>Exhibit Number</b>	<b>Description</b>
23.1+	Consent of independent registered public accounting firm.
23.2+	Consent of Cooley LLP (included in Exhibit 5.1).
24.1+	Power of Attorney (see signature page, on Page II-5).

---

† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment and this exhibit has been filed separately with the SEC.

+ To be filed by amendment.

---

CERTIFICATE OF INCORPORATION

OF

ONCOBIOLOGICS, INC.

ARTICLE I

The name of this corporation is Oncobiologics, Inc. (the "*Corporation*").

ARTICLE II

The registered agent and the address of the registered office in the State of Delaware are:

United Corporate Services, Inc.  
874 Walker Road, Suite C  
Dover, County of Kent  
Delaware 19904

ARTICLE III

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware (the "*DGCL*").

ARTICLE IV

The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 100,000,000 shares of Common Stock, \$0.01 par value per share ("*Common Stock*"), and (ii) 50,000 shares of Preferred Stock, \$0.01 par value per share ("*Preferred Stock*").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

4.1. **COMMON STOCK**

(a) **General.** The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein.

(b) **Voting.** The holders of the Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders (and written actions in lieu of meetings); provided, however, that, except as otherwise required by law, holders of Common Stock, as



such, shall not be entitled to vote on any amendment to the Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to the Certificate of Incorporation or pursuant to the DGCL. There shall be no cumulative voting. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the DGCL.

4.2. **PREFERRED STOCK**

(a) **Series of Preferred Stock.**

20,000 shares of the authorized and unissued Preferred Stock of the Corporation are hereby designated "**Series A Preferred Stock**" with the following rights, preferences, powers, privileges and restrictions, qualifications and limitations. The remaining authorized Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Corporation is hereby expressly authorized to provide for the issuance of all or any number of the shares of the Preferred Stock in one or more series, and to fix the number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designation, preferences, and relative, participating, optional, or other rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such shares and as may be permitted by the DGCL. The Board of Directors is also expressly authorized to increase or decrease the number of shares of any series 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. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the stock of the Corporation entitled to vote thereon.

(b) **Dividends.**

Dividends may be paid on the capital stock of the Corporation as and when declared by the Board of Directors.

(c) **Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.**

(1) **Preferential Payments to Holders of Series A Preferred Stock.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its

stockholders before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the greater of (i) the Series A Original Issue Price, plus any dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had all shares of Series A Preferred Stock been converted into Common Stock pursuant to Section 4.2(e) immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the “**Series A Liquidation Amount**”). If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series A Preferred Stock the full amount to which they shall be entitled under this Subsection 4.2(c), the holders of shares of Series A Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full. The “**Series A Original Issue Price**” shall mean \$1,000.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock.

(2) Payments to Holders of Common Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, after the payment of all preferential amounts required to be paid to the holders of shares of Series A Preferred Stock, the remaining assets of the Corporation available for distribution to its stockholders shall be distributed among the holders of shares of Common Stock, pro rata based on the number of shares held by each such holder.

(3) Deemed Liquidation Events.

(i) *Definition.* Each of the following events shall be considered a “**Deemed Liquidation Event**”:

(A) a merger or consolidation in which

(I) the Corporation is a constituent party or

(II) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation,

except (x) any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least 50%, by voting power, of the capital stock of (1) the surviving or resulting corporation; or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation and (y) any such merger

effected exclusively for the purposes of changing the domicile of the Corporation; or

(B) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or the sale or disposition (whether by merger, consolidation or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

(ii) *Effecting a Deemed Liquidation Event.*

(A) The Corporation shall not have the power to effect a Deemed Liquidation Event referred to in Section 4.2(c)(3)(i)(A)(I), unless the agreement or plan of merger or consolidation for such transaction (the "**Merger Agreement**") provides that the consideration payable to the stockholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with Sections 4.2(c)(1) and (2).

(B) The Corporation shall give each holder of record of Series A Preferred Stock written notice of any Deemed Liquidation Event not later than 20 days prior to the stockholders' meeting called to approve such transaction, or 20 days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Section 4.2(c), and the Corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than 20 days after the Corporation has given the first notice provided for herein or sooner than 10 days after the Corporation has given notice of any material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of Series A Preferred Stock that are entitled to such notice rights or similar notice rights and that represent at least a majority of the voting power of all then outstanding shares of Series A Preferred Stock.

(iii) *Amount Deemed Paid or Distributed.* The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Corporation or the acquiring person, firm or other entity. The value of such property, rights or securities shall be determined in good faith by the Board of Directors of the Corporation. If any asset distributed to the holders of capital stock of the Corporation is other than cash, its value shall be deemed its fair market value. Any securities shall be valued as follows:

(A) Securities not subject to investment letter or other similar restrictions on free marketability:

(I) If traded on a securities exchange or through the NASDAQ

National Market System, the value shall be deemed to be the average of the closing bid prices of the securities on such exchange over the 30-day period ending 3 days prior to the closing;

(II) If actively traded over-the-counter, the value shall be deemed to be the average of the high bid or sale prices (whichever is applicable) over the 30-day period ending 3 days prior to the closing; and

(III) If there is no active public market, the fair market value shall be determined in good faith by the Board of Directors of the Corporation.

(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 clauses (I), (II) and (III) above to reflect the appropriate fair market value thereof, as determined in good faith by the Board of Directors, but in no event shall the value determined in accordance with this clause (B) be greater than 50% of the market value determined by clauses (I), (II) and (III) above.

(4) Non-Compliance. In the event the requirements of this Section 4.2(c) are not complied with, the Corporation shall forthwith either:

(i) cause such closing to be postponed until such time as the requirements of this Section 4.2(c) have been complied with; or

(ii) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Series A Preferred Stock shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in Section 4.2(c)(3)(ii)(B).

(d) Voting. The holders of the Series A Preferred Stock shall have no voting rights except that they shall have the right to vote on any matter relating to the rights and privileges of the Series A Preferred Stock.

(e) Mandatory Conversion.

The holders of the Series A Preferred Stock shall have conversion rights as follows (the "**Conversion Rights**"):

(1) Trigger Events. Upon the closing of the sale of shares of Common Stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the time of such closing, the "**Mandatory Conversion Time**"), (x) all outstanding shares of Series A Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective conversion rate as calculated pursuant to Section 4.2(e)(3) and (y) such shares may not be reissued by the

Corporation.

(2) Procedural Requirements. All holders of record of shares of Series A Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Series A Preferred Stock pursuant to this Section 4.2(e). Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Series A Preferred Stock in certificated form shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Series A Preferred Stock converted pursuant to Section 4.2(e)(1), including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender any certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of any certificate or certificates of such holders (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Section 4.2(e)(2). As soon as practicable after the Mandatory Conversion Time and, if applicable, the surrender of any certificate or certificates (or lost certificate affidavit and agreement) for Series A Preferred Stock, the Corporation shall (a) issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof and (b) pay cash to such holder of Series A Preferred Stock (x) as provided in Section 4.2(e)(4) in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and (y) the payment of any declared but unpaid dividends as of the date of the conversion on the shares of Common Stock issuable upon such conversion. Such converted Series A Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Series A Preferred Stock accordingly.

(3) Conversion Ratio. Each share of Series A Preferred Stock shall be converted at the Mandatory Conversion Time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing the Series A Original Issue Price by the Series A Conversion Price (as defined below) in effect at the time of conversion. The "**Series A Conversion Price**" shall initially be equal to the initial public offering price of each share of Common Stock at the Mandatory Conversion Time. Such initial Series A Conversion Price, and the rate at which shares of Series A Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

(4) Fractional Shares. No fractional shares of Common Stock shall be issued

upon conversion of the Series A Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of a share of Common Stock as determined in good faith by the Board of Directors of the Corporation. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of Series A Preferred Stock the holder is at the time converting into Common Stock and the aggregate number of shares of Common Stock issuable upon such conversion.

(5) Reservation of Shares. The Corporation shall at all times when the Series A Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Series A Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series A Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to the Certificate of Incorporation. Before taking any action which would cause an adjustment reducing the Series A Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and non-assessable shares of Common Stock at such adjusted Series A Conversion Price.

(6) Effect of Conversion. All shares of Series A Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Mandatory Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor, to receive payment in lieu of any fraction of a share otherwise issuable upon such conversion as provided in Section 4.2(e)(4) and to receive payment of any dividends declared but unpaid thereon. Any shares of Series A Preferred Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Series A Preferred Stock accordingly.

(7) No Further Adjustment. Upon any such conversion, no adjustment to the Series A Conversion Price shall be made for any declared but unpaid dividends on the Series A Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

(8) Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Series A Preferred Stock pursuant to this Section 4.2(e). The Corporation shall not, however, be required to pay any tax which may be payable in respect of

any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Series A Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(f) **Optional Redemption by the Corporation.**

(1) The Corporation may redeem the Series A Preferred Stock, in whole at any time or from time to time in part, at the option of the Corporation, for cash, at a redemption price equal to the Series A Original Issue Price, plus any declared but unpaid dividends (such date fixed for redemption, the "**Redemption Date**").

(2) The Corporation shall send written notice of the redemption (the "**Redemption Notice**") to each holder of record of Series A Preferred Stock to be redeemed not less than 30 days prior to each Redemption Date. Each Redemption Notice shall state:

(i) the number of shares of Series A Preferred Stock held by the holder that the Corporation shall redeem on the Redemption Date specified in the Redemption Notice;

(ii) the Redemption Date and the Redemption Price; and

(iii) for holders of shares in certificated form, that the holder is to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares of Series A Preferred Stock to be redeemed.

(3) On or before the applicable Redemption Date, each holder of shares of Series A Preferred Stock to be redeemed on such Redemption Date shall, if a holder of shares in certificated form, surrender the certificate or certificates representing such shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. In the event less than all of the shares of Series A Preferred Stock represented by a certificate are redeemed, a new certificate, instrument, or book entry representing the unredeemed shares of Series A Preferred Stock shall promptly be issued to such holder.

(4) If the Redemption Notice shall have been duly given and, if on the applicable Redemption Date, the Redemption Price payable upon redemption of the shares of Series A Preferred Stock to be redeemed on such Redemption Date is paid or tendered for payment or deposited with an independent payment agent so as to be available therefor in a timely manner, then notwithstanding that any certificates evidencing any of the shares of Series A Preferred Stock so called for redemption shall not have been surrendered, dividends with respect to such shares of Series A Preferred Stock shall cease to accrue after such Redemption Date and all rights with respect to such shares shall forthwith after the Redemption

Date terminate, except only the right of the holders to receive the Redemption Price without interest upon surrender of any such certificate or certificates therefor.

(g) **Redeemed or Otherwise Acquired Shares.** Any shares of Series A Preferred Stock that are redeemed or otherwise acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Series A Preferred Stock following redemption.

(h) **Waiver.** Any of the rights, powers, preferences and other terms of the Series A Preferred Stock set forth herein may be waived on behalf of all holders of Series A Preferred Stock by the affirmative written consent or vote of the holders of at least a majority of the shares of Series A Preferred Stock then outstanding.

(i) **Notices.** Any notice required or permitted by the provisions of this Article IV to be given to a holder of shares of Series A Preferred Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the DGCL, and shall be deemed sent upon such mailing or electronic transmission.

#### **ARTICLE V**

Subject to any additional vote required by the Certificate of Incorporation or Bylaws, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

#### **ARTICLE VI**

The name and mailing address of the incorporator is:

Pankaj Mohan  
Oncobiologics, Inc.  
7 Clarke Drive  
Cranbury, New Jersey 08512

#### **ARTICLE VII**

Subject to any additional vote required by the Certificate of Incorporation, the number of directors of the Corporation shall be determined in the manner set forth in the Bylaws of the Corporation.

#### **ARTICLE VIII**

Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.



**ARTICLE IX**

To the fullest extent permitted by law, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the DGCL or any other law of the State of Delaware is amended after approval by the stockholders of this Article Ninth to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended.

Any repeal or modification of the foregoing provisions of this Article IX by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

**ARTICLE X**

To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers and agents of the Corporation (and any other persons to which DGCL permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the DGCL.

Any amendment, repeal or modification of the foregoing provisions of this Article X shall not adversely affect any right or protection of any director, officer or other agent of the Corporation existing at the time of such amendment, repeal or modification.

**ARTICLE XI**

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware shall be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation, its directors, officers or employees arising pursuant to any provision of the DGCL or the Corporation's certificate of incorporation or bylaws or (iv) any action asserting a claim against the Corporation, its directors, officers or employees governed by the internal affairs doctrine, except for, as to each of (i) through (iv) above, any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than the Court of

Chancery, or for which the Court of Chancery does not have subject matter jurisdiction.

If any provision or provisions of this Article XI shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Article XI (including, without limitation, each portion of any sentence of this Article XI containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

#### **ARTICLE XII**

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

\* \* \*

I, THE UNDERSIGNED, being the incorporator herein before named, for the purpose of forming a corporation pursuant to the DGCL, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 22nd day of October 2015.

/s/ Pankaj Mohan

---

Pankaj Mohan  
Incorporator

**BYLAWS**  
**OF**  
**ONCOBIOLOGICS, INC.**  
**(A DELAWARE CORPORATION)**

---

## ARTICLE I

### OFFICES

**Section 1. Registered Office.** The registered office of the corporation in the State of Delaware shall be 874 Walker Road, Suite C, City of Dover, County of Kent, 19904 or in such other location as the Board of Directors may from time to time determine or the business of the corporation may require.

**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. 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 this Section.

(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 paragraph (a) of this Section, (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 and applicable law, (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 paragraph), 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. 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 90<sup>th</sup> day nor earlier than the close of business on the 120<sup>th</sup> 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 30 days prior to or delayed by more than 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 120<sup>th</sup> day prior to such annual meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to such annual meeting or the 10<sup>th</sup> 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 paragraph (b) of this Section 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 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 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 10<sup>th</sup> 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 (or elected or appointed pursuant to Article IV of these Bylaws) 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. 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, 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, "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 (the "SEC") 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 directors representing a quorum of the Board of Directors or (iv) by the holders of shares entitled to cast not less than 20% 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 35 nor more than 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 10 nor more than 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 or her 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 pursuant to the Certificate of Incorporation, these Bylaws or applicable law. If the adjournment is for more than 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 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 or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two 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 (including giving consent pursuant to Section 13) shall have the following effect: (a) if only one votes, his or her act binds all; (b) if more than one votes, the act of the majority so voting binds all; (c) if more than one 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 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 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) An electronic mail, facsimile 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 electronic mail, facsimile or other electronic transmission sets forth or is delivered with information from which the corporation can determine (i) that the electronic mail, facsimile 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 electronic mail, facsimile or electronic transmission. The date on which such electronic mail, facsimile or electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by electronic mail, facsimile 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 electronic mail, facsimile 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 a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

**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 Chief Executive Officer, or, if the Chief Executive Officer 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 or her absence, an Assistant Secretary directed to do so by the Chief Executive Officer, shall act as secretary of the meeting.

(b) The Board of Directors 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 business and affairs of the corporation shall be managed by or under the direction of 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 and his or her successor is duly elected and qualified or until his or her 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 or her 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 elect such director.

**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, 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 Chief Executive Officer (if a director), the President (if a director) 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 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 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 total number of directors then serving; *provided, however*, that such number shall never be less than 1/3 of the total number of directors except that when one director is authorized, then one director shall constitute a quorum. 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. If the Certificate of Incorporation provides that one or more directors shall have more or less than one vote per director on any matter, every reference in this Section to a majority or other proportion of the directors shall refer to a majority or other proportion of the votes of the directors.

**(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 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 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 paragraphs (a) or (b) of this Section 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 or her 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 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 Chief Executive Officer (if a director), or if the Chief Executive Officer is not a director or is absent, the President (if a director), or if the President is not a director or 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 or her absence, any Assistant Secretary directed to do so by the Chief Executive Officer or 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, or by the Chief Executive Officer or other officer if so authorized 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 Chief Executive Officer and 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.

**(c) Duties of Chief Executive Officer.** The Chief Executive Officer shall preside at all meetings of the stockholders and (if a director) at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. The Chief Executive Officer 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 Chief Executive Officer 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 President.** In the absence or disability of the Chief Executive Officer or if the office of Chief Executive Officer is vacant, the President shall preside at all meetings of the stockholders and (if a director) at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. If the office of Chief Executive Officer is vacant, 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.

**(e) 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.

**(f) 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 Chief Executive Officer 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 Chief Executive Officer shall designate from time to time.

**(g) 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 Chief Executive Officer. 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 or her office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer shall designate from time to time. The Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer 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 or electronic 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, 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 of funds to the credit of the corporation or on 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, of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of shares 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, the Chief Executive Officer, 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 or her 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 or she 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. 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 60 nor less than 10 days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day immediately preceding the day on which notice is given, or if notice is waived, at the close of business on the day immediately 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 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 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 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 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 37. 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 38. Execution of Other Securities.** All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 34 of these Bylaws), may be signed by the Chairman of the Board of Directors, the Chief Executive Officer, 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 39. 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 40. 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 41. Fiscal Year.** The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

## ARTICLE XI

### INDEMNIFICATION

**Section 42. 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, "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 paragraph (d) of this Section.

(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 such person 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 officer in his or her capacity as a director or 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 or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Section, 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 Section 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 Section 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 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 or her 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.

(e) **Non-Exclusivity of Rights.** The rights conferred on any person by this Section 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 or her 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 Section shall continue as to a person who has ceased to be a director or executive officer 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 Section.

(h) **Amendments.** Any repeal or modification of this Section 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 Section 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 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 Section, 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 Section 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 Section.

## ARTICLE XII

### NOTICES

#### Section 43. Notices.

(a) **Notice to Stockholders.** Written notice to stockholders of stockholder meetings shall be given as provided in Section 7 of these Bylaws. 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 paragraph (a) of this Section, 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 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 44. Amendments.** The Board of Directors is expressly empowered to adopt, amend or repeal Bylaws of the corporation. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the corporation; *provided, however*, that, in addition to any vote of the holders of any class or series of stock of the corporation required by law or by the Certificate of Incorporation, such action by stockholders shall require 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 corporation entitled to vote generally in the election of directors, voting together as a single class.

### ARTICLE XIV

#### LOANS TO OFFICERS

**Section 45. 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.

### ARTICLE XV

#### MISCELLANEOUS

**Section 46. Forum.** Unless the corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the corporation; (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the corporation to the corporation or the corporation's stockholders; (iii) any action asserting a claim against the corporation or any director or officer or other employee of the corporation arising pursuant to any provision of the DGCL, the certificate of incorporation or the Bylaws of the corporation; or (iv) any action asserting a claim against the corporation or any director or officer or other employee of the corporation governed by the internal affairs doctrine.

**ONCOBIOLOGICS, INC.**  
**CERTIFICATE OF SECRETARY**

**I HEREBY CERTIFY THAT:**

I am the duly elected and acting Secretary of **ONCOBIOLOGICS, INC.**, a Delaware corporation (the "**Company**"); and

Attached hereto is a complete and accurate copy of the Bylaws of the Company as duly adopted by the Board of Directors by Unanimous Written Consent dated October 22, 2015 and said Bylaws are presently in effect.

Signed on October 22, 2015.

/s/ Pankaj Mohan

**PANKAJ MOHAN**

Secretary

---



INVESTORS' RIGHTS AGREEMENT

by and among

ONCOBIOLOGICS, INC.,

STRIDES PHARMA INC.

and

CERTAIN KEY HOLDERS

March 10, 2014

---

TABLE OF CONTENTS

	<u>Page</u>
1. Definitions	1
2. Registration Rights	4
2.1 Demand Registration	4
2.2 Company Registration	6
2.3 Underwriting Requirements	6
2.4 Obligations of the Company	8
2.5 Furnish Information	9
2.6 Expenses of Registration	9
2.7 Delay of Registration	10
2.8 Indemnification	10
2.9 Reports Under Exchange Act	12
2.10 Limitations on Subsequent Registration Rights	12
2.11 "Market Stand-off" Agreement	13
2.12 Restrictions on Transfer	13
2.13 Termination of Registration Rights	15
3. Information and Observer Rights	15
3.1 Delivery of Financial Statements	15
3.2 Inspection	16
3.3 Observer Rights	17
3.4 Termination of Information and Observer Rights	17
3.5 Confidentiality	17
4. Rights to Future Stock Issuances	17
4.1 Right of First Offer	17
4.2 Termination	18
5. Additional Covenants	18
5.1 Insurance	18
5.2 Employee Agreements	19
5.3 Matters Requiring Investor Approval	19
5.4 Matters Requiring Investor Notice	20
5.5 Board Matters	21
5.6 Successor Indemnification	21
5.7 Expenses of Counsel	21
5.8 FCPA	22
5.9 Cooperation of Key Holders	22
5.10 Termination of Covenants	22
6. Miscellaneous	22
6.1 Successors and Assigns	22
6.2 Governing Law	23
6.3 Counterparts	23
6.4 Titles and Subtitles	23
6.5 Notices	23

6.6	Amendments and Waivers	24
6.7	Severability	24
6.8	Aggregation of Stock	24
6.9	Additional Investors	24
6.10	Entire Agreement	24
6.11	Dispute Resolution	24
6.12	Delays or Omissions	25

Schedule A - Schedule of Key Holders

## INVESTORS' RIGHTS AGREEMENT

THIS INVESTORS' RIGHTS AGREEMENT (this "**Agreement**"), is made as of the 10<sup>th</sup> day of March, 2014, by and among Oncobiologics, Inc., a New Jersey corporation (the "**Company**"), Strides Pharma Inc., a company incorporated under the laws of New Jersey (the "**Investor**"), and each of the shareholders listed on Schedule A hereto, each of whom is referred to herein as a "**Key Holder**".

### RECITALS

WHEREAS, the Company and the Investor are parties to the Securities Purchase Agreement of even date herewith (the "**Purchase Agreement**"); and

WHEREAS, in order to induce the Company to enter into the Purchase Agreement and to induce the Investor to invest funds in the Company pursuant to the Purchase Agreement, the Investor and the Company hereby agree that this Agreement shall govern the rights of the Investor to cause the Company to register shares of Common Stock issuable to the Investor, to receive certain information from the Company, and to participate in future equity offerings by the Company, and shall govern certain other matters as set forth in this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

1. Definitions. For purposes of this Agreement:

1.1 "Adjustment Period" means the time from the date hereof through the date on which the Company has engaged in a Qualified IPO or a Qualified Liquidation Event.

1.2 "Affiliate" means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including without limitation any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

1.3 "Board of Directors" means the Company's board of directors.

1.4 "Common Stock" means the Company's common stock, no par value per share.

1.5 "Damages" means any loss, damage, claim or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, claim or liability (or any action in respect thereof) arises out of or is based upon: (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to

make the statements therein not misleading; or (iii) any violation or alleged violation by the indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any state securities law.

1.6       **“Derivative Securities”** means any securities or rights convertible into, or exercisable or exchangeable for (in each case, directly or indirectly), Common Stock, including options and warrants.

1.7       **“Excepted Securities”** means (i) securities of the Company issued upon the conversion or exercise of any currently issued debenture, warrant, option, or other convertible security and that have not been amended to either reduce their conversion or exercise price and/or to increase the number of shares issuable upon any such exercise or conversion; (ii) Common Stock issuable upon a stock split, stock dividend, or any subdivision of shares of Common Stock; (iii) shares of Common Stock (or options to purchase such shares of Common Stock) issued or issuable to employees or directors of, or consultants to, the Company pursuant to any plan approved by the Board of Directors and shareholders; (iv) securities of the Company issued in connection with business combinations with a business that the Company, in good faith, determines to be synergistic with the Company; and (v) securities of the Company issued in strategic transactions in which the Board of Directors expects, in good faith, to derive substantial benefits, so long as such transactions are not for the principal purpose of raising capital

1.8       **“Exchange Act”** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.9       **“Excluded Registration”** means (i) a registration relating to the sale of securities to employees of the Company or a subsidiary pursuant to a stock option, stock purchase, or similar plan; (ii) a registration relating to an SEC Rule 145 transaction; (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities; or (iv) a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered.

1.10       **“Form S-1”** means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC.

1.11       **“Form S-3”** means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC that permits incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.12       **“GAAP”** means generally accepted accounting principles in the United States.

- 1.13 “**Holder**” means any holder of Registrable Securities who is a party to this Agreement.
- 1.14 “**Immediate Family Member**” means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including, adoptive relationships, of a natural person referred to herein.
- 1.15 “**Initiating Holder**” means the Holder who properly initiates a registration request under this Agreement.
- 1.16 “**Key Employee**” means any executive-level employee (including, division director and vice president-level positions) as well as any employee who, either alone or in concert with others, develops, invents, programs, or designs any Company Intellectual Property (as defined in the Purchase Agreement).
- 1.17 “**New Securities**” means, collectively, equity securities of the Company, whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities.
- 1.18 “**Person**” means any individual, corporation, partnership, trust, limited liability company, association or other entity.
- 1.19 “**Preferred Stock**” means, collectively, shares of the Company’s Series A Preferred Stock and Series B Preferred Stock.
- 1.20 “**Qualified IPO**” means the closing by the Company of a firm commitment underwritten public offering with a price of at least 4.3 times the Per Share Purchase Price (as defined in the Purchase Agreement) and gross proceeds to the Company of not less than \$50 million.
- 1.21 “**Qualified Liquidation Event**” means a merger or consolidation (other than one in which shareholders of the Company own a majority of the voting power of the outstanding shares of the surviving or acquiring corporation) or a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company in which the consideration is either all cash or securities that are either registered for sale on an exchange or quotation system or otherwise unrestricted and pursuant to which the equity value of the Company (exclusive of any liabilities being assumed by the surviving or acquiring corporation) is at least \$300 million.
- 1.22 “**Registrable Securities**” means the Purchased Shares (as defined in the Purchase Agreement), the Additional Shares (as defined in the Purchase Agreement) and the Ratchet Shares (as defined in the Purchase Agreement); excluding in all cases, however, any Registrable Securities sold by a Person in a transaction in which the applicable rights under this Agreement are not assigned pursuant to Subsection 6.1, and excluding for purposes of Section 2 any shares for which registration rights have terminated pursuant to Subsection 2.13 of this Agreement.

1.23 “**Registrable Securities then outstanding**” means the number of shares determined by adding the number of shares of outstanding Common Stock that are Registrable Securities and the number of shares of Common Stock issuable (directly or indirectly) pursuant to then exercisable and/or convertible securities that are Registrable Securities.

1.24 “**Reporting Event**” means the Company’s initial public offering of its Common Stock pursuant to an effective registration statement under the Securities Act, or equivalent law of another jurisdiction, or upon such date as the Company becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, including, without limitation, upon consummation of a reverse merger or upon the effectiveness of a registration statement on Form 10 filed by the Company under the Exchange Act or equivalent document.

1.25 “**Restricted Securities**” means the securities of the Company required to be notated with the legend set forth in Subsection 2.12(b) hereof.

1.26 “**Sale of the Company**” a merger or consolidation (other than one in which shareholders of the Company own a majority of the voting power of the outstanding shares of the surviving or acquiring corporation) or a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company in which the consideration is either all cash or securities that are either registered for sale on an exchange or quotation system or otherwise unrestricted.

1.27 “**SEC**” means the Securities and Exchange Commission.

1.28 “**SEC Rule 144**” means Rule 144 promulgated by the SEC under the Securities Act.

1.29 “**SEC Rule 145**” means Rule 145 promulgated by the SEC under the Securities Act.

1.30 “**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.31 “**Selling Expenses**” means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any Holder, except for the fees and disbursements of the Selling Holder Counsel borne and paid by the Company as provided in Subsection 2.6.

2. Registration Rights. The Company covenants and agrees as follows:

2.1 Demand Registration.

(a) Form S-1 Demand. If at any time after one hundred eighty (180) days after the effective date of the registration statement for a Reporting Event, the Company receives a request from the Investor that the Company file a Form S-1 registration statement with

respect to some or all of the Registrable Securities then outstanding, then, provided that the anticipated aggregate offering price, net of Selling Expenses, would exceed \$5 million, the Company shall (x) within ten (10) days after the date such request is given, give notice thereof (the “**Demand Notice**”) to all Holders other than the Initiating Holder; and (y) as soon as practicable, and in any event within thirty (30) days after the date such request is given by the Initiating Holder, file a Form S-1 registration statement under the Securities Act covering all Registrable Securities that the Initiating Holder requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within ten (10) days of the date the Demand Notice is given, and in each case, subject to the limitations of Subsections 2.1(c), 2.1(d) and 2.3.

(b) Form S-3 Demand. If at any time when it is eligible to use a Form S-3 registration statement, the Company receives a request from the Investor that the Company file a Form S-3 registration statement with respect to Registrable Securities then outstanding, provided that the anticipated aggregate offering price, net of Selling Expenses, would exceed \$1 million, then the Company shall (i) within ten (10) days after the date such request is given, give a Demand Notice to all Holders other than the Initiating Holder; and (ii) as soon as practicable, and in any event within thirty (30) days after the date such request is given by the Initiating Holder, file a Form S-3 registration statement under the Securities Act covering all Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within ten (10) days of the date the Demand Notice is given, and in each case, subject to the limitations of Subsections 2.1(c) and 2.3.

(c) Notwithstanding the foregoing obligations, if the Company furnishes to Holders requesting a registration pursuant to this Subsection 2.1 a certificate signed by the Company’s chief executive officer stating that in the good faith judgment of the Board of Directors it would be materially detrimental to the Company and its shareholders for such registration statement to either become effective or remain effective for as long as such registration statement otherwise would be required to remain effective, because such action would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving the Company; (ii) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (iii) render the Company unable to comply with requirements under the Securities Act or Exchange Act, then the Company shall have the right to defer taking action with respect to such filing, and any time periods with respect to filing or effectiveness thereof shall be tolled correspondingly, for a period of not more than sixty (60) days after the request of the Initiating Holder is given; provided, however, that the Company may not invoke this right more than twice in any twelve (12) month period; and provided further that the Company shall not register any securities for its own account or that of any other shareholder during such sixty (60) day period other than pursuant to a registration relating to the sale of securities to employees of the Company or a subsidiary pursuant to a stock option, stock purchase, or similar plan; a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities; or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered.



(d) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Subsection 2.1(a), (i) during the period that is seventy-five (75) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration, provided that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; (ii) after the Company has effected two registrations pursuant to Subsection 2.1(a); or (iii) if the Initiating Holder proposes to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Subsection 2.1(b). The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Subsection 2.1(b), (i) during the period that is thirty (30) days before the Company's good faith estimate of the date of filing of, and ending on a date that is ninety (90) days after the effective date of, a Company-initiated registration, provided that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; or (ii) if the Company has effected two registrations pursuant to Subsection 2.1(b) within the twelve (12) month period immediately preceding the date of such request. A registration shall not be counted as "effected" for purposes of this Subsection 2.1(d) until such time as the applicable registration statement has been declared effective by the SEC, unless the Initiating Holder withdraws its request for such registration, except as a result of a material adverse change to the Company or its operations, and forfeits its right to one demand registration statement pursuant to Subsection 2.6, in which case such withdrawn registration statement shall be counted as "effected" for purposes of this Subsection 2.1(d).

2.2 Company Registration. If the Company proposes to register (including, for this purpose, a registration effected by the Company for shareholders other than the Holders) any of its Common Stock under the Securities Act in connection with the public offering of such securities solely for cash (other than in an Excluded Registration), the Company shall, at such time, promptly give each Holder notice of such registration. Upon the request of each Holder given within twenty (20) days after such notice is given by the Company, the Company shall, subject to the provisions of Subsection 2.3, cause to be registered all of the Registrable Securities that each such Holder has requested to be included in such registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Subsection 2.2 before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. The expenses (other than Selling Expenses) of such withdrawn registration shall be borne by the Company in accordance with Subsection 2.6.

2.3 Underwriting Requirements.

(a) If, pursuant to Subsection 2.1, the Initiating Holder intends to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Subsection 2.1, and the Company shall include such information in the Demand Notice. The underwriter(s) will be selected by the Initiating Holder, subject only to the reasonable approval of the Company. In such event, the right of any Holder to include such Holder's Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided

herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Subsection 2.4(e)) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Subsection 2.3, if the managing underwriter(s) advise(s) the Initiating Holder in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holder shall so advise all Holders of Registrable Securities that otherwise would be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be allocated among such Holders of Registrable Securities, including the Initiating Holder, in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders; provided, however, that the number of Registrable Securities held by the Holders to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting.

(b) In connection with any offering involving an underwriting of shares of the Company's capital stock pursuant to Subsection 2.2, the Company shall not be required to include any of the Holders' Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters, and then only in such quantity as the underwriters in their sole discretion determine will not jeopardize the success of the offering by the Company. If the total number of securities, including Registrable Securities, requested by shareholders to be included in such offering exceeds the number of securities to be sold (other than by the Company) that the underwriters in their reasonable discretion determine is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters and the Company in their sole discretion determine will not jeopardize the success of the offering. If the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be allocated among the selling Holders in proportion (as nearly as practicable to) the number of Registrable Securities owned by each selling Holder or in such other proportions as shall mutually be agreed to by all such selling Holders. Notwithstanding the foregoing, in no event shall (i) the number of Registrable Securities included in the offering be reduced unless all other securities (other than securities to be sold by the Company) are first entirely excluded from the offering, or (ii) the number of Registrable Securities included in the offering be reduced below thirty percent (30%) of the total number of securities included in such offering, unless such offering is a Reporting Event, in which case the selling Holders may be excluded further if the underwriters make the determination described above and no other shareholder's securities are included in such offering. For purposes of the provision in this Subsection 2.3(b) concerning apportionment, for any selling Holder that is a partnership, limited liability company, or corporation, the partners, members, retired partners, retired members, shareholders, and Affiliates of such Holder, or the estates and Immediate Family Members of any such partners, retired partners, members, and retired members and any trusts for the benefit of any of the foregoing Persons, shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate number of Registrable Securities owned by all Persons included in such "selling Holder," as defined in this sentence.

(c) For purposes of Subsection 2.1, a registration shall not be counted as “effected” if, as a result of an exercise of the underwriter’s cutback provisions in Subsection 2.3(a), fewer than fifty percent (50%) of the total number of Registrable Securities that Holders have requested to be included in such registration statement are actually included.

2.4 Obligations of the Company. Whenever required under this Section 2 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one year or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such one year period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Stock (or other securities) of the Company, from selling any securities included in such registration, and (ii) in the case of any registration of Registrable Securities on Form S-3 that are intended to be offered on a continuous or delayed basis, subject to compliance with applicable SEC rules, such one year period shall be extended for up to one additional year, if necessary, to keep the registration statement effective until all such Registrable Securities are sold;

(b) prepare and file with the SEC such amendments and supplements to such registration statement, and the prospectus used in connection with such registration statement, as may be necessary to comply with the Securities Act in order to enable the disposition of all securities covered by such registration statement;

(c) furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, as required by the Securities Act, and such other documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

(d) use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or blue-sky laws of such jurisdictions within the United States as shall be reasonably requested by the selling Holders; provided that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering;

(f) use its commercially reasonable efforts to cause all such Registrable Securities covered by such registration statement to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Company are then listed;

(g) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(h) promptly make available for inspection by the selling Holders, any managing underwriter(s) participating in any disposition pursuant to such registration statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such registration statement and to conduct appropriate due diligence in connection therewith;

(i) notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed; and

(j) after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus.

In addition, the Company shall ensure that, at all times after any registration statement covering a public offering of securities of the Company under the Securities Act shall have become effective, its insider trading policy shall provide that the Company's directors may implement a trading program under Rule 10b5-1 of the Exchange Act.

2.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as is reasonably required to effect the registration of such Holder's Registrable Securities.

2.6 Expenses of Registration. All expenses (other than Selling Expenses) incurred in connection with registrations, filings, or qualifications pursuant to Section 2 including all registration, filing, and qualification fees; printers' and accounting fees; fees and disbursements of counsel for the Company; and the fees and disbursements not to exceed \$10,000 of one counsel for the selling Holders ("**Selling Holder Counsel**"), shall be borne and paid by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Subsection 2.1 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all selling Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn

registration), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one registration pursuant to Subsections 2.1(a) or 2.1(b), as the case may be; provided further that if, at the time of such withdrawal, the Holders shall have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness after learning of such information then the Holders shall not be required to pay any of such expenses and shall not forfeit their right to one registration pursuant to Subsections 2.1(a) or 2.1(b). All Selling Expenses relating to Registrable Securities registered pursuant to this Section 2 shall be borne and paid by the Holders pro rata on the basis of the number of Registrable Securities registered on their behalf

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.8 Indemnification. If any Registrable Securities are included in a registration statement under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, members, officers, directors, and shareholders of each such Holder; legal counsel and accountants for each such Holder; any underwriter (as defined in the Securities Act) for each such Holder; and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any Damages, and the Company will pay to each such Holder, underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Subsection 2.8(a) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any such Holder, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with such registration.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, and each of its directors, each of its officers who has signed the registration statement, each Person (if any), who controls the Company within the meaning of the Securities Act, legal counsel and accountants for the Company, any underwriter (as defined in the Securities Act), any other Holder selling securities in such registration statement, and any controlling Person of any such underwriter or other Holder, against any Damages, in each case only to the extent that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such selling Holder expressly for use in connection with such registration; and each such selling Holder will pay to the Company and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection

with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Subsection 2.8(b) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further that in no event shall the aggregate amounts payable by any Holder by way of indemnity or contribution under Subsections 2.8(b) and 2.8(d) exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of fraud or willful misconduct by such Holder.

(c) Promptly after receipt by an indemnified party under this Subsection 2.8 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification hereunder, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Subsection 2.8, give the indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such action.

(d) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which either: (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Subsection 2.8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Subsection 2.8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any party hereto for which indemnification is provided under this Subsection 2.8, then, and in each such case, such parties will contribute to the aggregate losses, claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact, or the omission or alleged omission of a material fact, relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case (x) no Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such

fraudulent misrepresentation; and provided further that in no event shall a Holder's liability pursuant to this Subsection 2.8(d), when combined with the amounts paid or payable by such Holder pursuant to Subsection 2.8(b), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of willful misconduct or fraud by such Holder.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) Unless otherwise superseded by an underwriting agreement entered into in connection with the underwritten public offering, the obligations of the Company and Holders under this Subsection 2.8 shall survive the completion of any offering of Registrable Securities in a registration under this Section 2, and otherwise shall survive the termination of this Agreement.

2.9 Reports Under Exchange Act. With a view to making available to the Holders the benefits of SEC Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company shall:

(a) make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144, at all times after a Reporting Event;

(b) use commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) to the extent accurate, a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the Reporting Event), the Securities Act, and the Exchange Act (at any time after the Company has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after the Company so qualifies); and (ii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration (at any time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to Form S-3 (at any time after the Company so qualifies to use such form).

2.10 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that (i) would provide to such holder the right to include securities in any registration on other than either a pro rata basis with

respect to the Registrable Securities or on a subordinate basis after all Holders have had the opportunity to include in the registration and offering all shares of Registrable Securities that they wish to so include; or (ii) allow such holder or prospective holder to initiate a demand for registration of any securities held by such holder or prospective holder; provided that this limitation shall not apply to any additional Investor who becomes a party to this Agreement in accordance with Subsection 6.9.

2.11 "Market Stand-off" Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating a Qualified IPO, and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days ), (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock held immediately before the effective date of the registration statement for such offering or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Subsection 2.11 shall apply only to a Qualified IPO, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, or the transfer of any shares to any trust for the direct or indirect benefit of the Holder or the immediate family of the Holder, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value, and shall be applicable to the Holders only if all officers and directors are subject to the same restrictions and the Company uses commercially reasonable efforts to obtain a similar agreement from all shareholders individually owning more than five percent (5%) of the Company's outstanding Common Stock (after giving effect to conversion into Common Stock of all outstanding Preferred Stock). The underwriters in connection with such registration are intended third-party beneficiaries of this Subsection 2.11 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Subsection 2.11 or that are necessary to give further effect thereto. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply pro rata to all Holders subject to such agreements, based on the number of shares subject to such agreements.

2.12 Restrictions on Transfer.

(a) The Registrable Securities shall not be sold, pledged, or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge, or transfer, except upon the conditions specified in this Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act. A transferring Holder will cause any proposed purchaser, pledgee, or transferee of the Registrable Securities held by such Holder to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Agreement.



(b) Each certificate, instrument, or book entry representing (i) the Registrable Securities, and (ii) any other securities issued in respect of the securities referenced in clause (i), upon any stock split, stock dividend, recapitalization, merger, consolidation, or similar event, shall (unless otherwise permitted by the provisions of Subsection 2.12(c)) be notated with a legend substantially in the following form:

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD, PLEDGED, OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT.

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

The Holders consent to the Company making a notation in its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer set forth in this Subsection 2.12.

(c) The holder of such Restricted Securities, by acceptance of ownership thereof, agrees to comply in all respects with the provisions of this Section 2. Before any proposed sale, pledge, or transfer of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transaction, the Holder thereof shall give notice to the Company of such Holder's intention to effect such sale, pledge, or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied at such Holder's expense by either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction may be effected without registration under the Securities Act; (ii) a "no action" letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Restricted Securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Company to the effect that the proposed sale, pledge, or transfer of the Restricted Securities may be effected without registration under the Securities Act, whereupon the Holder of such Restricted Securities shall be entitled to sell, pledge, or transfer such Restricted Securities in accordance with the terms of the notice given by the Holder to the Company. The Company will not require such a legal opinion or "no action" letter (x) in any transaction in compliance with SEC Rule 144; or (y) in any transaction in which such Holder distributes Restricted Securities to an Affiliate of such Holder for no consideration; provided that each transferee agrees in writing to be subject to the terms of this Subsection 2.12. Each certificate, instrument, or book entry representing the Restricted Securities transferred as above provided shall be notated with, except if such transfer is made pursuant to SEC Rule 144, the appropriate restrictive legend set forth in Subsection 2.12(b), except that such certificate instrument, or book entry shall not be notated with such restrictive legend if, in the opinion of counsel for such Holder and the Company, such legend is not required in order to establish compliance with any provisions of the Securities Act.

2.13 Termination of Registration Rights. The right of any Holder to request registration or inclusion of Registrable Securities in any registration pursuant to Subsections 2.1 or 2.2 shall terminate upon:

- (a) the closing of a Qualified Liquidation Event; and
- (b) such time as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder's shares without limitation during a three-month period without registration.

3. Information and Observer Rights.

3.1 Delivery of Financial Statements. The Company shall deliver to the Investor:

(a) as soon as practicable, but in any event within ninety (90) days after the end of each fiscal year of the Company (i) a balance sheet as of the end of such year, (ii) statements of income and of cash flows for such year, and a comparison between (x) the actual amounts as of and for such fiscal year and (y) the comparable amounts for the prior year and as included in the Budget (as defined in Subsection 3.1(d)) for such year, with an explanation of any material differences between such amounts and a schedule as to the sources and applications of funds for such year, and (iii) a statement of shareholders' equity as of the end of such year, all such financial statements audited and certified by independent public accountants of nationally recognized standing selected by the Company;

(b) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, unaudited statements of income and cash flows for such fiscal quarter, and an unaudited balance sheet and a statement of shareholders' equity as of the end of such fiscal quarter, all prepared in accordance with the Accounting and Review standards of the American Institute of Certified Public Accountants (the "AICPA") (except that such financial statements may (i) be subject to normal year-end audit adjustments; and (ii) not contain all notes thereto that may be required in accordance with the Accounting and Review standards of the AICPA);

(c) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, a statement showing the number of shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period, the Common Stock issuable upon conversion or exercise of any outstanding securities convertible or exercisable for Common Stock and the exchange ratio or exercise price applicable thereto, and the number of shares of issued stock options and stock options not yet issued but reserved for issuance, if any, all in sufficient detail as to permit the Investor to calculate its percentage equity ownership in the Company, and certified by the chief financial officer or chief executive officer of the Company as being true, complete, and correct;

(d) as soon as practicable, but in any event thirty (30) days before the end of each fiscal year, a budget and business plan for the next fiscal year (collectively, the “**Budget**”), approved by the Board of Directors and prepared on a monthly basis, including balance sheets, income statements, and statements of cash flow for such months and, promptly after prepared, any other budgets or revised budgets prepared by the Company;

(e) with respect to (i) the financial statements called for in Subsection 3.1(a), an instrument executed by the chief financial officer and chief executive officer of the Company certifying that the audited financial statements were prepared in accordance with GAAP consistently applied with prior practice for earlier periods and fairly present the financial condition of the Company and its results of operation for the periods specified therein, and (ii) the financial statements called for in Subsection 3.1(b), an instrument executed by the chief financial officer and chief executive officer of the Company certifying that the financial statements were prepared in accordance with the Accounting and Review standards of the AICPA consistently applied with prior practice for earlier periods and fairly present the financial condition of the Company and if the Financial Statements were prepared in accordance with GAAP consistently applied with prior practice for earlier periods, then any difference between the Financial Statements and the Financial Statements prepared in accordance with GAAP for any applicable period would be non-material; and

(f) such other information relating to the financial condition, business, prospects, or corporate affairs of the Company as the Investor may from time to time reasonably request; provided, however, that the Company shall not be obligated under this Subsection 3.1 to provide information (i) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in a form acceptable to the Company); or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

Notwithstanding anything else in this Subsection 3.1 to the contrary, the Company may cease providing the information set forth in this Subsection 3.1 during the period starting with the date thirty (30) days before the Company’s good-faith estimate of the date of filing of a registration statement if it reasonably concludes it must do so to comply with the SEC rules applicable to such registration statement and related offering; provided that the Company’s covenants under this Subsection 3.1 shall be reinstated at such time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective.

3.2 Inspection. The Company shall permit the Investor, at the Investor’s expense, to visit and inspect the Company’s properties; examine its books of account and records; and discuss the Company’s affairs, finances, and accounts with its officers, during normal business hours of the Company as may be reasonably requested by the Investor; provided, however, that the Company shall not be obligated pursuant to this Subsection 3.2 to

provide access to any information that it reasonably and in good faith considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

3.3 Observer Rights. As long as the Investor owns not less than fifty percent (50%) of the shares of the Common Stock it is purchasing under the Purchase Agreement, the Company shall invite a representative of the Investor to attend all meetings of its Board of Directors in a nonvoting observer capacity and, in this respect, shall give such representative copies of all notices, minutes, consents, and other materials that it provides to its directors at the same time and in the same manner as provided to such directors; provided, however, that such representative shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information so provided; and provided further, that the Company reserves the right to withhold any information and to exclude such representative from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its counsel.

3.4 Termination of Information and Observer Rights. The covenants set forth in Subsection 3.1, Subsection 3.2, and Subsection 3.3 shall terminate and be of no further force or effect (i) immediately before the consummation of the Qualified IPO, or (ii) upon a Qualified Liquidation Event, whichever event occurs first.

3.5 Confidentiality. The Investor agrees that the Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Subsection 3.5 by the Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company's confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that the Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Registrable Securities from the Investor, if such prospective purchaser agrees to be bound by the provisions of this Subsection 3.5; (iii) to any existing or prospective Affiliate, partner, member, shareholder, or wholly owned subsidiary of the Investor in the ordinary course of business, provided that the Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law, provided that the Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure.

#### 4. Rights to Future Stock Issuances.

4.1 Right of First Offer. Subject to the terms and conditions of this Subsection 4.1 and applicable securities laws, if the Company proposes to offer or sell any New Securities, the Company shall first offer such New Securities to the Investor. The Investor shall be entitled to apportion the right of first offer hereby granted to it in such proportions as it deems appropriate, among (i) itself and (ii) its Affiliates.

(a) The Company shall give notice (the “**Offer Notice**”) to the Investor, stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Securities.

(b) By notification to the Company within twenty (20) days after the Offer Notice is given, the Investor may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that portion of such New Securities which equals the proportion that the Common Stock then held by the Investor (including all shares of Common Stock then issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held by the Investor) bears to the total Common Stock of the Company then held by all holders of the Company’s securities (including all shares of Common Stock issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held by all holders of the Company’s securities). The closing of any sale pursuant to this Subsection 4.1(b) shall occur within the later of ninety (90) days of the date that the Offer Notice is given and the date of initial sale of New Securities pursuant to Subsection 4.1(c).

(c) If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired as provided in Subsection 4.1(b), the Company may, during the ninety (90) day period following the expiration of the periods provided in Subsection 4.1(b), offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within thirty (30) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the Investor in accordance with this Subsection 4.1.

(d) The right of first offer in this Subsection 4.1 shall not be applicable to Excepted Securities.

4.2 Termination. The covenants set forth in Subsection 4.1 shall terminate and be of no further force or effect (i) immediately before the consummation of the Qualified IPO, or (ii) upon a Qualified Liquidation Event, whichever event occurs first.

5. Additional Covenants.

5.1 Insurance. The Company shall use its commercially reasonable efforts to obtain, within ninety (90) days of the date hereof, from financially sound and reputable insurers Directors and Officers liability insurance and term “key-person” insurance on Pankaj Mohan, Ph.D., in an amount and on terms and conditions satisfactory to the Board of Directors, and will use commercially reasonable efforts to cause such insurance policies to be maintained

until such time as the Board of Directors determines that such insurance should be discontinued. The key-person policy shall name the Company as loss payee, and neither policy shall be cancelable by the Company without prior approval by the Board of Directors. Each Key Holder hereby covenants and agrees that, to the extent such Key Holder is named under such key-person policy, such Key Holder will execute and deliver to the Company, as reasonably requested, a written notice and consent form with respect to such policy.

5.2 Employee Agreements. The Company will, cause (1) each person now or hereafter employed by it or by any subsidiary (or engaged by the Company or any subsidiary as a consultant/independent contractor) with access to confidential information and/or trade secrets to enter into a nondisclosure and proprietary rights assignment agreement; and (ii) each Key Employee to enter into a one (1) year noncompetition and nonsolicitation agreement, substantially in the form approved by the Board of Directors. In addition, the Company shall not amend, modify, terminate, waive, or otherwise alter, in whole or in part, any of the above-referenced agreements or any restricted stock agreement between the Company and any employee, without the unanimous consent of the Board of Directors.

5.3 Matters Requiring Investor Approval. At any time during the Adjustment Period, so long as the Investor and its Affiliates own and hold at least 75% of the Purchased Shares outstanding, the Company hereby covenants and agrees with the Investor that it shall not, without approval of the Investor, such approval not to be unreasonably withheld or delayed:

- (a) change the principal business of the Company, enter new lines of business, or exit the current line of business of the Company;
- (b) enter into a Sale of the Company;
- (c) voluntarily commence a winding up proceeding for insolvency or bankruptcy of the Company or a general assignment for the benefit of its creditors or consent to the entry of a decree or order for relief from creditors under any applicable law or any admission by the Company of: (i) its inability to pay its debts, or (ii) any other action constituting a cause for the involuntary declaration of insolvency or bankruptcy;
- (d) issue any equity or debt securities for the purpose of raising capital prior to an initial public offering of the Common Stock, pursuant to which the equity of the Company is valued at less than \$100 million prior to consummation of such offering, as calculated on a fully diluted basis;
- (e) consummate an initial public offering of the Common Stock, pursuant to which the equity of the Company is valued at less than \$300 million prior to consummation of such offering, as calculated on a fully diluted basis;
- (f) sell all or substantially all of the Company's assets or close an existing business or engage any business beyond the scope of the Business Plan (as defined in the Purchase Agreement);

- (g) sell, transfer, lease or encumber any material part of the Company's business or assets;
- (h) amend the Company's Certificate of Incorporation;
- (i) change the name of the Company or transfer any Company Intellectual Property (as defined in the Purchase Agreement), unless such transfer is between the Company and its Affiliates;
- (j) apply to list the shares of Common Stock on any stock exchange or quotation service; or
- (k) change the registered office of the Company.

5.4 Matters Requiring Investor Notice. At any time during the Adjustment Period, so long as the Investor and its Affiliates own and hold at least 75% of the Purchased Shares outstanding, the Company hereby covenants and agrees with the Investor that it shall notify the Investor of the following actions:

- (a) any acquisition by the Company of any business or division of a third party by way of share purchase, business transfer, slump sale, asset purchase or any other mode of acquiring a business;
- (b) formation of joint ventures or partnerships by the Company or creation of a subsidiary by the Company;
- (c) any increase, decrease, buy back or other alteration, amendment or modification of authorized or issued equity capital of the Company or any alteration, amendment or modification to the rights of the holders of any equity capital of the Company or the creation of any rights or securities containing anti-dilution protection terms and the details of such terms thereof;
- (d) any declaration or payment of any dividend or distribution of profits or commissions to the shareholders, employees or directors of the Company;
- (e) any increase or decrease in the size of the Board of Directors;
- (f) entering into any transaction between the Company and a Related Party (as defined in the Purchase Agreement);
- (g) a material amendment or modification to a material compensatory plan, contract or arrangement of a Key Employee, or a material grant or award to any such Key Employee under any such plan, contract or arrangement;
- (h) any capital expenditure in excess of \$2,000,000;

(i) an incurrence of any debt of the Company beyond three (3) times current debt as per the most recent audited financial statements, where debt includes without limitation short and long term debt and guarantees by the Company;

(j) any litigation of the Company involving any amount in excess of \$2,000,000; and

(k) a termination or modification of any material contract or arrangement disclosed in Subsection 2.10 of the Disclosure Schedule to the Purchase Agreement, or any material contract or arrangement that would have been disclosed in Subsection 2.10 of the Disclosure Schedule to the Purchase Agreement if such contract or arrangement had been entered into as of the date hereof.

5.5 Board Matters. Unless otherwise determined by the vote of a majority of the directors then in office, the Board of Directors shall meet at least quarterly in accordance with an agreed-upon schedule.

5.6 Successor Indemnification. If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately before such transaction, whether such obligations are contained in the Company's Bylaws, its Certificate of Incorporation, or elsewhere, as the case may be.

5.7 Expenses of Counsel. In the event of a transaction which is a Sale of the Company, the reasonable fees and disbursements, of one counsel for the Investor ("Investor Counsel"), in their capacities as shareholders, not to exceed \$10,000 shall be borne and paid by the Company. At the outset of considering a transaction which, if consummated would constitute a Sale of the Company, the Company shall obtain the ability to share with the Investor Counsel (and such counsel's clients) and shall share the confidential information (including, without limitation, the initial and all subsequent drafts of memoranda of understanding, letters of intent and other transaction documents and related noncompete, employment, consulting and other compensation agreements and plans) pertaining to and memorializing any of the transactions which, individually or when aggregated with others would constitute the Sale of the Company. The Company shall be obligated to share (and cause the Company's counsel and investment bankers to share) such materials when distributed to the Company's executives and/or any one or more of the other parties to such transaction(s). In the event that Investor Counsel deems it appropriate, in its reasonable discretion, to enter into a joint defense agreement or other arrangement to enhance the ability of the parties to protect their communications and other reviewed materials under the attorney client privilege, the Company shall, and shall direct its counsel to, execute and deliver to Investor Counsel and its clients such an agreement in form and substance reasonably acceptable to Investor Counsel. In the event that one or more of the other party or parties to such transactions require the clients of Investor Counsel to enter into a confidentiality agreement and/or joint defense agreement in order to receive such information, then the Company shall share whatever information can be shared



without entry into such agreement and shall, at the same time, in good faith work expeditiously to enable Investor Counsel and its clients to negotiate and enter into the appropriate agreement(s) without undue burden to the clients of Investor Counsel.

5.8 FCPA. The Company represents that it shall not (and shall not permit any of its subsidiaries or affiliates or any of its or their respective directors, officers, managers, employees, independent contractors, representatives or agents to) promise, authorize or make any payment to, or otherwise contribute any item of value to, directly or indirectly, to any third party, including any Non-U.S. Official (as such term is defined in the U.S. Foreign Corrupt Practices Act of 1977, as amended (the “**FCPA**”)), in each case, in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. The Company further represents that it shall (and shall cause each of its subsidiaries and affiliates to) cease all of its or their respective activities, as well as remediate any actions taken by the Company, its subsidiaries or affiliates, or any of their respective directors, officers, managers, employees, independent contractors, representatives or agents in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. The Company further represents that it shall (and shall cause each of its subsidiaries and affiliates to) maintain systems of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) to ensure compliance with the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. Upon request, the Company agrees to provide responsive information and/or certifications concerning its compliance with applicable anti-corruption laws. The Company shall promptly notify the Investor if the Company becomes aware of any Enforcement Action (as defined in the Purchase Agreement). The Company shall, and shall cause any direct or indirect subsidiary or entity controlled by it, whether now in existence or formed in the future, to comply with the FCPA. The Company shall use its best efforts to cause any direct or indirect subsidiary, whether now in existence or formed in the future to, comply in all material respects with all applicable laws.

5.9 Cooperation of Key Holders. The Key Holders shall use commercially reasonable efforts to (a) participate with or otherwise support the Company in its marketing, investor relations or other activities with respect to the issuance of any equity or debt securities by the Company for the purpose of raising capital, and (b) to cause the Company to consummate an initial public offering of the Common Stock.

5.10 Termination of Covenants. The covenants set forth in this Section 5, except for Subsections 5.6 and 5.7, shall terminate and be of no further force or effect (i) immediately before the consummation of the Qualified IPO or (ii) upon a Qualified Liquidation Event, whichever event occurs first.

6. Miscellaneous.

6.1 Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee of Registrable Securities that (i) is an Affiliate of a Holder; (ii) is a Holder's Immediate Family Member or trust for the benefit of an individual Holder or one or more of such Holder's Immediate Family Members; or (iii) after such transfer, holds at least 1,000,000 shares of Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations, and other

recapitalizations); provided, however, that (x) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee and the Registrable Securities with respect to which such rights are being transferred; and (y) such transferee agrees in a written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions of Subsection 2.11. For the purposes of determining the number of shares of Registrable Securities held by a transferee, the holdings of a transferee (1) that is an Affiliate or stockholder of a Holder; (2) who is a Holder's Immediate Family Member; or (3) that is a trust for the benefit of an individual Holder or such Holder's Immediate Family Member shall be aggregated together and with those of the transferring Holder; provided further that all transferees who would not qualify individually for assignment of rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices, or taking any action under this Agreement. The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

6.2 Governing Law. This Agreement shall be governed by the internal law of the State of New York.

6.3 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

6.4 Titles and Subtitles. The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

6.5 Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or (a) personal delivery to the party to be notified; (b) when sent, if sent by electronic mail or facsimile during the recipient's normal business hours, and if not sent during normal business hours, then on the recipient's next business day; (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (d) one (1) business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next-day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their addresses as set forth on the signature pages hereto or Schedule A (as applicable) hereto, or to the principal office of the Company and to the attention of the Chief Executive Officer, in the case of the Company, or to such email address, facsimile number, or address as subsequently modified by written notice given in accordance with this Subsection 6.5. If notice is given to the Company, a copy shall also be sent to W. Raymond Felton, Greenbaum, Rowe, Smith & Davis LLP, 99 Wood Avenue South, Iselin, NJ 08830-2712 and if notice is given to the Investor, a copy shall also be given to Rick Werner, Haynes and Boone, LLP, 30 Rockefeller Plaza, 26th Floor, New York, NY 10112.

6.6 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and the holders of a majority of the Registrable Securities then outstanding; provided that the Company may in its sole discretion waive compliance with Subsection 2.12(c) (and the Company's failure to object promptly in writing after notification of a proposed assignment allegedly in violation of Subsection 2.12(c) shall be deemed to be a waiver); and provided further that any provision hereof may be waived by any waiving party on such party's own behalf, without the consent of any other party. Notwithstanding the foregoing, this Agreement may not be amended or terminated and the observance of any term hereof may not be waived with respect to the Investor without the written consent of the Investor. The Company shall give prompt notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination, or waiver. Any amendment, termination, or waiver effected in accordance with this Subsection 6.6 shall be binding on all parties hereto, regardless of whether any such party has consented thereto. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

6.7 Severability. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

6.8 Aggregation of Stock. All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

6.9 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company issues additional shares of Common Stock after the date hereof, any purchaser of such shares may become a party to this Agreement, upon written consent of the Investor, by executing and delivering a joinder agreement to this Agreement, and thereafter shall be deemed an "Investor" for all purposes hereunder.

6.10 Entire Agreement. This Agreement (including any Schedules and Exhibits hereto) constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled.

6.11 Dispute Resolution. The parties (a) hereby irrevocably and unconditionally submit to the jurisdiction of the state courts of New York and to the jurisdiction of the United States District Court for the Southern District of New York for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other proceeding arising out of or based upon this Agreement except in the state courts of New York or the United States District Court for the Southern

District of New York, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court.

WAIVER OF JURY TRIAL: EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS, THE SECURITIES OR THE SUBJECT MATTER HEREOF OR THEREOF. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES HERETO AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS. EACH PARTY HERETO HEREBY FURTHER WARRANTS AND REPRESENTS THAT SUCH PARTY HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

The prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled. Each of the parties to this Agreement consents to personal jurisdiction for any equitable action sought in the U.S. District Court for the Southern District of New York or any court of the State of New York having subject matter jurisdiction.

6.12 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or nondefaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

COMPANY:

**ONCOBIOLOGICS, INC.**

By: /s/ Pankaj Mohan

Name: Pankaj Mohan

Title: Chief Executive Officer

Address: 7 Clarke Drive  
Cranbury, New Jersey 08512

INVESTOR:

**STRIDES PHARMA INC.**

By: /s/ Joe Thomas

Name: Joe Thomas  
(print)

Title: Director

Address: 201 South Main Street, Suite 3,  
Lambertville, New Jersey 08530

KEY HOLDERS:

Signature: /s/ Pankaj Mohan

Name: Pankaj Mohan

**SIGNATURE PAGE TO INVESTORS' RIGHTS AGREEMENT**

---

**SCHEDULE A**  
**Key Holders**

Pankaj Mohan, Ph.D., MBA  
c/o Oncobiologics, Inc.  
7 Clarke Drive  
Cranbury, New Jersey 08512

---

## AMENDMENT NO. 1 TO INVESTORS' RIGHTS AGREEMENT

THIS AMENDMENT NO. 1 TO INVESTORS' RIGHTS AGREEMENT (this "**Amendment**") is made as of the \_26 day of June, 2014, by and among Oncobiologics, Inc., a New Jersey corporation (the "**Company**"), Strides Pharma, Inc., a company incorporated under the laws of New Jersey (the "**Investor**"), and the Key Holder signatory to this Amendment.

**WHEREAS**, on March 10, 2013, the Company and the Investor entered into that certain Securities Purchase Agreement (the "**First Purchase Agreement**"), pursuant to which the Investor agreed to purchase shares of Common Stock; and

**WHEREAS**, in connection with the First Purchase Agreement, the Company, the Investor, and the Key Holder entered into that certain Investors' Rights Agreement (the "**Investors' Rights Agreement**"), dated as of March 10, 2013;

**WHEREAS**, the Company and the Investor are parties to that certain Securities Purchase Agreement (the "**Second Purchase Agreement**"), of even date hereof, pursuant to which the Investor has agreed to purchase additional shares of Common Stock;

**WHEREAS**, in connection with the Second Purchase Agreement, the parties to the Investors' Rights Agreement desire to amend the Investors' Rights Agreement to make conforming changes and to acknowledge that the shares of Common Stock purchased by the Investor pursuant to the Second Purchase Agreement are subject to the Investors' Rights Agreement and the rights of the Investor thereunder;

**WHEREAS**, each of the Company, the Key Holder holding the majority of the Registrable Securities outstanding as of the date hereof, and the Investor is willing to give its consent to amend the Investors' Rights Agreement pursuant to Section 6.6 of the Investors' Rights Agreement as expressly provided herein; and

**WHEREAS**, all capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Investors' Rights Agreement.

**NOW, THEREFORE**, the Company, the Key Holders and the Investor agree as follows:

1. Amendments.

1.1 In the recitals of the Investors' Rights Agreement, the following recital is hereby deleted:

"**WHEREAS**, the Company and the Investor are parties to the Securities Purchase Agreement of even date herewith (the "**Purchase Agreement**"); and"

and replaced in its entirety by the following:

"**WHEREAS**, the Company and the Investor are parties to the Securities Purchase Agreement, dated as of March 10, 2014 (the "**First Purchase**

---

**Agreement**”), and the Securities Purchase Agreement, dated as of June \_\_, 2014 (the “**Second Purchase Agreement**”, and together with the First Purchase Agreement, the “**Purchase Agreement**”) pursuant to which the Investor has agreed to purchase shares of Common Stock; and”

1.2 **Definitions.** The following definitions in Section 1 of the Investors’ Rights Agreement is amended and replaced in its entirety by the following:

“**Qualified IPO**” means the closing by the Company of a firm commitment underwritten public offering with a price of at least \$7.50 per share of Common Stock (as adjusted for stock dividends, splits, combinations and similar events) and gross proceeds to the Company of not less than \$50 million.”

2. **Acknowledgement.** The parties hereby acknowledge and agree that any shares of Common Stock acquired by the Investor pursuant to the Second Purchase Agreement are Registrable Securities under the Investors’ Rights Agreement, subject to the terms and conditions stated therein.

3. **Miscellaneous.**

3.1 **Continuing Effect.** Except as expressly set forth in this Amendment, all of the terms and conditions of the Investors’ Rights Agreement shall remain unmodified and in full force and effect after the execution of this Amendment and shall not be in any way changed, modified or superseded by the terms set forth herein.

3.2 **Severability.** The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

3.3 **Governing Law.** This Amendment shall be governed by the internal law of the State of New York.

3.4 **Titles and Subtitles.** The titles and subtitles used in this Amendment are used for convenience only and are not to be considered in construing or interpreting this Amendment.

3.5 **Counterparts.** This Amendment may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

[Remainder of Page Intentionally Left Blank]



**IN WITNESS WHEREOF**, the parties have executed this Amendment No. 1 to Investors' Rights Agreement as of the date first written above.

COMPANY:

**ONCOBIOLOGICS, INC.**

By: /s/ Pankaj Mohan PhD MBA

Name: Pankaj Mohan PhD MBA  
(print)

Title: CEO

Address: 7 Clarke Drive, Cranbury, New Jersey 08512

INVESTOR:

**STRIDES PHARMA INC.**

By: /s/ Joe Thomas

Name: Joe Thomas  
(print)

Title: Director

Address: 201 South Main Street, Suite 3,  
Lambertville, New Jersey 08530

**KEY HOLDER:**

Signature: /s/ Pankaj Mohan PhD MBA

Name: Pankaj Mohan, PhD., MBA

---

ONCOBIOLOGICS, INC.

AMENDMENT AND WAIVER

This Amendment and Waiver (this "**Amendment**") by the undersigned holders (the "**Investors**") of shares of common stock, no par value per share (the "**Common Stock**"), of Oncobiologics, Inc., a New Jersey corporation (together with any successor thereto, the "**Company**"), is entered into as of September 28, 2015.

RECITALS

WHEREAS, the Company has entered into a Securities Purchase Agreement with each of the Investors for the sale and issuance of Common Stock, of an aggregate purchase price of up to \$67,000,000 (each a "**Purchase Agreement**" and together, the "**Purchase Agreements**");

WHEREAS, the Company has entered into that certain Investors' Rights Agreement, by and among Strides Pharma Inc. ("**Strides**") and Dr. Pankaj Mohan, dated as of March 10, 2014 (the "**Rights Agreement**");

WHEREAS, the Company has entered into a Joinder Agreement with each of the Investors other than Strides, joining each such Investor as a party to the Rights Agreement, as an "Investor" thereunder;

WHEREAS, the Company intends to file a registration statement on Form S-1 with the U.S. Securities and Exchange Commission in connection with a proposed initial public offering of its Common Stock, which will be offered on an underwritten basis (the "**Proposed IPO**");

WHEREAS, the Rights Agreement provides the parties thereto with certain rights with respect to the Common Stock that terminate upon the consummation of the Proposed IPO;

WHEREAS, the underwriters of the Proposed IPO have directed the Company to amend the definition of "Qualified IPO";

WHEREAS, pursuant to Section 2.2 of the Rights Agreement, each Investor (as defined in the Rights Agreement) is entitled to receive notice of the filing by the Company of any registration statement under the Securities Act of 1933, as amended, for the purposes of a public offering of Common Stock of the Company (the "**Notice Rights**") and, under certain circumstances, hold rights (the "**Registration Rights**") with respect to the registration of their Registrable Securities in connection therewith, including the Proposed IPO;

WHEREAS, each Investor agrees to (i) amend the definition of Qualified IPO, (ii) waive its Notice Rights and Registration Rights pursuant to Section 2.2 of the Rights Agreement in connection with the Proposed IPO and (iii) clarify certain other provisions of the Rights Agreement;

WHEREAS, pursuant to Section 6.6 of the Rights Agreement, the Rights Agreement may be amended with the written consent of the Company and the holders of a majority of the Registrable Securities outstanding (the "**Rights Agreement Threshold**"); and

---

WHEREAS, the undersigned represent the Rights Agreement Threshold.

AGREEMENT

Pursuant to Section 6.6 of the Rights Agreement, the undersigned parties hereby agree:

a) to amend and restate Section 1.2 of the Rights Agreement as follows:

“**Affiliate**” means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including, without limitation, any general partner, managing member, officer or director of such Person or any venture capital, private equity or similar investment fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.;

b) to amend and restate Section 1.20 of the Rights Agreement as follows:

“**Qualified IPO**” means the closing by the Company of a firm commitment underwritten public offering with gross proceeds to the Company of not less than \$50 million.;

c) to waive its Notice Rights and Registration Rights pursuant to Section 2.2 of the Rights Agreement with respect to the Proposed IPO;

d) that the term “Registrable Securities” as used in the Rights Agreement shall be amended to include, in addition to all shares of equity securities currently included in the definition of “Registrable Securities”, all securities purchased by Investors pursuant to the Purchase Agreements such that each Investor shall be considered a “Holder” under the Rights Agreement;

e) that for the avoidance of doubt, a customary arrangement in connection with the deposit of Registrable Securities in a non-margin custodial account shall not be deemed a sale, transfer or pledge for purposes of Section 2.12 of the Rights Agreement, so long as such Registrable Securities are in certificated form (it being understood that the Company may require the exchange of any such certificated securities for book-entry shares upon an underwritten public offering);

f) that notwithstanding anything in this Agreement or in the Rights Agreement to the contrary, the terms of Section 4 of the Rights Agreement may not be amended, modified or terminated with respect to any Investor without the written consent of such Investor;

g) that for the purposes of Sections 5.3 and 5.4 of the Rights Agreement, the applicable covenants shall terminate (i) with respect to all of the Investors, at such time as all Investors and their respective affiliates, in the aggregate, own and hold less than fifty percent (50%) of the aggregate shares purchased and sold pursuant to the Purchase Agreements (as defined herein) and the Purchase Agreement (as defined in the Rights Agreement) and (ii) with respect to each individual Investor, at such time as such Investor and its respective affiliates, in the aggregate, own and hold less than seventy-five percent (75%) of the shares purchased

by such Investor pursuant to the Purchase Agreements (as defined herein) or the Purchase Agreement (as defined in the Rights Agreement), as applicable;

- h) that for the purposes of Section 6.6 of the Rights Agreement exclusively, the term “Investor” shall mean the Investors collectively holding a majority of Registrable Securities held by all of the Investors; and
- i) that for the purpose of Section 6.9 of the Rights Agreement exclusively, the term “Investor” shall mean the Investors collectively holding a majority of Registrable Securities held by all of the Investors.
- j) to add the following text as a new Section 5.11 of the Rights Agreement:

“5.11. Additional Matters Requiring Investor Approval. The Company hereby covenants and agrees with each Investor that (i) so long as the Investor, together with its affiliates, continues to own and hold at least seventy-five percent (75%) of the shares purchased by such Investor pursuant to the Purchase Agreements (as defined herein) or the Purchase Agreement (as defined in the Rights Agreement), as applicable, and (ii) all Investors and their respective affiliates, in the aggregate, own and hold at least fifty-percent (50%) of the aggregate shares purchased and sold pursuant to the Purchase Agreements (as defined herein) and the Purchase Agreement (as defined in the Rights Agreement), the Company shall not (by amendment, merger, consolidation or otherwise), without approval of such Investor:

- a. redeem, purchase or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) any share or shares of Preferred Stock or Common Stock; provided, however, that this restriction shall not apply to (i) the repurchase of shares of Common Stock from employees, officers, directors, consultants or other persons performing services for the Company or any subsidiary pursuant to agreements under which the Company has the option to repurchase such shares upon the occurrence of certain events, such as the termination of employment or service, or pursuant to a right of first refusal, (ii) the redemption of any share or shares of Preferred Stock in accordance with Section 3 of the Certificate of Designation adopted with respect to each of the Series A Preferred Stock and Series B Preferred Stock (the “Certificates of Designation”) or (iii) a redemption, repurchase or acquisition on a pro-rata basis for all classes of stock of the Company;
- b. pay or declare any dividend on any shares of capital stock of the Company other than (i) the dividend obligations of the Company in accordance with Section 1 of the Certificates of Designation, or (ii) dividends payable on a pro-rata basis to all classes of stock of the Company;
- c. amend, alter or repeal any provision of the Company’s Certificate of Incorporation (including any Certificates of Designation) or Bylaws so as to materially increase the rights of the holders of Preferred Stock; or
- d. enter into or modify any transaction or agreement between the Company and any of its shareholders with respect to the rights that have been granted (or that have not been granted) to any shareholder of the Company.”

MISCELLANEOUS

Except as set forth above, all the terms and provisions of the Rights Agreement shall continue in full force and effect.

This Amendment may be executed in one or more counterparts (including via PDF copy), each of which shall be deemed an original, and all of which together shall constitute one instrument.

*(Signature Pages Follow)*

IN WITNESS WHEREOF, each of the undersigned hereby executes this Amendment as of the date first above written.

**ONCOBIOLOGICS, INC.:**

By: /s/ Pankaj Mohan, Ph.D.

Name: Pankaj Mohan, Ph.D.

Title: President and Chief Executive Officer

**INVESTOR:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Oncobiologics Inc  
STOCK INCENTIVE PLAN**

**ARTICLE I**

**ESTABLISHMENT AND PURPOSES**

1.1 **Establishment.** The Oncobiologics Inc Stock Incentive Plan ("Plan") is hereby established by Oncobiologics Inc. ("Company"), effective as of October 13, 2011,

1.2 **Purpose.** The purpose of the Plan is to promote the overall financial objectives of the Company and its shareholders by attracting and retaining talented executives and motivating those persons selected to participate in the Plan to achieve long-term growth in shareholder value.

**ARTICLE II**

**DEFINITIONS**

For purposes of the Plan, the following terms are defined as set forth below:

2.1 **"Affiliate"** means any individual, corporation, partnership, association, limited liability company, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Company including, without limitation, any member of an affiliated group of which the Company is a common parent corporation as provided in Section 1504 of the Code.

2.2 **"Agreement"** means, individually or collectively, any agreement entered into under the Plan pursuant to which an Award is granted to a Participant.

2.3 **"Award"** means any Stock Option, Restricted Stock or other award granted to a Participant under the Plan. Awards shall be subject to the terms and conditions of the Plan and shall be evidenced by an Agreement containing such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable. No Award shall be granted more than ten (10) years from the date the Plan is adopted by the Company.

2.4 **"Beneficiary"** means any person or other entity designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under the Plan upon such Participant's death or to which Awards have been transferred if and to the extent permitted hereunder. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive such benefits.

2.5 “Board of Directors” or “Board” means the Board of Directors of the Company.

2.6 “Cause” means, for purposes of whether and when a Participant has incurred a Termination of Employment for Cause, any act or omission which permits the Company to terminate the written employment agreement or arrangement between the Participant and the Company or an Affiliate for “cause” as defined in such agreement or arrangement, or in the event there is no such employment agreement or arrangement or the employment agreement or arrangement does not define the term “cause” or a substantially equivalent term, then Cause shall mean (a) any act or omission which constitutes cause under the Company’s established practices, policies or guidelines applicable to the Participant, including without limitation, gross negligence or willful or wanton misconduct; (b) the material breach of a fiduciary duty owing to the Company, including without limitation, theft, fraud and embezzlement; (c) the Participant’s conviction of, guilty or nolo contendere plea to, or confession of guilt of, a felony; or (d) conduct or the omission of conduct on the part of the Participant which constitutes a material breach of any statutory or common-law duty of loyalty to the Company or an Affiliate.

2.7 “Change in Control” has the meaning set forth in Section 12.2.

2.8 “Chief Executive Officer” means the person from time to time serving in the office of chief executive officer of the Company.

2.9 “Code” or “Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, Treasury Regulations (including proposed regulations) thereunder and any subsequent Internal Revenue Code.

2.10 “Committee” means the person or person appointed or designated by the Board to administer the Plan. Unless otherwise specifically appointed or designated by the Board, the Company’s entire Board (other than the Chief Executive Officer) shall constitute the Committee with respect to the Chief Executive Officer, and the Chief Executive Officer shall constitute the Committee with respect to all other Participants.

2.11 “Common Stock” means the shares of the Company’s common stock, no par value, whether presently or hereafter issued, and any other stock or security resulting from adjustment thereof as described hereinafter or the common stock of any successor to the Company which is designated for the purposes of the Plan.

2.12 “Company” means Oncobiologics Inc, a New Jersey corporation, and includes any successor or assignee corporation or corporations into which the Company may be merged, changed or consolidated; any corporation for whose securities the securities of the Company shall be exchanged; and any assignee of or successor to substantially all of the assets of the Company.

2.13 “Disability,” unless other provided in an Agreement, means:

(a) such term (or substantially equivalent term) defined in the written employment agreement or arrangement between the Participant and the Company, or in the event there is no such employment agreement or arrangement or the employment agreement or arrangement does not define the term “disability” or a substantially equivalent term, then



(b) a physical or mental condition or illness that entitles the Participant to receive benefits under the long-term disability plan of the Company or an Affiliate, or

(c) if the Participant is not covered by such a plan or the Participant is not an employee of the Company or an Affiliate, a physical or mental condition or illness that renders a Participant totally and permanently incapable of performing the Participant's duties for the Company or an Affiliate for a period (whether continuous or periodic) of at least six (6) months.

Notwithstanding the foregoing, a Disability shall not qualify under this Plan if it is the result of (i) a willfully self-inflicted injury or willfully self-induced sickness; or (ii) an injury or disease contracted, suffered, or incurred while participating in a felony criminal offense. The determination of Disability shall be made by the Committee. The determination of Disability for purposes of this Plan shall not be construed to be an admission of disability for any other purpose.

2.14 "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

2.15 "Fair Market Value" means the value of one share of Common Stock, determined pursuant to the applicable method described below, without regard to whether the Common Stock is restricted or represents a minority interest:

(a) if the Common Stock is listed on a national securities exchange or quoted on NASDAQ, the closing price of the Common Stock on the relevant date (or, if such date is not a business day or a day on which quotations are reported, then on the immediately preceding date on which quotations were reported), as reported by the principal national exchange on which such shares are traded (in the case of an exchange) or by NASDAQ, as the case may be;

(b) if the Common Stock is not listed on a national securities exchange or quoted on NASDAQ, but is actively traded in the over-the-counter market, the average of the closing bid and asked prices for the Common Stock on the relevant date (or, if such date is not a business day or a day on which quotations are reported, then on the immediately preceding date on which quotations were reported), or the most recent preceding date for which such quotations are reported; and

(c) if, on the relevant date, the Common Stock is not publicly traded or reported as described in (a) or (b) above, the value determined in good faith by the Committee, such as through an annual appraisal of the Company by an independent appraisal firm selected by the Board.

2.16 "Grant Date" means the date as of which an Award is granted pursuant to the Plan.

2.17 "Immediate Family Member" means, except as otherwise determined by the Committee, a Participant's children, stepchildren, grandchildren, descendants, parents, stepparents, grandparents, spouse, siblings, in-laws and persons related by reason of legal adoption, including a trust (or a custodian under a uniform gifts to minors act or similar statute) for the benefit of any one or more of the foregoing.

- 2.18 “NASDAQ” means The NASDAQ Stock Market, including the NASDAQ National Market.
- 2.19 “Nonqualified Stock Option” means an Option to purchase Common Stock in the Company granted under the Plan, the taxation of which is pursuant to Section 83 of the Code.
- 2.20 “Option” or “Stock Option” means a right, granted to a Participant under Section 6.1 hereof, to purchase Common Stock at a specified price during specified time periods.
- 2.21 “Option Period” means the period during which an Option shall be exercisable in accordance with the related Agreement and Article VI.
- 2.22 “Option Price” means the price at which the Common Stock may be purchased under an Option as provided in Section 6.3(b).
- 2.23 “Participant” means a person who satisfies the eligibility conditions of Article V and to whom an Award has been granted under the Plan, and in the event a Representative is appointed for a Participant or another person becomes a Representative, then the term “Participant” shall mean such Representative. The term also shall include an Immediate Family Member to whom an Award has been transferred if and to the extent provided by an Agreement. Notwithstanding the foregoing, the term “Termination of Employment” shall mean the Termination of Employment of the person to whom the Award was originally granted.
- 2.24 “Plan” means this Oncobiologics Inc Stock Incentive Plan, as herein set forth and as may be amended from time to time.
- 2.25 “Representative” means (a) the person or entity acting as the executor or administrator of a Participant’s estate pursuant to the last will and testament of a Participant or pursuant to the laws of the jurisdiction in which the Participant had the Participant’s primary residence at the date of the Participant’s death; (b) the person or entity acting as the guardian or temporary guardian of a Participant; (c) the person or entity which is the Beneficiary of the Participant upon or following the Participant’s death; or (d) any person to whom an Award has been permissibly transferred; provided that only one of the foregoing shall be the Representative at any point in time as determined under applicable law and recognized by the Committee. Any Representative shall be subject to all terms and conditions applicable to the Participant.
- 2.26 “Restricted Stock” means an Award granted under Article VII hereof.
- 2.27 “Retirement” means the Participant’s Termination of Employment after attaining either the normal retirement age as defined in the principal (as determined by the Committee) tax-qualified plan of the Company or an Affiliate, if the Participant is covered by such a plan, or if the Participant is not covered by such a plan, then age sixty-five (65).
- 2.28 “Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
- 2.29 “Termination of Employment” means the occurrence of any act or event that actually or effectively causes or results in the person’s ceasing, for whatever reason, to be an

officer, director or employee of the Company or of any subsidiary of the Company, including, without limitation, death, Disability, dismissal, severance at the election of the Participant, Retirement, or severance as a result of the discontinuance, liquidation, sale or transfer by the Company or its subsidiaries of all businesses owned or operated by the Company or its subsidiaries. A transfer of employment from the Company to a subsidiary, or from a subsidiary to the Company, will not be a Termination of Employment, unless expressly determined by the Committee. A Termination of Employment shall occur for an employee who is employed by a subsidiary of the Company if the subsidiary shall cease to be a subsidiary and the Participant shall not immediately thereafter become an employee of the Company or a subsidiary of the Company.

2.30 "Transfer" means any sale, gift, assignment, distribution, conveyance, pledge, hypothecation, encumbrance or other disposition or transfer of title, whether by operation of law or otherwise.

In addition, certain other terms used herein have definitions given to them in the first place in which they are used.

### ARTICLE III

#### ADMINISTRATION

##### 3.1 Committee Actions.

(a) The Plan shall be administered by the Committee. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all of the members, shall be the acts of the Committee.

(b) A member of the Committee shall not exercise any discretion respecting himself or herself under the Plan. The Board shall have the authority to remove, replace or fill any vacancy of any member of the Committee upon notice to the Committee and the affected member. Any member of the Committee may resign upon notice to the Board. The Committee may allocate among one or more of its members, or may delegate to one or more of its agents, such duties and responsibilities as it determines.

##### 3.2 Committee Authority. Subject to the terms of the Plan, the Committee shall have the authority:

- (a) to select those persons to whom Awards may be granted from time to time;
- (b) to determine whether and to what extent Awards are to be granted hereunder within plan guidelines;
- (c) to determine the number of shares of Common Stock to be covered by each Award granted hereunder;

- (d) to determine the terms and conditions of any Award granted hereunder (including, but not limited to, the Option Price, the Option Period, any exercise restriction or limitation and any exercise acceleration, forfeiture or waiver regarding any Award, any shares of Common Stock relating thereto, any performance criteria and the satisfaction of each criteria);
- (e) to adjust the terms and conditions, at any time or from time to time, of any Award, subject to the limitations of Section 10.1;
- (f) to determine to what extent and under what circumstances Common Stock and other amounts payable with respect to an Award shall be deferred;
- (g) to determine under what circumstances an Award may be settled in cash or Common Stock;
- (h) to provide for the forms of Agreements and other documents and notices to be utilized in connection with the Plan;
- (i) to determine what securities law and other legal requirements are applicable to the Plan, Awards and the issuance of shares of Common Stock under the Plan and to require of a Participant that appropriate action be taken with respect to such requirements;
- (j) to cancel, with the consent of the Participant or as otherwise provided in the Plan or an Agreement, outstanding Awards;
- (k) to interpret and make final determinations with respect to the remaining number of shares of Common Stock available under this Plan;
- (l) to require, as a condition of the exercise of an Award or the issuance or transfer of a certificate of Common Stock, the withholding from a Participant of the amount of any Federal, state or local taxes as may required by law;
- (m) to determine whether, under what circumstances and with what effect a Participant has incurred a Termination of Employment;
- (n) to determine whether the Company or any other person has a right or obligation to purchase Common Stock from a Participant and, if so, the terms and conditions on which such Common Stock is to be purchased;
- (o) to determine Fair Market Value;
- (p) to determine the restrictions or limitations on the transfer of Common Stock;
- (q) to determine whether an Award is to be adjusted, modified or purchased, or is to become fully exercisable, under the Plan or the terms of an Agreement;
- (r) to determine the permissible methods of Award exercise and payment;

- (s) to adopt, amend and rescind such rules and regulations as, in its opinion, may be advisable in the administration of the Plan; and
- (t) to appoint and compensate agents, counsel, auditors or other specialists to aid it in the discharge of its duties.

The Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any Agreement) and to otherwise supervise the administration of the Plan. The Committee's policies and procedures may differ with respect to Awards granted at different times or to different Participants.

Any determination made by the Committee pursuant to the provisions of the Plan shall be made in its sole discretion, and in the case of any determination relating to an Award, may be made at the time of the grant of the Award or, unless in contravention of any express term of the Plan or an Agreement, at any time thereafter. All decisions made by the Committee pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Participants. No determination shall be subject to de novo review if challenged in court.

#### ARTICLE IV

##### STOCK SUBJECT TO PLAN

4.1 Number of Shares. Subject to the adjustment under Section 4.5, the total number of shares of Common Stock reserved and available for distribution pursuant to Awards awarded under the Plan shall be 4,000,000 shares of Common Stock. Such shares may consist, in whole or in part, of authorized and unissued shares acquired from a third party or treasury shares. Share awards will not exceed 1,000,000 shares to any individual for any plan year or over the life of the plan. This share limitation would be adjusted on a pro-rata basis should additional shares be reserved for plan award purposes.

4.2 Release of Shares. The Committee shall have full authority to determine the number of shares of Common Stock available for Award, and in its discretion may include (without limitation) as available for distribution any shares of Common Stock that have ceased to be subject to an Award; any shares of Common Stock subject to any Award that have been previously forfeited; any shares under an Award that otherwise terminates without issuance of shares of Common Stock being made to a Participant; or any shares of Common Stock that are received by the Company in connection with the exercise of an Award, including the satisfaction of any tax liability or tax withholding obligation. Any shares that are available immediately prior to the termination of the Plan, or any shares of Common Stock returned to the Company for any reason subsequent to the termination of the Plan, may be transferred to a successor plan.

4.3 Restrictions on Shares. Shares of Common Stock issued as or upon exercise of an Award shall be subject to the terms and conditions specified herein and to such other terms, conditions and restrictions as the Committee in its discretion may determine or provide in an Agreement. The Company shall not be required to issue or deliver any certificates for shares of

Common Stock, cash or other property prior to (i) the listing of such shares on any stock exchange or NASDAQ (or other public market) on which the Common Stock may then be listed (or regularly traded), (ii) the completion of any registration or qualification of such shares under Federal or state law, or any ruling or regulation of any government body which the Committee determines to be necessary or advisable, and (iii) the satisfaction of any applicable withholding obligation in order for the Company or an Affiliate to discharge its legal obligation with respect to the exercise of an Award. The Company may cause any certificate for any share of Common Stock to be delivered to be properly marked with a legend or other notation reflecting the limitations on transfer of such Common Stock as provided in this Plan or as the Committee may otherwise require. The Committee may require any person exercising an Award to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the shares of Common Stock in compliance with applicable law or otherwise. Fractional shares shall not be delivered, but shall be rounded to the next lower whole number of shares.

4.4 Shareholder Rights. No person shall have any rights of a shareholder as to shares of Common Stock subject to an Award until, (i) after proper exercise of the Award, (ii) after such other action required pursuant to such Option, or (iii) as otherwise provided herein or in an Agreement, such shares shall have been recorded on the Company's official shareholder records as having been issued or transferred. Upon exercise of the Option or any portion thereof, the Company will have thirty (30) days in which to issue the shares, and the Participant will not be treated as a shareholder for any purpose prior to such issuance. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date such shares are recorded as issued or transferred in the Company's official shareholder records, except as provided here in or in an Agreement.

4.5 Adjustment for Corporate Changes. In the event of any Company stock dividend, stock split, combination or exchange of shares, recapitalization or other change in the capital structure of the Company, corporate separation or division of the Company (including, but not limited to, a split-up, spin-off, split-off or distribution to Company shareholders other than a normal cash dividend), sale by the Company of all or a substantial portion of its assets, reorganization, rights offering, a partial or complete liquidation, or any other corporate transaction or event involving the Company, then the Committee shall adjust or substitute, as the case may be, the number of shares of Common Stock available for Awards under the Plan, the number of shares of Common Stock covered by outstanding Awards, the exercise price per share of outstanding Awards, and any other characteristics or terms of the Awards as the Committee shall deem necessary or appropriate to reflect equitably the effects of such changes to the Participants; provided, however, that any fractional shares resulting from such adjustment shall be eliminated by rounding to the next lower whole number of shares.

## ARTICLE V

### ELIGIBILITY AND SELECTION

5.1 Eligibility. The persons eligible to participate in the Plan and be granted Awards shall be directors, officers, employees of the Company or any subsidiary of the Company, and independent contractors and consultants to the Company who shall be in a position, in the opinion of the Committee, to make contributions to the growth, management, protection and success of the Company and its subsidiaries.

5.2 Selection of Participants. Of those persons described in the preceding Section, the Committee may, from time to time, select persons to be granted Awards and shall determine the terms and conditions with respect thereto. The Committee may give consideration to the person's functions and responsibilities, the person's contributions to the Company, the value of the individual's service to the Company and other factors deemed relevant by the Committee.

## ARTICLE VI

### STOCK OPTIONS

6.1 General. The Committee shall have authority to grant Options under the Plan at any time or from time to time, which Options shall be limited to Nonqualified Stock Options. An Option shall entitle the Participant to receive shares of Common Stock upon exercise of such Option, subject to the Participant's satisfaction in full of any conditions, restrictions or limitations imposed in accordance with the Plan or an Agreement (which may differ from other Agreements), including, without limitation, payment of the Option Price.

6.2 Grant and Exercise. The grant of an Option shall occur as of the date the Committee determines. Options may be granted alone or in connection with other Awards. Each Option granted under this Plan shall be evidenced by an Agreement, in a form approved by the Committee, which shall embody the terms and conditions of such Option and which shall be subject to the express terms and conditions set forth in the Plan. Such Agreement shall become effective upon execution by the Participant.

6.3 Terms and Conditions. Options shall be subject to such terms and conditions as shall be determined by the Committee, including the following:

(a) Option Period. The Option Period of each Option shall be fixed by the Committee; provided that no Option shall be exercisable more than ten (10) years after the date the Option is granted.

(b) Option Price. The Option Price per share of the Common Stock purchasable under an Option shall be at least Fair Market Value as of the Grant Date, as determined by the Committee.

(c) Vesting and Exercisability. Subject to Section 10.1, Options shall be vested and exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee and set forth in an Agreement. In addition, the Committee at any time may accelerate the exercisability of or part of any Option.

(d) Method of Exercise; Payment. Subject to the provisions of this Article VI, a Participant may exercise Options, in whole or in part, at any time during the Option Period by the Participant's giving written notice of exercise on a form provided by the Committee (if available) to the Company specifying the number of shares of Common Stock subject to the Option which are to be purchased. Such notice shall be accompanied by payment in full of the

purchase price by cash, certified or cashier's check or such other form of payment authorized in the Agreement evidencing this Option. To the extent set forth in the Agreement evidencing the Option, payment in full or in part may be made (i) by delivering shares of Common Stock already owned by the Participant for a period of at least six (6) months and having a total Fair Market Value (for all such shares) on the date of such delivery equal to the aggregate Option Price (for the number of shares of Common Stock which are to be purchased); (ii) by authorizing the Company to retain shares of Common Stock which would otherwise be issuable upon the exercise of the Option having a total Fair Market Value (for all such shares) on the date of delivery equal to the aggregate Option Price (for the total number of shares of Common Stock which are to be purchased); (iii) by such other payment means authorized by the Committee; or (iv) by any combination of the foregoing. No shares of Common Stock shall be issued until full payment therefor has been made. Subject to any forfeiture restrictions or deferral limitations that may apply if an Option is exercised using Restricted Stock and any terms and conditions of an Agreement, a Participant shall have all of the rights of a shareholder of the Company holding the class of Common Stock that is subject to such Option (including, if applicable, the right to vote the shares and the right to receive dividends) when the Participant has given written notice of exercise, has paid in full for such shares, and such shares have been recorded on the Company's official shareholder records as having been issued and transferred.

(e) Nontransferability. Except as specifically provided herein or in an Agreement with respect to Transfers to an Immediate Family Member, no Option or interest therein shall be transferable by a Participant other than by will or by the laws of descent and distribution. All Options shall be exercisable during the Participant's lifetime only by a Participant.

6.4 Termination by Reason of Death, Disability or Retirement. Unless otherwise provided in an Agreement, if a Participant incurs a Termination of Employment due to death, Disability or Retirement any unexpired and unexercised Option held by such Participant shall thereafter be fully exercisable for a period of one (1) year immediately following the date of such Termination of Employment or until the expiration of the Option Period, whichever period is the shorter.

6.5 Other Termination of Employment. Unless otherwise provided in an Agreement or determined by the Committee, if a Participant incurs a Termination of Employment for any reason other than as provided in Section 6.4 above, any Option held by such Participant thereupon shall terminate immediately. The death or Disability of a Participant after a Termination of Employment otherwise provided herein shall not extend the time permitted to exercise an Option.

6.6 Cashing-Out of Option. On receipt of written notice of exercise, the Committee may elect to cash-out all or any part of the Option to be exercised by paying the Participant an amount, in cash or Common Stock, equal to the excess of the Fair Market Value of the Common Stock that is subject to the Option over the Option Price times the number of shares of Common Stock subject to the Option on the effective date of such cash-out.



## ARTICLE VII

### RESTRICTED STOCK

7.1 General. The Committee shall have authority to grant shares of Restricted Stock under the Plan at any time or from time to time. The Committee shall determine the number of shares of Restricted Stock to be awarded to any Participant, the time or times within which such Awards may be subject to forfeiture, and any other terms and conditions of the Awards. Each Award shall be confirmed by, and be subject to the terms of, an Agreement which shall become effective upon execution by the Participant.

7.2 Grant, Awards and Certificates. The grant of Restricted Stock shall occur as of the date the Committee determines. Shares of Restricted Stock may be awarded either alone or in addition to other Awards granted under the Plan. Notwithstanding the limitations on issuance of shares of Common Stock otherwise provided in the Plan, each Participant receiving an Award of Restricted Stock shall be issued a certificate in respect of such shares of Restricted Stock. Such certificate shall be registered in the name of such Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award as determined by the Committee. The Committee may require that the certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed and may require in an Agreement such terms and conditions as shall apply thereafter. As a condition of any Award of Restricted Stock, the Committee may require that the Participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Award.

7.3 Terms and Conditions. Shares of Restricted Stock shall be subject to such terms and conditions as shall be determined by the Committee, including the following:

(a) Transfer Limitations. Except as specifically provided herein or in an Agreement, during a period set by the Committee, commencing with the date of such Award (the "Restriction Period"), shares of Restricted Stock shall not be subject to Transfer. After the expiration of the Restriction Period, shares of Restricted Stock only shall be subject to Transfer in accordance with the terms of this Plan and an Agreement and only to an Immediate Family Member.

(b) Rights. Except as provided in this Section and any Agreement with respect to shares of Restricted Stock, a Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a shareholder of the Company holding the class of Common Stock that is the subject of the Restricted Stock, including, if applicable, the right to receive any cash dividends. Notwithstanding the foregoing, during the Restriction Period and thereafter (as further provided in an Agreement with respect to the Award), all shares of Restricted Stock shall be held in custody by the Company (or as otherwise provided in the Agreement) and shall be voted by the Chief Executive Officer.

(c) Criteria. Based on service, performance by the Participant or by the Company or the Affiliate, including any division or department for which the Participant is employed or such other factors or criteria as the Committee may determine, the Committee may provide for the lapse of restrictions in installments and may accelerate the vesting of all or any part of any Award and waive the restrictions for all or any part of such Award.

(d) **Forfeiture.** Unless otherwise provided in an Agreement if a Participant has a Termination of Employment due to death, Disability or Retirement, the Restrictions shall be cancelled on the earlier of (1) the first anniversary of such Termination of Employment or (2) the expiration of the remaining .Restricted Period and the shares of Restricted Stock shall be fully vested and nonforfeitable, subject to the terms, conditions, and restrictions of the Shareholder's Agreement which shall remain in effect.. Except to the extent otherwise provided in the applicable Agreement and the Plan, upon a Participant's Termination of Employment for any reason during the Restriction Period other than a Termination of Employment due to death, Disability or Retirement, all shares of Restricted Stock which have not vested pursuant to an Agreement shall be forfeited by the Participant, except the Committee shall have the discretion to waive in whole or in part any or all remaining restrictions with respect to any or all of such Participant's shares of Restricted Stock.

(e) **Delivery.** If a stock certificate is issued in respect of Restricted Stock, the certificate shall be registered in the name of the Participant but shall be held by the Company for the account of the Participant until the end of the Restriction Period or such later date as provided by the Plan or an Agreement. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, unlegended certificates for such shares shall be delivered to the Participant.

(f) **Election.** A Participant may elect to further defer receipt of the Restricted Stock for a specified period or until a specified event, subject to the Committee's approval and to such terms as are determined by the Committee. Subject to any exceptions adopted by the Committee, such election must be made one (1) year prior to completion of the Restriction Period.

## ARTICLE VIII

### **RESTRICTED SHARE UNITS**

8.1 **General.** Restricted Share Units may be granted alone or in addition to other Awards granted under the Plan. Any Restricted Share Units granted under the Plan will be in such form as the Committee may from time to time approve, and the provisions of Restricted Share Unit Awards need not be the same with respect to each Grantee. Grantees who are granted Restricted Share Units will enter into an Award Agreement with the Company, in such form as the Committee will determine. Restricted Share Units granted under the Plan will be subject to the following terms and conditions and to the relevant Award Agreement:

a) **Terms and Conditions.** The form, terms and conditions of each Restricted Share Unit will be determined by the Committee and will be set forth in an Award Agreement. Such terms and conditions may include, the conditions or circumstances upon which such Restricted Share Unit will vest, be forfeited or otherwise modified, and the date or dates upon which any Shares, cash or other property will be delivered to the Grantee in respect of the Restricted Share Units. The Committee will specify in the applicable Award Agreement the circumstances in which Restricted Share Units will be paid or forfeited in the event of a Grantee's termination of employment.

b) Settlement of Restricted Share Units. The Committee, in its sole discretion, may instruct the Company to pay on the date when Shares would otherwise be issued pursuant to a Restricted Share Unit, in lieu of such Shares, a cash amount equal to the number of such Shares multiplied by the Fair Market Value of a Share on the date when Shares would otherwise have been issued. If a Grantee is entitled to receive other shares, securities or other property as a result of an adjustment, pursuant to Section 5, the Committee, in its sole discretion, may instruct the Company to pay, in lieu of such other shares, securities or other property, cash equal to the fair market value thereof as determined in good faith by the Committee. Until the delivery of such Shares, cash, securities or other property, the rights of a Grantee with respect to a Restricted Share Unit will be only those of a general unsecured creditor of the Company

c) Right to Receive Dividends on Restricted Share Units. Unless the Committee determines otherwise, during the period prior to payment of the Restricted Share Unit, all ordinary cash dividends (as determined by the Committee in its sole discretion) that would have been paid upon any Share underlying a Restricted Share Unit had such Shares been issued will be paid only at the time and to the extent such Restricted Share Unit is vested.

## ARTICLE IX

### PERFORMANCE AWARDS

9.1 General. Performance Awards may be granted alone or in addition to other Awards granted under the Plan. Any Performance Awards granted under the Plan will be in such form as the Committee may from time to time approve, and the provisions of Performance Awards need not be the same with respect to each Grantee. Grantees who are granted Performance Awards will enter into an Award Agreement with the Company, in such form as the Committee will determine. Performance Awards granted under the Plan will be subject to the following terms and conditions and to the relevant Award Agreement:

a) Performance Awards may be denominated as a cash amount, a number of Restricted Shares, a number of Restricted Share Units, or a combination thereof and are awards which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award, including a Cash-Based Award, will constitute a Performance Award by conditioning the right of a Grantee to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions. In the event that a share certificate is issued in respect of Performance Awards, such certificates will be registered in the name of the Grantee but will be held by the Company until the time such Performance Awards are earned. The performance conditions and the performance period applicable to each Performance Award will be determined by the Committee and set forth in an Award Agreement.

9.2 Certain Performance Awards. To the extent a Performance Award is intended to satisfy the requirements for deductibility under Section 162(m) of the Code, the Committee will, in accordance with the requirements of Section 162(m), establish written performance criteria for the Company on a consolidated basis, and/or for specified Subsidiaries or Affiliates or other

business units of the Company, which will be comprised of specified levels of one or more of the following performance criteria as the Committee may deem appropriate: [market capitalization, liquidity events, earnings per share, net earnings, operating earnings, unit volume, net sales, market share, balance sheet measurements, revenue, economic profit, cash flow, cash return on assets, shareowner return, return on equity, return on capital or other value-based performance measures] (“Performance Criteria”). Performance Awards may also be payable when Company performance, as measured by one or more of the above Performance Criteria, as compared to peer companies meets or exceeds an objective criterion established by the Committee. Performance Awards that are intended to satisfy the requirements for deductibility under Section 162(m) of the Code may not be adjusted upward. The Committee has the discretion to adjust such Performance Awards downward, either on a formula or discretionary basis or any combination, as the Committee determines.

9.3 Adjustment. The Committee may disregard or offset the effect of any special charges or gains or cumulative effect of a change in accounting in determining the attainment of Performance Criteria. In addition, the Committee is authorized to make adjustments in the terms and conditions of Performance Awards, including to any applicable Performance Criteria, in recognition of unusual or nonrecurring events (including Adjustment Events, as well as acquisitions and dispositions of businesses and assets) affecting the Company or any business unit of the Company, or the financial statements of the Company or any business unit, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee’s assessment of the business strategy of the Company, any Subsidiary or Affiliate or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Grantee, and any other circumstances deemed relevant; provided that the Committee will consider the extent to which any such adjustment may cause Awards to fail to be deductible under Section 162(m) of the Code.

9.4 Settlement of Performance Awards; Other Terms. Settlement of Performance Awards will be in cash, Shares, other Awards or other property, or any combination of the foregoing, in the sole discretion of the Committee. The Committee will specify in the applicable Award Agreement the circumstances in which Performance Awards will be paid or forfeited in the event of a Grantee’s termination of employment. Any payment of a Performance Award intended to satisfy the requirements for deductibility under Section 162(m) of the Code will be conditioned on the written certification of the Committee in each case that the Performance Criteria and any other material conditions were satisfied.

## ARTICLE X

### PROVISIONS APPLICABLE TO STOCK ACQUIRED UNDER PLAN

10.1 Limited Transfer During Underwritten Offering. In the event there is an effective registration statement under the Securities Act pursuant to which shares of Common Stock shall be offered for sale in an underwritten offering, a Participant shall not, during the period requested by the underwriters managing the registered offering, effect any public sale or distribution of shares received directly or indirectly pursuant to an exercise of an Award.

10.2 Committee Discretion. The Committee may, in its sole discretion, include in any Agreement an obligation that the Company purchase a Participant's shares of Common Stock received upon the exercise of an Option (including the purchase of any unexercised Options which have not expired), or may obligate a Participant to sell shares of Common Stock to the Company, upon such terms and conditions as the Committee may determine and set forth in an Agreement. The provisions of this Article VIII shall be construed by the Committee in its sole discretion, and shall be subject to such other terms and conditions as the Committee may from time to time determine. Notwithstanding any provision herein to the contrary, the Company may upon determination by the Committee assign its right to purchase shares of Common Stock under this Article VIII, whereupon the assignee of such right shall have all the rights, duties and obligations of the Company with respect to purchase of the shares of Common Stock.

10.3 No Company Obligation. None of the Company, an Affiliate or the Committee shall have any duty or obligation to disclose affirmatively to a record or beneficial holder of Common Stock or an Award, and such holder shall have no right to be advised of, any material information regarding the Company or any Affiliate at any time prior to, upon or in connection with receipt or the exercise or distribution of an Award or the Company's purchase of Common Stock or an Award from such holder in accordance with the terms hereof.

## ARTICLE XI

### CASH-BASED AWARDS AND OTHER AWARDS

11.1 Cash-Based Awards. Subject to the terms and provisions of this Plan, the Committee may grant cash-based awards to Grantees in such amounts and upon such terms, including the achievement of specific performance goals, as the Committee may determine. The terms and conditions applicable to Cash-Based Awards, including the specified payment amount or payment range, will be as determined by the Committee and set forth in an Award Agreement. The maximum targeted amount awarded or credited with respect to Cash-Based Awards to any individual Grantee in any one calendar year may not exceed \$2,000,000.

11.2 Other Awards. The Committee may grant other types of equity-based or equity-related Awards (including unrestricted Shares) in such amounts and subject to such terms and conditions as the Committee will determine. Such Other Awards may entail the transfer of actual Shares, or payment in cash or otherwise of amounts based on the value of Shares. The terms and conditions applicable to Other Awards will be as determined by the Committee and set forth in an Award Agreement.

## ARTICLE XII

### CHANGE IN CONTROL PROVISIONS

12.1 Impact of Event. Notwithstanding any other provision of the Plan to the contrary, unless otherwise provided in an Agreement, in the event of a Change in Control (as defined in Section 9.1, any Options outstanding as of the date such Change in Control and not then fully vested and exercisable shall become fully vested and exercisable to the full extent of the original grant.

12.2 Definition of Change in Control. For purposes of this Plan, a “Change in Control” shall be deemed to have occurred if:

- (a) any corporation, person or other entity (other than the Company, a majority-owned subsidiary of the Company or any of its subsidiaries, or an employee benefit plan (or related trust) sponsored or maintained by the Company), including a “group” as defined in Section 13(d)(3) of the Exchange Act becomes the beneficial owner of stock representing more than fifty percent (50%) of the combined voting power of the Company’s then outstanding securities;
- (b) (i) the shareholders of the Company approve a definitive agreement to merge or consolidate the Company with or into another corporation other than a majority-owned subsidiary of the Company, or to sell or otherwise dispose of all or substantially all of the Company’s assets, and (ii) the persons who were the members of the Board of Directors of the Company prior to such approval do not represent a majority of the directors of the surviving, resulting or acquiring entity or the parent thereof;
- (c) the shareholders of the Company approve a plan of liquidation of the Company; or
- (d) within any period of twenty-four (24) consecutive months, persons who were members of the Board of Directors of the Company immediately prior to such twenty-four (24) month period, together with any persons who were first elected as directors (other than as a result of any settlement of a proxy or consent solicitation contest or any action taken to avoid such a contest) during such twenty (24) month period by or upon the recommendation of persons who were members of the Board of Directors of the Company immediately prior to such twenty-four (24) month period and who constituted a majority of the Board of Directors of the Company at the time of such election, cease to constitute a majority of the Board.

12.3 Additional Discretion. The Committee shall have full discretion, notwithstanding anything herein or in an Agreement to the contrary, to provide, with respect to an outstanding Award upon a Change in Control, that the securities of another entity be substituted hereunder for the Common Stock and to make equitable adjustment with respect thereto.

### ARTICLE XIII

#### MISCELLANEOUS

13.1 Amendments and Termination. The Board may amend, alter or discontinue the Plan at any time, but no amendment, alteration or discontinuation shall be made which would (a) impair the rights of a Participant under an Award theretofore granted without the Participant’s consent, except an amendment (a) made to avoid an expense charge to the Company or an Affiliate, (b) made to cause the Plan to comply with applicable law, or (c) made to permit the Company or an Affiliate a deduction under applicable law. In addition, no such amendment shall be made without the approval of the Company’s shareholders to the extent such approval is required by law or agreement. The Committee may amend, alter, or discontinue the terms of any Award theretofore granted, prospectively or retroactively, on the same conditions and limitations

(and exceptions to limitations) as apply to the Board, and further subject to any approval or limitations the Board may impose. Notwithstanding anything in the Plan to the contrary, if any right under this Plan would cause a transaction to be ineligible for pooling of interest accounting that would, but for the right hereunder, be eligible for such accounting treatment, the Committee may modify or adjust the right so that pooling of interest accounting shall be available.

13.2 Unfunded Status of Plan. It is intended that the Plan be an “unfunded” plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the “unfunded” status of the Plan.

13.3 No Creditor Rights. Unless otherwise specifically provided in this Plan or in an Agreement, no Award shall be subject to the claims of Participant’s creditors and no Award may be transferred, assigned, alienated or encumbered in any way except as specifically authorized by this Plan and an Agreement entered into thereunder.

13.4 Beneficiary. Each Participant may designate a Beneficiary to exercise any Option or receive any Award held by the Participant at the time of the Participant’s death or to be assigned any other Award outstanding at the time of the Participant’s death. If a deceased Participant has named no Beneficiary, any Award held by the Participant at the time of death shall be transferred to one or more persons or entities who shall constitute the Participant’s Beneficiary under Section 2.4 above. Except in the case of the holder’s incapacity, only the holder may exercise an Option.

13.5 General Provisions.

(a) Representation. The Committee may require each person purchasing or receiving shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

(b) Withholding. No later than the date as of which an amount first becomes includible in the gross income of the Participant for Federal income tax purposes with respect to any Award, the Participant shall pay to the Company (or other entity identified by the Committee), or make arrangements satisfactory to the Company or other entity identified by the Committee regarding the payment of, any Federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations may be settled with shares of Common Stock, including shares of Common Stock that is part of the Award that give rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant.

(c) Controlling Law. The Plan and all Awards granted and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of New Jersey (other than its law respecting choice of law). The Plan shall be construed to comply with all applicable law and to avoid liability to the Company, an Affiliate or a Participant.

(d) Offset. Any amounts owed to the Company or an Affiliate by the Participant of whatever nature may be offset by the Company from the value of any shares of Common Stock, cash or other thing of value under this Plan or an Agreement to be transferred to the Participant, and no shares of Common Stock, cash or other thing of value under this Plan or an Agreement shall be transferred unless and until all disputes between the Company and the Participant have been fully and finally resolved and the Participant has waived all claims to such against the Company or an Affiliate.

13.6 Mitigation of Excise Tax. Except as otherwise provided in an Agreement, if any payment or right accruing to a Participant under this Plan (without the application of this Section 10.6), either alone or together with other payments or rights accruing to the Participant from the Company or an Affiliate ("Total Payments"), would constitute a "parachute payment" (as defined in Section 280G of the Code), such payment or right shall, if so elected by the Participant in his or her sole discretion, be reduced to the largest amount or greatest right that will result in no portion of the amount payable or right accruing under the Plan being subject to an excise tax under Section 4999 of the Code or being disallowed as a deduction under Section 280G of the Code. The determination of the amount of any potential reduction in the rights or payments shall be made by the Committee in good faith after consultation with the Participant and shall be communicated to Participant prior to his or her making such election. The Participant shall cooperate in good faith with the Committee in making such determination and providing the necessary information for this purpose. The foregoing provisions of this Section 13.6 shall apply with respect to any person only if, after reduction for any applicable Federal excise tax imposed by Section 4999 of the Code and Federal income tax imposed by the Code, the Total Payments accruing to such person would be less than the amount of the Total Payments as reduced, if applicable, under the foregoing provisions of the Plan and after reduction for only Federal income taxes.

13.7 Section 409A. If any distribution or settlement of an Award pursuant to the terms of this Plan or an Award Agreement would subject a Grantee to tax under Section 409A of the Code, the Company will use reasonable efforts to modify the Plan or applicable Award Agreement in the least restrictive manner necessary in order to comply with the provisions of Section 409A, other applicable provision(s) of the Code and/or any rules, regulations or other regulatory guidance issued under such statutory provisions and, in each case, without any diminution in the value of the payments to an affected Grantee.

13.8 No Rights with Respect to Continuance of Employment. Nothing contained herein shall be deemed to alter the relationship between the Company or an Affiliate and a Participant, or the contractual relationship between a Participant and the Company or an Affiliate if there is a written contract regarding such relationship. Nothing contained herein shall be construed to constitute a contract of employment between the Company or an Affiliate and a Participant. The Company or an Affiliate and each of the Participants continue to have the right to terminate the employment or service relationship at any time for any reason, except as



provided in a written contract. The Company or an Affiliate shall have no obligation to retain the Participant in its employ or service as a result of this Plan. There shall be no inference as to the length of employment or service hereby, and the Company or an Affiliate reserves the same rights to terminate the Participant's employment or service as existed prior to the individual becoming a Participant in this Plan.

13.9 Awards in Substitution for Options Granted by Other Corporations. Awards (including cash in respect of fractional shares) may be granted under the Plan from time to time in substitution for options held by employees or directors of other corporations who are about to become officers, directors or employees of the Company or an Affiliate as the result of a merger or consolidation of the employing corporation with the Company or an Affiliate, or the acquisition by the Company or an Affiliate of the assets of the employing corporation, or the acquisition by the Company or Affiliate of the stock of the employing corporation, as the result of which it becomes a designated employer under the Plan. The terms and conditions of the Awards so granted may vary from the terms and conditions set forth in this Plan at the time of such grant as the majority of the members of the Committee may deem appropriate to conform, in whole or in part, to the provisions of the options in substitution for which they are granted.

13.10 Procedure for Adoption. Any Affiliate of the Company may by resolution of such Affiliate's board of directors, with the consent of the Board of Directors and subject to such conditions as may be imposed by the Board of Directors, adopt the Plan for the benefit of its employees as of the date specified in the board resolution.

13.11 Procedure for Withdrawal. Any Affiliate which has adopted the Plan may, by resolution of the board of directors of such Affiliate, with the consent of the Board of Directors and subject to such conditions as may be imposed by the Board of Directors, terminate its adoption of the Plan.

13.12 Indemnification. Each person who is or shall have been a member of the Committee shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by that person in connection with or resulting from any claim, action, suit, or proceeding to which that person may be a party or in which that person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by that person in settlement thereof, with the Company's approval, or paid by that person in satisfaction of any judgement in any such action, suit, or proceeding against that person, provided that person shall give the Company an opportunity, at its own expense, to handle and defend the same before that person undertakes to handle and defend it on that person's own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's certificate of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

13.13 Headings. The headings contained in this Plan are for reference purposes only and shall not affect the meaning or interpretation of this Plan.

13.14 Severability. If any provision of this Plan shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not effect any other provision hereby, and this Plan shall be construed as if such invalid or unenforceable provision were omitted.

13.15 Successors and Assigns. This Plan shall inure to the benefit of and be binding upon each successor and assign of the Company. All obligations imposed upon a Participant, and all rights granted to the Company hereunder, shall be binding upon the Participant's heirs, legal representatives, and successors.

13.16 Entire Agreement. This Plan and the Agreement, including any Exhibits thereto, constitute the entire agreement with respect to the subject matter hereof and thereof, provided that in the event of any inconsistency between the Plan and the Agreement, the terms and conditions of this Plan shall control.

IN WITNESS WHEREOF, this instrument has been executed by the undersigned as of the 13th day of October, 2011.

**ONCOBIOLOGICS INC**

**By:** /s/ Pankaj Mohan  
(signature)

**Name:** Pankaj Mohan, PhD MBA

**Title:** Founder & CEO

## ONCOBIOLOGICS, INC.

## 2015 EQUITY INCENTIVE PLAN

ADOPTED BY THE BOARD OF DIRECTORS: DECEMBER 4, 2015

APPROVED BY THE STOCKHOLDERS: DECEMBER 7, 2015

EFFECTIVE DATE: DECEMBER 4, 2015

## 1. GENERAL.

(a) **Eligible Award Recipients.** Employees, Directors and Consultants are eligible to receive Awards.

(b) **Available Awards.** The Plan provides for the grant of the following types of 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.

(c) **Purpose.** The Plan, through the granting of Awards, is intended to help the Company secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and provide a means by which the eligible recipients may benefit from increases in value of the Common Stock.

## 2. ADMINISTRATION.

(a) **Administration by Board.** The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) **Powers of Board.** The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine (A) who will be granted Awards; (B) when and how each Award will be granted; (C) what type of Award will be granted; (D) the provisions of each Award (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Stock under the Award; (E) the number of shares of Common Stock subject to, or the cash value of, an Award; 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 administration of the Plan and Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement or in the written terms of a Performance Cash Award, in a manner and to the extent it will 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, in whole or in part, the time at which an Award may be exercised or vest (or at which cash or shares of Common Stock may be issued).

(v) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or an Award Agreement, suspension or termination of the Plan will not materially impair a

Participant's rights under his or her then-outstanding Award without his or her written consent except as provided in subsection (viii) below.

**(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 make the Plan or Awards granted under the Plan compliant with the requirements for Incentive Stock Options or exempt from or compliant with the requirements for nonqualified deferred compensation under Section 409A of the Code, subject to the limitations, if any, of applicable law. However, if required by applicable law or listing requirements, and except as provided in Section 9(a) relating to Capitalization Adjustments, the Company will seek stockholder approval of any amendment of the Plan that (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, (D) materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (E) materially extends the term of the Plan, or (F) materially expands the types of Awards available for issuance under the Plan. Except as provided in the Plan (including subsection (viii) below) or an Award Agreement, no amendment of the Plan will materially impair a Participant's rights under an outstanding Award 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 a Participant's rights under any Award will 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, (1) a Participant's rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights, and (2) 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 (A) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (B) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (C) to clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A of the Code; or (D) to comply with other applicable laws or listing requirements.

**(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 (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Award Agreement that are required for compliance with the laws of the relevant foreign jurisdiction).

(xi) To effect, with the consent of any adversely affected Participant, (A) the reduction of the exercise, purchase or strike price of any outstanding Stock Award; (B) the cancellation of any outstanding Stock Award and the grant in substitution thereof of a new (1) Option or SAR, (2) Restricted Stock Award, (3) Restricted Stock Unit Award, (4) Other Stock Award, (5) cash and/or (6) other valuable consideration determined by the Board, in its sole discretion, with any such substituted award (x) covering the same or a different number of shares of Common Stock as the cancelled Stock Award and (y) granted under the Plan or another equity or compensatory plan of the Company; 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 will 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 will thereafter be to the Committee or subcommittee). Any delegation of administrative powers will be reflected in resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Committee may, at any time, abolish the subcommittee and/or revert 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, revert 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 or more Officers the authority to do one or both of the following (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law, other Stock Awards) and, to the extent permitted by applicable law, the terms of such Awards, 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 will 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. Any such Stock Awards will be granted on the form of Award Agreement most recently approved for use by the Committee or the Board, unless otherwise provided in the resolutions approving the delegation authority. The Board may not delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Fair Market Value pursuant to Section 13(y)(iii) below.

(e) **Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will 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, and the following sentence regarding the annual increase, the aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards will not exceed 4,300,000 shares (the "**Share Reserve**"). In

addition, subject to the occurrence of the IPO Date, (i) the Share Reserve will automatically increase on the date that is sixty (60) calendar days following the IPO Date by an amount of shares of Common Stock equal to 3% of the total number of shares of Common Stock outstanding on such sixtieth (60<sup>th</sup>) day following the IPO Date, and (ii) the Share Reserve will automatically increase on January 1<sup>st</sup> of each year, for a period of not more than ten years following the Effective Date, commencing on January 1<sup>st</sup> of the year following the year in which the IPO Date occurs and ending on (and including) January 1, 2025, in an amount equal to 3% of the total number of shares of Common Stock outstanding on December 31<sup>st</sup> of the immediately preceding calendar year. Notwithstanding the foregoing, the Board may act prior to January 1<sup>st</sup> of a given year to provide that there will be no January 1<sup>st</sup> increase in the Share Reserve for such year or that the increase in the Share Reserve for such year will 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. Accordingly, this Section 3(a) 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 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 will not reduce the number of shares available for issuance under the Plan.

**(b) Reversion of Shares to the Share Reserve.** 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 will not reduce (or otherwise offset) the number of shares of Common Stock that may be available for issuance under the Plan. 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 will revert to and again become available for issuance under the Plan. Any shares reacquired by the Company in satisfaction of tax withholding obligations on a Stock Award or as consideration for the exercise or purchase price of a Stock Award will again become available for issuance under the Plan.

**(c) Incentive Stock Option Limit.** Subject to the Share Reserve and 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 will be 17,000,000 shares of Common Stock.

**(d) Section 162(m) Limitations.** Subject to the Share Reserve and 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, the following limitations will apply.

**(i)** A maximum of 1,500,000 shares of Common Stock subject to Options, SARs and Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the Fair Market Value on the date any such Stock Award is granted may be granted to any one Participant during any calendar year.

**(ii)** A maximum of 1,500,000 shares of Common Stock subject to Performance Stock Awards may be granted to any one Participant during any one calendar year (whether the grant, vesting or exercise is contingent upon the attainment during the Performance Period of the Performance Goals).

**(iii)** A maximum of \$1,500,000 may be granted as a Performance Cash Award to any one Participant during any one calendar year.

If a Performance Stock Award is in the form of an Option, it will count only against the Performance Stock Award limit. If a Performance Stock Award could be paid out in cash, it will count only against the Performance Stock Award limit.

(e) **Limitation on Grants to Non-Employee Directors.** The maximum number of shares subject to Stock Awards granted under this Plan or under any other equity plan maintained by the Company during a single fiscal year to any Non-Employee Director, taken together with any cash fees paid to such Non-Employee Director during the fiscal year, will not exceed four hundred thousand dollars (\$400,000) in total value (calculating the value of any such Stock Awards based on the grant date fair value of such Stock Awards for financial reporting purposes and excluding, for this purpose, the value of any dividend equivalent payments paid pursuant to any Stock Award granted in a previous fiscal year).

(f) **Source of Shares.** The stock issuable under the Plan will 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 424(f) of the Code). Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants; provided, however, that Stock Awards 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, unless (i) the stock underlying such Stock Awards is treated as “service recipient stock” under Section 409A of the Code (for example, because the Stock Awards are granted pursuant to a corporate transaction such as a spin off transaction), (ii) the Company, in consultation with its legal counsel, has determined that such Stock Awards are otherwise exempt from Section 409A of the Code, or (iii) the Company, in consultation with its legal counsel, has determined that such Stock Awards comply with the distribution requirements of Section 409A of the Code.

(b) **Ten Percent Stockholders.** A Ten Percent Stockholder will not be granted an Incentive Stock Option unless the exercise price of such Option is at least 110% of the Fair Market Value on the date of grant and the Option is not exercisable after the expiration of five years from the date of grant.

#### 5. PROVISIONS RELATING TO OPTIONS AND STOCK APPRECIATION RIGHTS.

Each Option or SAR will be in such form and will contain such terms and conditions as the Board deems appropriate. All Options will 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 will 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, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Nonstatutory Stock Option. Each SAR will be denominated in shares of Common Stock equivalents. The provisions of separate Options or SARs need not be identical; *provided, however*, that each Award Agreement will 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 will 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 or strike price of each Option or SAR will be not less than 100% of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Award is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than 100% of the Fair Market Value of the Common Stock subject to the Award if such Award 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 Section 409A of the Code and, if applicable, Section 424(a) of the Code.

(c) **Purchase Price for Options.** The purchase price of Common Stock acquired pursuant to the exercise of an Option may 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 will 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 use 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 an 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 will 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. 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 used 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 and specified in the applicable Award Agreement.

(d) **Exercise and Payment of a SAR.** To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Right Award Agreement evidencing such SAR. The appreciation distribution payable on the exercise of a SAR 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 SAR) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such SAR, and with respect to which the Participant is exercising the SAR on such date, over (B) the aggregate strike price of the number of Common Stock equivalents with respect to which the Participant is exercising the SAR on



such date. The appreciation distribution 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 Award Agreement evidencing such SAR.

(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 will determine. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options and SARs will apply:

(i) **Restrictions on Transfer.** An Option or SAR will not be transferable except by will or by the laws of descent and distribution (and pursuant to subsections (ii) and (iii) below), and will be exercisable during the lifetime of the Participant only by the Participant. The Board may permit transfer of the Option or SAR in a manner that is not prohibited by applicable tax and securities laws. Except as explicitly provided herein, neither an Option nor a SAR may be transferred for consideration.

(ii) **Domestic Relations Orders.** Subject to the approval of the Board or a duly authorized Officer, an Option or SAR may be transferred pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulation Section 1.421-1(b)(2). 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.** Subject to the approval of the Board or a duly authorized Officer, a Participant may, by delivering written notice to the Company, in a form approved by the Company (or the designated broker), designate a third party who, upon the death of the Participant, will 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, upon the death of the Participant, the executor or administrator of the Participant's estate will be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. However, the Company may prohibit designation of a beneficiary at any time, including due to any conclusion by the Company that such designation would be inconsistent with the provisions of applicable laws.

(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 and 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 Award as of the date of termination of Continuous Service) within the 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) and (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 (as applicable) within the applicable time frame, the Option or SAR will 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 and 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 will terminate on the earlier of (i) the expiration of a total period of time (that need not be consecutive) 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 such registration requirements, and (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 on 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 will terminate on the earlier of (i) the expiration of a period of months (that need not be consecutive) 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) and (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 applicable time frame, the Option or SAR (as applicable) will 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) and (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 applicable time frame, the Option or SAR (as applicable) will 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 will terminate immediately upon such Participant's termination of Continuous Service, and the Participant will 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.** If an Option or SAR is granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, the Option or SAR will not 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 (although the Award may vest prior to such date). Consistent with the provisions of the Worker Economic Opportunity Act, (i) if such non-exempt Employee dies or suffers a 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, in another agreement between the Participant and the Company, or, if no such definition, in accordance with the Company's then current employment policies and guidelines), the vested portion of any Options and SARs may be exercised earlier than six (6) 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. To the extent permitted and/or required for compliance with the Worker Economic Opportunity Act to ensure that any income derived by a non-exempt employee in connection with the exercise, vesting or issuance of any shares under any other Stock Award will be exempt from the employee's regular rate of pay, the provisions of this Section 5(l) will apply to all Stock Awards and are hereby incorporated by reference into such Stock Award Agreements.

**6. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS AND SARs.**

**(a) Restricted Stock Awards.** Each Restricted Stock Award Agreement will be in such form and will contain such terms and conditions as the Board deems 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 will 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. Each Restricted Stock Award Agreement will 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 will be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award Agreement, as the Board will 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 will be in such form and will contain such terms and conditions as the Board deems 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. Each Restricted Stock Unit Award Agreement will 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 (covering a number of shares not in excess of that set forth in Section 3(d)(ii) above) that is payable (including that may be granted, vest or 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 will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board), in its sole

discretion. 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 (for a dollar value not in excess of that set forth in Section 3(d)(iii) above) that is payable 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 will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board), in its sole discretion. The Board 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.** To the extent provided in an Award Agreement, the Committee may retain 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. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Stock Award Agreement or the written terms of a Performance Cash Award.

**(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 will 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 90 days after the commencement of the applicable Performance Period, and (B) the date on which 25% of the Performance Period has elapsed, and in any 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 will 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 Performance Goals relate solely to the increase in the value of the Common Stock). Notwithstanding satisfaction of any completion of any Performance Goals, 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, will 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 will 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.** The Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy then-outstanding Stock Awards.
- (b) **Securities Law Compliance.** The Company will 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 will 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 and at a reasonable cost, 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 will 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 will not be eligible for the grant of an Award or the subsequent issuance of cash or Common Stock pursuant to the 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 will 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 will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Award to the holder of such 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 will constitute general funds of the Company.
- (b) **Corporate Action Constituting Grant of Awards.** Corporate action constituting a grant by the Company of an Award to any Participant will 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 Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action approving the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Agreement or related grant documents as a result of a clerical error in the papering of the Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement or related grant documents.
- (c) **Stockholder Rights.** No Participant will 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 an Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of shares of Common Stock under, the Award pursuant to its terms, and (ii) the issuance of the Common Stock subject to such Award has been entered into the books and records of the Company.
- (d) **No Employment or Other Service Rights.** Nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or will 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) Change in Time Commitment.** In the event a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence) after the date of grant of any Award to the Participant, the Board has the right in its sole discretion to (x) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

**(f) Incentive Stock Option Limitations.** 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 \$100,000 (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

**(g) Investment Assurances.** The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any 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 Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the 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, will 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.

**(h) Withholding Obligations.** Unless prohibited by the terms of an 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 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) 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.

(i) **Electronic Delivery.** Any reference herein to a “written” agreement or document will 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 (or other shared electronic medium controlled by the Company to which the Participant has access).

(j) **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.

(k) **Clawback/Recovery.** All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company’s securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to voluntarily terminate employment upon a “resignation for good reason,” or for a “constructive termination” or any similar term under any plan of or agreement with the Company.

(l) **Compliance with Section 409A.** Unless otherwise expressly provided for in an Award Agreement, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, and, to the extent not so exempt, in compliance with Section 409A of the Code. If the Board determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A of the Code, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement. 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 if 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 that is due because of a “separation from service” (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six months following the date of such Participant’s “separation from service” 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, and any amounts so deferred will be paid in a lump sum on the day after such six month period elapses, with the balance paid thereafter on the original schedule.



9. ADJUSTMENTS UPON CHANGES IN COMMON STOCK; OTHER CORPORATE EVENTS.

(a) **Capitalization Adjustments.** In the event of a Capitalization Adjustment, the Board will 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), (iv) the class(es) and maximum number of securities that may be awarded to any Non-Employee Director pursuant to Section 3(e), and (v) the class(es) and number of securities and price per share of stock subject to outstanding Stock Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

(b) **Dissolution.** Except as otherwise provided in the Stock Award Agreement, in the event of a Dissolution 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) will terminate immediately prior to the completion of such Dissolution, 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 is completed but contingent on its completion.

(c) **Corporate Transaction.** The following provisions will 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. In the event of a Corporate Transaction, then, notwithstanding any other provision of the Plan, the Board may 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, in whole or in part, 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 determines (or, if the Board does not determine such a date, to the date that is five 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; *provided, however*, that the Board may require Participants to complete and deliver to the Company a notice of exercise before the effective date of a Corporate Transaction, which exercise is contingent upon the effectiveness of such Corporate Transaction;

(iv) arrange for the lapse, in whole or in part, 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 immediately prior to the effective time of the Corporate Transaction, over (B) any exercise price payable by such holder in connection with such exercise. For clarity, this payment may be \$0 if the value of the property is equal to or less than the exercise price. Payments under this provision may be delayed to the same extent that payment of consideration to the holders of the Company's Common Stock in connection with the Corporate Transaction is delayed as a result of escrows, earn outs, holdbacks or any other contingencies.

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. The Board may take different actions with respect to the vested and unvested portions of a Stock Award. Unless otherwise provided in the instrument evidencing a Performance Cash Award or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board, in the event of a Corporate Transaction, then all Performance Cash Awards outstanding under the Plan will terminate prior to the effective time of such Corporate Transaction.

(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 will occur.

**10. TERMINATION OR SUSPENSION OF THE PLAN.**

(a) The Board may suspend or terminate the Plan at any time. No Incentive Stock Option will be granted after the tenth anniversary of the Effective Date. 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 will not materially impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant or as otherwise permitted in the Plan.

**11. EFFECTIVE DATE OF PLAN.**

The Plan will become effective on the Effective Date.

**12. CHOICE OF LAW.**

The laws of the State of Delaware will 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 will 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. The Board will 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, reverse 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 Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(f) “**Cause**” will 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 means, with respect to a Participant, the occurrence of any of the following events: (i) such Participant’s commission of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state thereof; (ii) such Participant’s attempted commission of, or participation in, a fraud or act of dishonesty against the Company; (iii) 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; (iv) such Participant’s unauthorized use or disclosure of the Company’s confidential information or trade secrets; (v) such Participant’s violation of a Company policy; or (vi) such Participant’s gross misconduct. The determination that a termination of the Participant’s Continuous Service is either for Cause or without Cause will 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 will 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 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 will 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, (C) on account of the acquisition of securities of the Company by any individual who is, on the IPO Date, either an executive officer or a Director (either, an “**IPO Investor**”) and/or any entity in which an IPO Investor has a direct or indirect interest (whether in the form of voting rights or participation in profits or capital contributions) of more than 50% (collectively, the “**IPO Entities**”) or on account of the IPO Entities continuing to hold shares that come to represent more than 50% of the combined voting power of the Company’s then outstanding securities as a result of the conversion of any class of the Company’s securities into another class of the Company’s securities having a different number of votes per share pursuant to the conversion provisions set forth in the Company’s Amended and Restated Certificate of

Incorporation; or (D) 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 will 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 50% of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than 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; *provided, however*, that a merger, consolidation or similar transaction will not constitute a Change in Control under this prong of the definition if the outstanding voting securities representing more than 50% of the combined voting power of the surviving Entity or its parent are owned by the IPO Entities;

(iii) 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 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; *provided, however*, that a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries will not constitute a Change in Control under this prong of the definition if the outstanding voting securities representing more than 50% of the combined voting power of the acquiring Entity or its parent are owned by the IPO Entities; or

(iv) 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 will, 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 will 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 will 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 will apply. To the extent required for compliance with Section 409A of the Code, in no event will a Change in Control be deemed to have occurred if such transaction is not also a “change in the ownership or effective control of” the Company or “a change in the ownership of a

substantial portion of the assets of” the Company as determined under Treasury Regulations Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder). The Board may, in its sole discretion and without a Participant’s consent, amend the definition of “Change in Control” to conform to the definition of “Change in Control” under Section 409A of the Code, and the regulations thereunder.

- (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 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 Oncobiologics, Inc., 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, will 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, Director or Consultant 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, will not terminate a Participant’s Continuous Service; *provided, however*, that 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 will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or to a Director will not constitute an interruption of Continuous Service. 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 will 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 will 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. In addition, to the extent required for exemption from or compliance with Section 409A of the Code, the determination of whether there has been a termination of Continuous Service will be made, and such term will be construed, in a manner that is consistent with the definition of “separation from service” as defined under Treasury Regulation Section 1.409A-1(h) (without regard to any alternative definition thereunder).
- (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 50% 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**” will 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 that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(r) “**Dissolution**” means when the Company, after having executed a certificate of dissolution with the State of Delaware, has completely wound up its affairs. Conversion of the Company into a Limited Liability Company will not be considered a “Dissolution” for purposes of the Plan.

(s) “**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, and (ii) the date this Plan is adopted by the Board.

(t) “**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, will not cause a Director to be considered an “Employee” for purposes of the Plan.

(u) “**Entity**” means a corporation, partnership, limited liability company or other entity.

(v) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(w) “**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” will 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 50% of the combined voting power of the Company’s then outstanding securities.

(x) “**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 will be, unless otherwise determined by the Board, 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 will 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 will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

(y) “**Incentive Stock Option**” means an option granted pursuant to Section 5 of the Plan that is intended to be, and that qualifies as, an “incentive stock option” within the meaning of Section 422 of the Code.

(z) “**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.

(aa) “**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.

(bb) “**Nonstatutory Stock Option**” means any option granted pursuant to Section 5 of the Plan that does not qualify as an Incentive Stock Option.

(cc) “**Officer**” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(dd) “**Option**” means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(ee) “**Option Agreement**” means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement will be subject to the terms and conditions of the Plan.

(ff) “**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.

(gg) **“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).

(hh) **“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 will be subject to the terms and conditions of the Plan.

(ii) **“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.

(jj) **“Own,” “Owned,” “Owner,” “Ownership”** A person or Entity will 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.

(kk) **“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.

(ll) **“Performance Cash Award”** means an award of cash granted pursuant to the terms and conditions of Section 6(c)(ii).

(mm) **“Performance Criteria”** means the one or more criteria that the Board will select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that will 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) earnings before interest, taxes, depreciation, amortization and legal settlements; (v) earnings before interest, taxes, depreciation, amortization, legal settlements and other income (expense); (vi) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense) and stock-based compensation; (vii) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense), stock-based compensation and changes in deferred revenue; (viii) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense), stock-based compensation, other non-cash expenses and changes in deferred revenue; (ix) total stockholder return; (x) return on equity or average stockholder’s equity; (xi) return on assets, investment, or capital employed; (xii) stock price; (xiii) margin (including gross margin); (xiv) income (before or after taxes); (xv) operating income; (xvi) operating income after taxes; (xvii) pre-tax profit; (xviii) operating cash flow; (xix) sales or revenue targets; (xx) increases in revenue or product revenue; (xxi) expenses and cost reduction goals; (xxii) improvement in or attainment of working capital levels; (xxiii) economic value added (or an equivalent metric); (xxiv) market share; (xxv) cash flow; (xxvi) cash flow per share; (xxvii) cash balance; (xxviii) cash burn; (xxix) cash collections; (xxx) share price performance; (xxxii) debt reduction; (xxxii) implementation or completion of projects or processes (including, without limitation, clinical trial initiation, clinical trial enrollment and dates, clinical trial results, regulatory filing submissions, regulatory filing acceptances, regulatory or advisory committee interactions, regulatory approvals, new and supplemental indications for existing products, and product supply); (xxxiii)



stockholders' equity; (xxxiv) capital expenditures; (xxxv) debt levels; (xxxvi) operating profit or net operating profit; (xxxvii) workforce diversity; (xxxviii) growth of net income or operating income; (xxxix) billings; (xl) bookings; (xli) employee retention; (xlii) initiation of phases of clinical trials and/or studies by specific dates; (xliii) acquisition of new customers, including institutional accounts; (xliv) customer retention and/or repeat order rate; (xlv) number of institutional customer accounts (xlvi) budget management; (xlvii) improvements in sample and test processing times; (xlviii) regulatory milestones; (xlix) progress of internal research or clinical programs; (l) progress of partnered programs; (li) partner satisfaction; (lii) milestones related to samples received and/or tests run; (liii) expansion of sales in additional geographies or markets; (liv) research progress, including the development of programs; (lv) submission to, or approval by, a regulatory body (including, but not limited to the U.S. Food and Drug Administration) of an applicable filing or a product; (lvi) timely completion of clinical trials; (lvii) milestones related to samples received and/or tests or panels run; (lviii) expansion of sales in additional geographies or markets; (lix) research progress, including the development of programs; (lx) patient samples processed and billed; (lxi) sample processing operating metrics (including, without limitation, failure rate maximums and reduction of repeat rates); (lxii) strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property; and (lxiii) and 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.

**(nn)** **"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 will 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; (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; (5) to exclude the effects of any items of an unusual nature or of infrequency of occurrence as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by the Company achieved performance objectives at targeted levels during the balance of a Performance Period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of common stock of the Company by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under the Company's bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles; (12) to exclude the effect of any other unusual, non-recurring gain or loss or other extraordinary item; and (13) to exclude the effects of the timing of acceptance for review and/or approval of submissions to the U.S. Food and Drug Administration or any other regulatory body. In addition, 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 such Performance Period. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Stock Award Agreement or the written terms of a Performance Cash Award.

(oo) “**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.

(pp) “**Performance Stock Award**” means a Stock Award granted under the terms and conditions of Section 6(c)(i).

(qq) “**Plan**” means this Oncobiologics, Inc. 2015 Equity Incentive Plan.

(rr) “**Restricted Stock Award**” means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(a).

(ss) “**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 will be subject to the terms and conditions of the Plan.

(tt) “**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).

(uu) “**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 will be subject to the terms and conditions of the Plan.

(vv) “**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.

(ww) “**Rule 405**” means Rule 405 promulgated under the Securities Act.

(xx) “**Rule 701**” means Rule 701 promulgated under the Securities Act.

(yy) “**Securities Act**” means the Securities Act of 1933, as amended.

(zz) “**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.

(aaa) “**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 will be subject to the terms and conditions of the Plan.

(bbb) “**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.

(ccc) “**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 will be subject to the terms and conditions of the Plan.

**(ddd)** “*Subsidiary*” means, with respect to the Company, (i) any corporation of which more than 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 will 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 50%.

**(eee)** “*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 10% of the total combined voting power of all classes of stock of the Company or any Affiliate.

**ONCOBIOLOGICS, INC.  
2015 EQUITY INCENTIVE PLAN**

**STOCK OPTION GRANT NOTICE**

Oncobiologics, Inc. (the “**Company**”), pursuant to its 2015 Equity Incentive Plan (the “**Plan**”), hereby grants to Optionholder an option to purchase the number of shares of the Company’s Common Stock set forth below. This option is subject to all of the terms and conditions as set forth in this notice, in the Option Agreement, the Plan and the Notice of Exercise, all of which are attached hereto and incorporated herein in their entirety. Capitalized terms not explicitly defined herein but defined in the Plan or the Option Agreement will have the same definitions as in the Plan or the Option Agreement. If there is any conflict between the terms in this notice and the Plan, the terms of the Plan will control.

Optionholder:	
Date of Grant:	_____
Vesting Commencement Date:	_____
Number of Shares Subject to Option:	_____
Exercise Price (Per Share):	_____
Total Exercise Price:	_____
Expiration Date:	_____

**Type of Grant:**     Incentive Stock Option<sup>1</sup>             Nonstatutory Stock Option

**Exercise Schedule:** Same as Vesting Schedule

**Vesting Schedule:** [ \_\_\_\_\_ ]

**Payment:** By one or a combination of the following items (described in the Option Agreement):

- By cash, check, bank draft or money order payable to the Company
- Pursuant to a Regulation T Program if the shares are publicly traded
- By delivery of already-owned shares if the shares are publicly traded
- If and only to the extent this option is a Nonstatutory Stock Option, and subject to the Company’s consent at the time of exercise, by a “net exercise” arrangement

**Additional Terms/Acknowledgements:** Optionholder acknowledges receipt of, and understands and agrees to, this Stock Option Grant Notice, the Option Agreement and the Plan. Optionholder acknowledges and agrees that this Stock Option Grant Notice and the Option Agreement may not be modified, amended or revised except as provided in the Plan. Optionholder further acknowledges that as of the Date of Grant, this Stock Option Grant Notice, the Option Agreement, and the Plan set forth the entire understanding between Optionholder and the Company regarding this option award and supersede all prior oral and written agreements, promises and/or representations on that subject with the exception of (i) options previously granted and delivered to Optionholder, (ii) any compensation recovery policy that is adopted by the Company or is otherwise required by applicable law and (iii) any written

---

<sup>1</sup> If this is an Incentive Stock Option, it (plus other outstanding Incentive Stock Options) cannot be first *exercisable* for more than \$100,000 in value (measured by exercise price) in any calendar year. Any excess over \$100,000 is a Nonstatutory Stock Option.

employment or severance arrangement that would provide for vesting acceleration of this option upon the terms and conditions set forth therein.

By accepting this option, Optionholder consents to receive such documents by electronic delivery and to participate in the Plan through an online or electronic system established and maintained by the Company or another third party designated by the Company.

**ONCOBIOLOGICS, INC.**

**OPTIONHOLDER:**

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENTS:** Option Agreement, 2015 Equity Incentive Plan and Notice of Exercise

ATTACHMENT I  
OPTION AGREEMENT

---

**ONCOBIOLOGICS, INC.**  
**2015 EQUITY INCENTIVE PLAN**

**OPTION AGREEMENT**  
**(INCENTIVE STOCK OPTION OR NONSTATUTORY STOCK OPTION)**

Pursuant to your Stock Option Grant Notice (“**Grant Notice**”) and this Option Agreement, Oncobiologics, Inc. (the “**Company**”) has granted you an option under its 2015 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. The option is granted to you effective as of the date of grant set forth in the Grant Notice (the “**Date of Grant**”). If there is any conflict between the terms in this Option Agreement and the Plan, the terms of the Plan will control. Capitalized terms not explicitly defined in this Option Agreement or in the Grant Notice but defined in the Plan will have the same definitions as in the Plan.

The details of your option, in addition to those set forth in the Grant Notice and the Plan, are as follows:

1. **VESTING.** Subject to the provisions contained herein, your option will vest as provided in your Grant Notice. 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 in your Grant Notice will be adjusted for Capitalization Adjustments.
3. **EXERCISE RESTRICTION FOR NON-EXEMPT EMPLOYEES.** If you are an Employee eligible for overtime compensation under the Fair Labor Standards Act of 1938, as amended (that is, a “**Non-Exempt Employee**”), and except as otherwise provided in the Plan, you may not exercise your option until you have completed at least six (6) months of Continuous Service measured from the Date of Grant, even if you have already been an employee for more than six (6) months. Consistent with the provisions of the Worker Economic Opportunity Act, you may exercise your option as to any vested portion prior to such six (6) month anniversary in the case of (i) your death or disability, (ii) a Corporate Transaction in which your option is not assumed, continued or substituted, (iii) a Change in Control or (iv) your termination of Continuous Service on your “retirement” (as defined in the Company’s benefit plans).
4. **METHOD OF PAYMENT.** You must pay the full amount of the exercise price for the shares you wish to exercise. You may pay the exercise price in cash or by check, bank draft or money order payable to the Company or in any other manner permitted by your Grant Notice, which may include one or more of the following:
  - (a) 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. This manner of payment is also known as a “broker-assisted exercise”, “same day sale”, or “sell to cover”.
  - (b) 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. “Delivery” for these

purposes, in the sole discretion of the Company at the time you exercise your option, will include delivery to the Company of your attestation of ownership of such shares of Common Stock in a form approved by the Company. You may not exercise your option by delivery to the Company of Common Stock if doing so would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

(c) If this option is a Nonstatutory Stock Option, subject to the consent of the Company at the time of exercise, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issued upon exercise of your option by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price. You must pay any remaining balance of the aggregate exercise price not satisfied by the "net exercise" in cash or other permitted form of payment. Shares of Common Stock will no longer be outstanding under your option and will not be exercisable thereafter if those shares (i) are used to pay the exercise price pursuant to the "net exercise," (ii) are delivered to you as a result of such exercise, and (iii) are withheld to satisfy your tax withholding obligations.

5. **WHOLE SHARES.** You may exercise your option only for whole shares of Common Stock.

6. **SECURITIES LAW COMPLIANCE.** In no event may you exercise your option unless the shares of Common Stock issuable upon exercise are then registered under the Securities Act or, if not registered, the Company has determined that your exercise and the issuance of the shares would be exempt from the registration requirements of the Securities Act. The exercise of your option also must comply with all 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 (including any restrictions on exercise required for compliance with Treas. Reg. 1.401(k)-1(d)(3), if applicable).

7. **TERM.** You may not exercise your option before the Date of Grant or after the expiration of the option's term. The term of your option expires, subject to the provisions of Section 5(h) of the Plan, upon the earliest of the following:

(a) immediately upon the date on which the event giving rise to your termination of Continuous Service for Cause occurs (or, if required by law, the date of termination of Continuous Service for Cause);

(b) three (3) months after the termination of your Continuous Service for any reason other than Cause, your Disability or your death (except as otherwise provided in Section 7(d) below); *provided, however*, 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 will not expire until the earlier of the Expiration Date or until it has been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service; *provided further*, if during any part of such three (3) month period, the sale of any Common Stock received upon exercise of your option would violate the Company's insider trading policy, then your option will not expire until the earlier of the Expiration Date or until it has been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service during which the sale of the Common Stock received upon exercise of your option would not be in violation of the Company's insider trading policy. Notwithstanding the foregoing, if (i) you are a Non-Exempt Employee, (ii) your Continuous Service terminates within six (6) months after the Date of Grant, and (iii) you have vested in a portion of your option at the time of your termination of Continuous Service, your option will not expire until the earlier



of (x) the later of (A) the date that is seven (7) months after the Date of Grant, and (B) the date that is three (3) months after the termination of your Continuous Service, and (y) the Expiration Date;

(c) twelve (12) months after the termination of your Continuous Service due to your Disability (except as otherwise provided in Section 7(d)) below;

(d) eighteen (18) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates for any reason other than Cause;

(e) in certain circumstances upon the effective date of a Corporate Transaction as set forth in the Plan;

(f) the Expiration Date indicated in your Grant Notice; or

(g) 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 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 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 three (3) months after the date your employment with the Company or an Affiliate terminates.

**8. EXERCISE.**

(a) You may exercise the vested portion of your option during its term by (i) delivering a Notice of Exercise (in a form designated by the Company) or completing such other documents and/or procedures designated by the Company for exercise and (ii) paying the exercise price and any applicable withholding taxes to the Company's Secretary, stock plan administrator, or such other person as the Company may designate, 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 (i) the exercise of your option, (ii) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise, or (iii) 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 Grant or within one (1) year after such shares of Common Stock are transferred upon exercise of your option.

9. **TRANSFERABILITY.** Except as otherwise provided in this Section 9, 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.

(a) **Certain Trusts.** Upon receiving written permission from the Board or its duly authorized designee, 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. You and the trustee must enter into transfer and other agreements required by the Company.

(b) **Domestic Relations Orders.** Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your option pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulation 1.421-1(b)(2) that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this option with the Company prior to finalizing the domestic relations order or marital settlement agreement to help ensure the required information is contained within the domestic relations order or marital settlement agreement. If this option is an Incentive Stock Option, this option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(c) **Beneficiary Designation.** Upon receiving written permission from the Board or its duly authorized designee, you may, by delivering written notice to the Company, in a form approved by the Company and any broker designated by the Company to handle option exercises, designate a third party who, on your death, will thereafter be entitled to exercise this option and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, your executor or administrator of your estate will be entitled to exercise this option and receive, on behalf of your estate, the Common Stock or other consideration resulting from such exercise.

10. **OPTION NOT A SERVICE CONTRACT.** Your option is not an employment or service contract, and nothing in your option will 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 will 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.

11. **WITHHOLDING OBLIGATIONS.**

(a) At the time you exercise your option, in whole or in part, and 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 "same day sale" 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) If this option is a Nonstatutory Stock Option, then upon your request and subject to approval by the Company, 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 will 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, if applicable, unless such obligations are satisfied.

**12. TAX CONSEQUENCES.** You hereby agree that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes your tax liabilities. You will not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from your option or your other compensation. In particular, you acknowledge that this option is exempt from Section 409A of the Code only if the exercise price per share specified in the Grant Notice is at least equal to the "fair market value" per share of the Common Stock on the Date of Grant and there is no other impermissible deferral of compensation associated with the option.

**13. NOTICES.** Any notices provided for in your option or the Plan will be given in writing (including electronically) and will 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. The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this option by electronic means or to request your consent to participate in the Plan by electronic means. By accepting this option, you consent to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

**14. 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. If there is any conflict between the provisions of your option and those of the Plan, the provisions of the Plan will control. In addition, your option (and any compensation paid or shares issued under your option) is subject to recoupment in accordance with The Dodd-Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any clawback policy adopted by the Company and any compensation recovery policy otherwise required by applicable law.

**15. OTHER DOCUMENTS.** If the Date of Grant occurs on or following the IPO Date, you hereby acknowledge receipt of and the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Plan prospectus, and you acknowledge receipt of the Company's policy permitting certain individuals to sell shares only during certain "window" periods and the Company's insider trading policy, in effect from time to time.

**16. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS.** The value of this option will not be included as compensation, earnings, salaries, or other similar terms used when calculating your benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

**17. VOTING RIGHTS.** You will not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this option until such shares are issued to you. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this option, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

**18. SEVERABILITY.** If all or any part of this Option Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity will not invalidate any portion of this Option Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Option Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

**19. MISCELLANEOUS.**

**(a)** The rights and obligations of the Company under your option will be transferable to any one or more persons or entities, and all covenants and agreements hereunder will inure to the benefit of, and be enforceable by the Company's successors and assigns.

**(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 option.

**(c)** You acknowledge and agree that you have reviewed your option in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your option, and fully understand all provisions of your option.

**(d)** This Option Agreement will be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

**(e)** All obligations of the Company under the Plan and this Option Agreement will be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

\* \* \*

This Option Agreement will be deemed to be signed by you upon the signing by you of the Grant Notice to which it is attached.

**ATTACHMENT II**

**2015 EQUITY INCENTIVE PLAN**

---

**ATTACHMENT III**  
**NOTICE OF EXERCISE**

---

NOTICE OF EXERCISE

Oncobiologics, Inc.  
Attention: Stock Plan Administrator  
7 Clarke Drive  
Cranbury, NJ 08512

Date of Exercise: \_\_\_\_\_

This constitutes notice to Oncobiologics, Inc. (the "**Company**") under my stock option that I elect to purchase the below number of shares of Common Stock of the Company (the "**Shares**") for the price set forth below.

Type of option (check one):	Incentive <input type="checkbox"/>	Nonstatutory <input type="checkbox"/>
Stock option dated:	_____	_____
Number of Shares as to which option is exercised:	_____	_____
Certificates to be issued in name of:	_____	_____
Total exercise price:	\$ _____	\$ _____
Cash payment delivered herewith:	\$ _____	\$ _____
Value of _____ Shares delivered herewith: <sup>1</sup>	\$ _____	\$ _____
Regulation T Program (cashless exercise): <sup>2</sup>	\$ _____	\$ _____

By this exercise, I agree (i) to provide such additional documents as you may require pursuant to the terms of the Oncobiologics, Inc. 2015 Equity Incentive Plan, (ii) to provide for the payment by me to you (in the manner designated by you) of your withholding obligation, if any, relating to the exercise of this option, and (iii) if this exercise relates to an Incentive Stock Option, to notify you in writing within fifteen (15) days after the date of any disposition of any of the Shares issued upon exercise of this option that occurs within two (2) years after the date of grant of this option or within one (1) year after such Shares are issued upon exercise of this option.

<sup>1</sup> Shares must meet the public trading requirements set forth in the option agreement. Shares must be valued in accordance with the terms of the option being exercised, and must be owned free and clear of any liens, claims, encumbrances or security interests. Certificates must be endorsed or accompanied by an executed assignment separate from certificate.

<sup>2</sup> Shares must meet the public trading requirements set forth in the option agreement.

Very truly yours,

---

Signature

---

Print Name

---





**EMPLOYMENT AGREEMENT**

**EMPLOYMENT AGREEMENT** (this "Agreement"), dated as of January 1, 2011, by and between ONCOBIOLOGICS, INC., a New Jersey corporation (the "Company"), and PANKAJ MOHAN, Ph.D. (the "Executive").

**WITNESSETH:**

WHEREAS, the Company desires to retain the services and employment of the Executive, upon the terms and conditions hereinafter set forth; and

WHEREAS, the Executive desires to enter into such service and employment with the Company, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, each intending to be legally bound hereby, agree as follows:

1. Employment. On the terms and subject to the conditions set forth in this Agreement, the Company hereby agrees to employ the Executive, and the Executive hereby agrees to accept such employment, for the Employment Term (as defined below). During the Employment Term, the Executive shall serve as the Chief Executive Officer of the Company and shall report to the Board of Directors, providing the Company with services related to executive management and such other duties and responsibilities as may from time to time be consistent with the position of chief executive officer of a similar company.

2. Performance. The Executive shall serve the Company faithfully and to the best of his ability and shall devote his reasonable business time, attention and best efforts to the business of the Company and its subsidiaries and affiliates, as applicable. The Executive shall work primarily at the Company's facility in Cranbury, New Jersey, subject to any required travel related to the business of the Company. The Executive shall provide the services contemplated by this Agreement in a timely and competent manner in order to meet the needs and expectations of the Company and its customers.

3. Employment Term. Subject to earlier termination pursuant to Section 6, the term of employment of the Executive under this Agreement shall begin on the Effective Date of this Agreement (the "Commencement Date"), and will continue at least until a successful sale of the Company, an initial public offering or another similar liquidity event with respect to the Company. The Executive will be engaged full time by the Company and will seek the approval of Board of Directors for other engagements outside of his position as Chief Executive Officer of the Company.

4. Compensation and Benefits.

(a) Base Salary. As compensation for his services hereunder and in consideration of the Executive's other agreements hereunder, during the Employment Term, the

---

Company shall pay the Executive an initial base salary, payable in equal installments in accordance with Company payroll procedures, at an annual rate of \$230,000 (initial base salary). The initial base salary will be similar to the Executive's base salary as of Nov. 2010 at the previous employment at Bristol-Myers Squibb. The base shall automatically increase to an annual rate of \$290,000 in base pay after the initiation of revenue. The base pay is subject to review by the Board of Directors of the Company (the "Board") from time to time for increase but not decrease.

(b) Incentive Compensation: The Executive will participate in the success of the Company and will be rewarded based on the Company's performance. The Executive shall be entitled to an incentive payout of greater of the two incentive options: i) 8% of EBDITA in a fiscal year; or ii) 33% of the total incentive pay pool allocated to the Company Employees and Directors in a fiscal year.

(c) Equity: The Board may grant equity/stock awards from time to time based on Company's performance, the Executive's performance and the Business environment. The equity/stock award should be at a minimum equivalent to the largest equity award awarded to an employee in a fiscal year.

(d) Company Benefits. During the Employment Term, the Executive shall, subject to and in accordance with the terms and conditions of the applicable plan documents and all applicable laws, be entitled to participate in all of the employee benefit plans that the Company makes available from time to time to its employees generally at a level consistent with his position.

(e) Executive Benefits. The Executive is entitled to a company car with a total automobile allowance not to exceed \$700 per month. This will include an automobile lease or loan repayment and maintenance. In addition, the Executive will be entitled to an automobile downpayment not to exceed \$5,000 in any three year period. The Executive also be reimbursed for gas for commuting to and from work and for all business-related travel. The Company will pay all premiums associated with the Executive's health insurance. The Executive will also receive expenses for the cell phone and certain work-related expenses operating from the home-office. All benefits are to be reported in accordance to the company procedure.

(f) Business Expenses. The Executive shall be reimbursed by the Company for all reasonable and necessary business expenses actually incurred by him in performing his duties hereunder. All payments under this Section 4(d) will be made in accordance with policies established by the Company from time to time and subject to receipt by the Company of appropriate documentation. All business expenses will be self-certified by the executive.

(g) Indemnification; Directors' and Officers' Liability Insurance. The Company shall indemnify the Executive for actions taken by the Executive in connection with the performance of his duties hereunder pursuant to the governing documents of the Company. During the Employment Term and for three years thereafter, the Company shall cover the Executive under its directors' and officers' liability insurance policy to the same extent that it covers its other officers and directors. Nothing herein shall be construed to limit any indemnification to which the Executive may be entitled by virtue of being an employee.

5. Covenants of the Executive. The Executive acknowledges that in the course of his employment with the Company he will become familiar with the Company's and its subsidiaries' and affiliates' trade secrets and with other confidential and proprietary information concerning the Company and its subsidiaries and affiliates, and that his services are of special, unique and extraordinary value to the Company and its subsidiaries and affiliates. Therefore, the Company and the Executive mutually agree that it is in the interest of both parties for the Executive to enter into the restrictive covenants set forth in this Section 5 to, among other things, protect the legitimate business interests of the Company and those of its subsidiaries and affiliates, and that such restrictions and covenants contained in this Section 5 are reasonable in geographical and temporal scope and in all other respects given the nature and scope of the Executive's duties and the nature and scope of the Company's and its subsidiaries' and affiliates' businesses and that such restrictions and covenants do not and will not unduly impair the Executive's ability to earn a living after termination of his employment with the Company.

(a) Confidential Information. (i) The Executive acknowledges that all customer lists and information, vendor or supplier lists and information, inventions, trade secrets, software and computer code (whether in object code or source code format), databases, know-how or other non-public, confidential or proprietary knowledge, information or data with respect to the products, prices, marketing, services, operations, finances, business or affairs of the Company or its subsidiaries and affiliates or with respect to confidential, proprietary or secret processes, methods, inventions, services, research, techniques, customers (including, without limitation, the identity of the customers of the Company or its subsidiaries and affiliates and the specific nature of the services provided by the Company or its subsidiaries and affiliates), employees (including, without limitation, the matters subject to this Agreement) or plans of or with respect to the Company or its subsidiaries and affiliates or the terms of this Agreement (all of the foregoing collectively hereinafter referred to as, "Confidential Information") are property of the Company or its applicable subsidiaries or affiliates. The Executive further acknowledges that the Company and its subsidiaries and affiliates intend, and make reasonable good faith efforts, to protect the Confidential Information from public disclosure. Therefore, the Executive agrees that, except as required by law or regulation or as legally compelled by court order (provided that in such case, the Executive shall promptly notify the Company of such order, shall cooperate with the Company in attempting to obtain a protective order or to otherwise restrict such disclosure, and shall only disclose Confidential Information to the minimum extent necessary to comply with any such law, regulation or order), during the Employment Term and at all times thereafter, the Executive shall not, directly or indirectly, divulge, transmit, publish, copy, distribute, furnish or otherwise disclose or make accessible any Confidential Information, or use any Confidential Information for the benefit of anyone other than the Company and its subsidiaries and affiliates, unless and to the extent that the Confidential Information becomes generally known to and available for use by the general public by lawful means and other than as a result of the Executive's acts or omissions or such disclosure is necessary in the course of the Executive's proper performance of his duties under this Agreement.

(ii) The Company does not wish to incorporate any unlicensed or unauthorized material into their products or services. Therefore, the Executive agrees that he will not disclose to the Company, use in the Company's business, or cause the Company to use, any information or material which is a trade secret, or confidential or proprietary information, of any third party, including, but not limited to, any former employer, competitor or client, unless the Company has a right to receive and use such information or material. The Executive will not

incorporate into his work any material or information which is subject to the copyrights of any third party unless the Company has a written agreement with such third party or otherwise has the right to receive and use such material or information.

(b) Company Intellectual Property; Work Product. (i) “Intellectual Property” means all intellectual property and industrial property recognized by applicable requirements of law and all physical or tangible embodiments thereof, including all of the following, whether domestic or foreign: (a) patents and patent applications, patent disclosures and inventions (whether or not patentable), as well as any reissues, continuations, continuations in part, divisions, revisions, renewals, extensions or reexaminations thereof; (b) registered and unregistered trademarks, service marks, trade names, trade dress, logos, slogans and corporate names, and other indicia of origin, pending trademark and service mark registration applications, and intent-to-use registrations or similar reservations of marks; (c) registered and unregistered copyrights and mask works, and applications for registration of either; (d) Internet domain names, applications and reservations thereof, uniform resource locators and the corresponding Internet websites (including any content and other materials accessible and/or displayed thereon); (e) Confidential Information; and (f) intellectual property and proprietary information not otherwise listed in (a) through (e) above, including unpatented inventions, invention disclosures, rights of publicity, rights of privacy, moral and economic rights of authors and inventors (however denominated), methods, artistic works, works of authorship, industrial and other designs, methods, processes, technology, patterns, techniques, data, plant variety rights and all derivatives, improvements and refinements thereof, howsoever recorded, or unrecorded; and (g) any goodwill associated with any of the foregoing, damages and payments for past or future infringements and misappropriations thereof, and all rights to sue for past, present and future infringements or misappropriations thereof.

(ii) The Executive agrees to promptly disclose to the Company any and all work product, including Intellectual Property relating to the business of the Company and any of its affiliates, that is created, developed, acquired, authored, modified, composed, invented, discovered, performed, reduced to practice, perfected, or learned by the Executive (either solely or jointly with others) relating to the Company’s and its affiliates’ business or within the scope of Executive’s employment during the Employment Term or using the Company’s facilities or resources (collectively, “Work Product,” and together with such Intellectual Property as may be owned, used, held for use, or acquired by the Company and its affiliates, the “Company IP”). For the avoidance of doubt, Executive agrees that all of the Executive’s contributions to the Company IP before the Employment Term belongs exclusively to the Company and its affiliates, as applicable, and shall be deemed Work Product hereunder. The Company IP, including the Work Product, is and shall be the sole and exclusive property of the Company and its affiliates, as applicable. All Work Product that is copyrightable subject matter shall be considered a “work made for hire” to the extent permitted under applicable copyright law (including within the meaning of Title 17 of the United States Code) and will be considered the sole property of the Company. To the extent such Work Product is not considered a “work made for hire,” Executive hereby grants, transfers, assigns, conveys and relinquishes, without any requirement of further consideration, all right, title, and interest to the Work Product (whether now or hereafter existing, including all associated goodwill, damages and payments for past or future infringements and misappropriations thereof and rights to sue for past and future infringements and misappropriations thereof) to the Company in perpetuity or for the longest period permitted under applicable law. The Executive agrees, at the Company’s expense, to execute any documents requested by the

Company or any of its affiliates at any time to give full and proper effect to such assignment. The Executive acknowledges and agrees that the Company is and will be the sole and absolute owner of all Intellectual Property, including all Company IP. The Executive will cooperate with the Company, at no additional cost to the Company (whether during or after the Employment Term), in the confirmation, registration, protection and enforcement of the rights and property of the Company in such intellectual property, materials and assets, including, without limitation, the Company IP. The Executive hereby waives any so-called "moral rights of authors" in connection with the Work Product and acknowledges and agrees that the Company may use, exploit, distribute, reproduce, advertise, promote, publicize, alter, modify or edit the Work Product or combine the Work Product with other works including other Company IP, at the Company's sole discretion, in any format or medium hereafter devised. The Executive further waives any and all rights to seek or obtain any injunctive or equitable relief in connection with the Work Product.

(c) Nondisparagement. During the Employment Term and thereafter, the Executive shall not, directly or indirectly, take any action, or encourage others to take any action, to disparage or criticize the Company and/or its subsidiaries and affiliates or their respective employees, officers, directors, products, services, customers or owners. The Company shall instruct its directors and officers not to, directly or indirectly, during the Employment Term and thereafter, take any action, or encourage others to take any action, to disparage or criticize the Executive; provided, however, that this Section 5(c) shall not in any way preclude the Company from managing or supervising the Executive's performance (or from engaging in meaningful discourse relating thereto). Nothing contained in this Section 5(c) shall preclude the Executive or the Company (or its directors or officers) from enforcing their respective rights under this Agreement or truthfully testifying in response to legal process or a governmental inquiry.

(d) Company Property. All Confidential Information, Company IP, files, records, correspondence, memoranda, notes or other documents (including, without limitation, those in computer-readable form) or property relating or belonging to the Company and its subsidiaries and affiliates, whether prepared by the Executive or otherwise coming into his possession or control in the course of the performance of his services under this Agreement, shall be the exclusive property of the Company and shall be delivered to the Company (or, in the case of any files, memoranda, records, correspondence, notes or other documents of which the Company has other copies, destroyed), and not retained by the Executive (including, without limitation, any copies thereof), promptly upon request by the Company and, in any event, promptly upon termination of the Employment Term. Upon termination of the Employment Term, the Executive shall have no rights to and shall make no further use of any Company IP, including Work Product. The Executive acknowledges and agrees that he has no expectation of privacy with respect to the Company's telecommunications, networking or information processing systems (including, without limitation, stored computer files, email messages and voice messages), and that the Executive's activity and any files or messages on or using any of those systems may be monitored at any time without notice.

(e) Enforcement. The Executive acknowledges that a breach of his covenants and agreements contained in this Section 5 would cause irreparable damage to the Company and its subsidiaries and affiliates, the exact amount of which would be difficult to ascertain, and that the remedies at law for any such breach or threatened breach would be inadequate. Accordingly, the Executive agrees that if he breaches or threatens to breach any of the covenants or

agreements contained in this Section 5, in addition to any other remedy which may be available at law or in equity, the Company and its subsidiaries and affiliates shall be entitled to institute and prosecute proceedings in any court of competent jurisdiction for specific performance and injunctive and other equitable relief to prevent the breach or any threatened breach thereof without bond or other security or a showing of irreparable harm or lack of an adequate remedy at law, and (iii) an equitable accounting by any court of competent jurisdiction of all profits or benefits arising out of such violation.

(f) Scope of Covenants; Separate and Independent Covenants. The Company and the Executive further acknowledge that the time, scope, geographic area and other provisions of this Section 5 have been specifically negotiated by sophisticated commercial parties and agree that they consider the restrictions and covenants contained in this Section 5 to be reasonable and necessary for the protection of the interests of the Company and its subsidiaries and affiliates, but if any such restriction or covenant shall be held by any court of competent jurisdiction to be void but would be valid if deleted in part or reduced in application, such restriction or covenant shall apply in such jurisdiction with such deletion or modification as may be necessary to make it valid and enforceable. The Executive acknowledges and agrees that the restrictions and covenants contained in this Section 5 shall be construed for all purposes to be separate and independent from any other covenant, whether in this Agreement or otherwise, and shall each be capable of being reduced in application or severed without prejudice to the other restrictions and covenants or to the remaining provisions of this Agreement.

6. Termination.

(a) Termination of Employment. The employment of the Executive hereunder and the Employment Term may be terminated at any time (i) by the Company with Cause on written notice to the Executive, (ii) by the Company without Cause on thirty (30) days written notice to the Executive (provided that during such notice period the Company shall not be required to provide work for the Executive and may require that the Executive not report to the Company's offices), (iii) by the Company due to the Executive's Disability (as hereinafter defined) on written notice to the Executive, (iv) by the Executive with Good Reason on written notice to the Company, (v) by the Executive without Good Reason on thirty (30) days written notice to the Company (which notice period may be waived by the Company in its discretion, in which case, such termination shall be effective immediately upon the Company's receipt of notice thereof from the Executive), (vi) without action by the Company, the Executive or any other person or entity, immediately upon the Executive's death, or (vii) due to the expiration of the Employment Term pursuant to Section 3. If the Executive's employment is terminated for any reason under this Section 6, the Company shall be obligated to pay or provide to the Executive (or his estate, as applicable) in a lump sum within thirty (30) days following such termination, or at such other time prescribed by any applicable plan: (A) any base salary payable to the Executive pursuant to this Agreement, accrued up to and including the date on which the Executive's employment terminates, (B) any earned but unpaid annual bonus, (C) any employee benefits to which the Executive is entitled upon termination of his employment with the Company in accordance with the terms and conditions of the applicable plans of the Company, and (D) reimbursement for any unreimbursed business expenses incurred by the Executive prior to his date of termination pursuant to Section 6(e) ((A)-(D) collectively, the "Accrued Amounts").

(b) Termination by the Company without Cause, by the Executive for Good Reason, by Death or Disability or by Expiration of the Employment Term. If the

Executive's employment is terminated (A) by the Company without Cause, (B) by the Executive for Good Reason, (C) due to the Executive's death or Disability or (D) by expiration of the Employment Term following notice by the Company not to extend the Employment Term pursuant to Section 3, in addition to the Accrued Amounts, the Executive shall be entitled to receive as severance:

(i) an amount in cash equal to the Executive's base salary, as in effect immediately prior to the date of the Executive's termination of employment, for the portion of the Employment Term remaining as of the date of such termination or for twelve (12) months, whichever is greater (the "Severance Period");

(ii) any annual bonus due for the calendar year of such termination, pro rated based on the number of days the Executive was actively employed by the Company during such year (such pro rated amount to be calculated as determined by the Board in its discretion), payable at the time the such bonus would otherwise be paid in accordance with such Section 4(b); provided, however, that if Company executives generally do not receive annual bonuses with respect to the calendar year of the Executive's termination, the Executive shall not be entitled to a pro rated bonus under this Section 6(b)(ii).

The forgoing to the contrary notwithstanding, the amounts and benefits described above in this Section 6(b) shall only be paid or provided if the Executive executes a separation agreement containing a general release, and such general release becomes fully irrevocable within 60 days following the date of the Executive's termination of employment. The amount described in clause (i) of this Section 6 (b) shall be payable in equal installments in accordance with the Company's payroll practices during the Severance Period following such termination, commencing on the first payroll date on or next following the date such general release becomes fully irrevocable; provided that, to the extent that the Company determines that such amount may be considered to be "nonqualified deferred compensation" subject to Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and pronouncements thereunder (the "Code"), the first payment of such amount shall be made on the first payroll date on or next following the 65th day following the date of such termination; provided further that the first payment shall include all payments that would otherwise have been made from the date of such termination through the date of such first payment.

(c) Definitions of Certain Terms. For purposes of this Agreement:

(i) "Cause" means: (A) embezzlement, theft, misappropriation or conversion, or attempted embezzlement, theft, misappropriation or conversion, by the Executive of any property, funds or business opportunity of the Company or any of its subsidiaries; (B) any breach by the Executive of the Executive's covenants under Section 5; (C) any breach by the Executive of any other material provision of this Agreement which breach is not cured, to the extent susceptible to cure, within fourteen (14) days after the Company has given written notice to the Executive describing such breach; (D) continued failure or refusal by the Executive to perform any reasonable directive of the Board or the duties of his employment hereunder which continues for a period of fourteen (14) days following notice thereof by the Board to the Executive; (E) any act by the Executive constituting a felony (or its equivalent in any non-United

States jurisdiction) or otherwise involving theft, fraud, dishonesty, misrepresentation or moral turpitude; (F) conviction of, or plea of nolo contendere (or a similar plea) to, or the failure of the Executive to contest his prosecution for, any other criminal offense; (G) any material violation of any law, rule or regulation (collectively, "Law") relating in any way to the business or activities of the Company or its subsidiaries, or other Law that is violated during the course of the Executive's performance of services hereunder; (H) gross negligence or willful misconduct on the part of the Executive in the performance of his duties as an employee, officer or director of the Company or any of its subsidiaries which gross negligence or willful misconduct is not cured, to the extent susceptible to cure, within fourteen (14) days after the Company has given written notice to the Executive describing such gross negligence or willful misconduct; or (I) the Executive's breach of duty of loyalty to the Company or any of its subsidiaries.

(ii) "Disability" means a condition entitling the Executive to benefits under the Company's long term disability plan, policy or arrangement in which the Executive participates; provided, however, that if no such plan, policy or arrangement is then maintained by the Company and applicable to the Executive, "Disability" shall mean the Executive's inability to perform, with or without reasonable accommodation, his duties under this Agreement due to a mental or physical condition that can be expected to result in death or that can be expected to last (or has already lasted) for a continuous period of 90 days or more, or for an aggregate of 180 days in any 365 consecutive day period, as determined by the Board in its good faith discretion.

(iii) "Good Reason" means the occurrence, without the Executive's consent, of any of the following events, other than in connection with a termination of the Executive's employment for Cause or due to Disability: (A) a reduction in the Executive's rate of base salary stated in Section 4(a); (B) an action by the Company resulting in a diminution in the Executive's titles, authority, duties, or responsibilities; or (C) a breach by the Company of this Agreement; provided, however, that none of the events described in this sentence shall constitute Good Reason unless and until (v) the Executive reasonably determines in good faith that a Good Reason condition has occurred, (w) the Executive first notifies the Company in writing describing in reasonable detail the condition which constitutes Good Reason within thirty (30) days of its occurrence, (x) the Company fails to cure such condition within thirty (30) days after the Company's receipt of such written notice, and the Executive has cooperated in good faith with the Company's efforts to cure such condition, (y) notwithstanding such efforts, the Good Reason condition continues to exist, and (z) the Executive terminates his employment within thirty (30) days after the end of such thirty (30)-day cure period. If the Company cures the Good Reason condition during such cure period, Good Reason shall be deemed not to have occurred.

(d) Release of Claims. As a condition of receiving any severance for which he otherwise qualifies under Section 6(b), the Executive agrees to execute, deliver and not revoke, within sixty (60) days following the date of the Executive's termination of employment, a separation agreement containing a general release of the Company and its subsidiaries and their respective affiliates and their respective employees, officers, directors, owners and members from any and all claims, obligations and liabilities of any kind whatsoever, including, without limitation, those arising from or in connection with the Executive's employment or termination of employment with the Company or any of its subsidiaries or affiliates or this Agreement (including, without limitation, civil rights claims).



(e) No Additional Rights. The Executive acknowledges and agrees that, except as specifically described in this Section 6, all of the Executive's rights to any compensation, benefits, bonuses or severance from the Company and its subsidiaries and affiliates after termination of the Employment Term shall cease upon such termination; provided, however, the Executive's rights to indemnification pursuant to Section 4(e) of this Agreement or otherwise shall not be affected by the termination of his employment for any reason.

(f) Resignation as Officer or Director. Upon a termination of employment, the Executive shall resign each position (if any) that the Executive then holds as a director or officer of the Company or of any affiliates of the Company.

7. Notices. All notices, requests, demands, claims, consents and other communications which are required, permitted or otherwise delivered hereunder shall in every case be in writing and shall be deemed properly served if: (a) delivered personally, (b) sent by registered or certified mail, in all such cases with first class postage prepaid, return receipt requested, or (c) delivered by a recognized overnight courier service, to the parties at their respective business or residence addresses or to such other address as shall be furnished in writing by either party to the other party; provided that such notice or change in address shall be effective only when actually received by the other party. Date of service of any such notices or other communications shall be: (a) the date such notice is personally delivered, (b) three days after the date of mailing if sent by certified or registered mail, or (c) one business day after date of delivery to the overnight courier if sent by overnight courier.

8. Jurisdiction; Venue. Except as otherwise provided in Section 5 (e) in connection with equitable remedies, each of the parties hereto hereby irrevocably submits to the exclusive jurisdiction of any federal or state court located in the State of New Jersey, over any suit, action, dispute or proceeding arising out of or relating to this Agreement and each of the parties agrees that any action relating in any way to this Agreement must be commenced only in the courts of the State of New Jersey, federal or state. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted or not prohibited by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum.

9. Section 409A.

(a) The intent of the parties is that payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively "Code Section 409A"), and the Company shall have complete discretion to interpret and construe this Agreement and any associated documents in any manner that establishes an exemption from (or compliance with) the requirements of Code Section 409A. Any terms of this Agreement that are undefined or ambiguous shall be interpreted by the Company in its discretion in a manner that complies with Code Section 409A to the extent necessary to comply with Code Section 409A. If for any reason, such as imprecision in drafting, any provision of this Agreement (or of any award of compensation, including, without limitation, equity compensation or benefits) does not accurately reflect its intended establishment of an exemption from (or compliance with) Code Section 409A, as demonstrated by consistent interpretations or other evidence of intent, such provision shall be considered ambiguous as to its

exemption from (or compliance with) Code Section 409A and shall be interpreted by the Company in a manner consistent with such intent, as determined in the discretion of the Company. If, notwithstanding the foregoing provisions of this Section 9(a), any provision of this Agreement would cause the Executive to incur any additional tax or interest under Code Section 409A, the Company shall, after consulting with the Executive, interpret or reform such provision in a manner intended to avoid the incurrence by the Executive of any such additional tax or interest; provided that the Company agrees to maintain, to the maximum extent practicable, the original intent and economic benefit to the Executive of the applicable provision without violating the provisions of Code Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that the Company determines may be considered nonqualified deferred compensation under Code Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A, and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean such a separation from service. The determination of whether and when a separation from service has occurred for purposes of this Agreement shall be made in accordance with the presumptions set forth in Section 1.409A-1(h) of the Treasury Regulations.

(c) Any reimbursements and in-kind benefits provided under this Agreement that constitute deferred compensation within the meaning of Code Section 409A shall be made or provided in accordance with the requirements of Code Section 409A, including, without limitation, that (i) in no event shall any fees, expenses or other amounts eligible to be reimbursed by the Company under this Agreement be paid later than the last day of the calendar year next following the calendar year in which the applicable fees, expenses or other amounts were incurred; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits that the Company is obligated to pay or provide, in any given calendar year shall not affect the expenses that the Company is obligated to reimburse, or the in-kind benefits that the Company is obligated to pay or provide, in any other calendar year, provided that the foregoing clause (ii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Code Section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect; (iii) the Executive's right to have the Company pay or provide such reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit; and (iv) in no event shall the Company's obligations to make such reimbursements or to provide such in-kind benefits apply later than the Executive's remaining lifetime (or if longer, through the sixth (6th) anniversary of the Commencement Date).

(d) For purposes of Code Section 409A, the Executive's right to receive any installment payments shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (for example, "payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company. In no event may the Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement, to the extent such payment is subject to Code Section 409A.

(e) The Company makes no representation or warranty and shall have no liability to the Executive or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Code Section 409A but do not satisfy an exemption from, or the conditions of, Code Section 409A.

10. General.

(a) Governing Law. This Agreement and the legal relations thus created between the parties hereto shall be governed by, and construed in accordance with, the internal laws of the State of New Jersey, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New Jersey or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of New Jersey.

(b) Construction and Severability. Whenever possible, each provision of this Agreement shall be construed and interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by, or invalid, illegal or unenforceable in any respect under, any applicable law or rule in any jurisdiction, such prohibition, invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other jurisdiction, and the parties undertake to implement all efforts which are necessary, desirable and sufficient to amend, supplement or substitute all and any such prohibited, invalid, illegal or unenforceable provisions with enforceable and valid provisions in such jurisdiction which would produce as nearly as may be possible the result previously intended by the parties without renegotiation of any material terms and conditions stipulated herein.

(c) Cooperation. During the Employment Term and thereafter, the Executive shall cooperate with the Company and be reasonably available to the Company with respect to continuing and/or future matters related to the Executive's employment period with the Company and/or its subsidiaries or affiliates, whether such matters are business-related, legal, regulatory or otherwise (including, without limitation, the Executive appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process, volunteering to the Company all pertinent information and turning over to the Company all relevant documents which are or may come into the Executive's possession). Following the Employment Term, the Company shall reimburse the Executive for all reasonable out of pocket expenses incurred by the Executive in rendering such services that are approved by the Company. In addition, if more than an incidental cooperation is required at any time after the termination of the Executive's employment, the Executive shall be paid (other than for the time of actual testimony) a per day fee based on his base salary described in Section 5(a) at the time of such termination divided by 225.

(d) Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by the Company and its successors and assigns and the Executive and the Executive's heirs, executors, administrators, and successors; provided that the services provided by the Executive under this Agreement are of a personal nature, and the Executive may not sell, convey, assign, delegate, transfer or otherwise dispose of directly or indirectly, any of the rights, claims, powers, interests or obligations of the Executive under this Agreement, except that any death payments otherwise due the Executive shall be payable to the estate of the Executive; provided further the Company may assign this Agreement to, and all rights hereunder shall inure

to the benefit of, any subsidiary or affiliate of the Company or any person, firm or corporation resulting from the reorganization of the Company or succeeding to the business or assets of the Company by purchase, merger, consolidation or otherwise.

(e) Executive's Representations. The Executive hereby represents and warrants to the Company that: (i) the execution, delivery and performance of this Agreement by the Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Executive is a party or by which the Executive is bound; (ii) the Executive is not a party to or bound by any employment agreement, noncompetition or nonsolicitation agreement or confidentiality agreement with any other person or entity besides the Company that would adversely affect his ability to perform his obligations to the Company under this Agreement; (iii) the Executive is not subject to any restriction whatsoever that would cause him to not be able fully to fulfill his duties under this Agreement; (iv) the Executive is not a party to, or involved in, or under investigation in, any pending or, to the best of the Executive's knowledge, threatened litigation, proceeding or investigation of any governmental body or authority or any other person; (v) the Executive has never been suspended, censured or otherwise subjected to any disciplinary action or other proceeding by any state, other governmental entity, agency or self-regulatory organization and (vi) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Executive, enforceable in accordance with its terms.

(f) Company Representations. The Company hereby represents and warrants to the Executive that: (i) the execution, delivery and performance of this Agreement by the Company do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Company is a party or by which the Company is bound; (ii) the Company is not subject to any restriction whatsoever that would cause it to not be able fully to fulfill its duties under this Agreement; and (iii) upon the execution and delivery of this Agreement by the Executive, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms.

(g) Compliance with Rules and Policies. The Executive shall perform all services in accordance with the policies, procedures and rules established by the Company and the Board. In addition, the Executive shall comply with all laws, rules and regulations that are generally applicable to the Company or its subsidiaries or affiliates and their respective employees, directors and officers.

(h) Withholding Taxes. All amounts payable hereunder shall be subject to the withholding of all applicable taxes and deductions required by any applicable law.

(i) Entire Agreement. This Agreement constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and terminates and supersedes any and all prior agreements, understandings and representations, whether written or oral, by or between the parties hereto or their affiliates which may have related to the subject matter hereof in any way. The Executive acknowledges that no representations, warranties, promises, covenants, agreements or obligations, oral or written, have been made other than those expressly stated herein, and that he has not relied on any other representations, warranties, promises, covenants, agreements or obligations in signing this Agreement.

(j) Duration. Notwithstanding the Employment Term hereunder, this Agreement shall continue for so long as any obligations remain under this Agreement.

(k) Survival. The provisions of Sections 4(f), 5, 6, 7, 8, 9 and 10 of this Agreement shall survive and shall continue to be binding upon the Executive and the Company, as the case may be, notwithstanding the termination of this Agreement for any reason whatsoever.

(l) Amendment; Modification; Waiver. The provisions of this Agreement may be modified, amended or waived only in a document signed by the parties hereto and referring specifically hereto, and no handwritten changes to this Agreement will be binding unless initialed by each party. No course of conduct or course of dealing or failure or delay by any party hereto in enforcing or exercising any of the provisions of this Agreement (including, without limitation, the Company's right to terminate the Employment Term for Cause) shall affect the validity, binding effect or enforceability of this Agreement or be deemed to be an implied waiver of any similar or dissimilar requirement, provision or condition of this Agreement at the same or any prior or subsequent time. Pursuit by either party of any available remedy, either in law or equity, or any action of any kind, does not constitute waiver of any other remedy or action. Such remedies and actions are cumulative and not exclusive.

(m) Section References. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. The words Section and paragraph herein shall refer to provisions of this Agreement unless expressly indicated otherwise.

(n) No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring either party hereto by virtue of the authorship of any of the provisions of this Agreement.

(o) Time of the Essence; Computation of Time. Time is of the essence for each and every provision of this Agreement. Whenever the last day for the exercise of any privilege or the discharge or any duty hereunder shall fall upon a Saturday, Sunday, or any date on which banks in New York, New York are authorized to be closed, the party having such privilege or duty may exercise such privilege or discharge such duty on the next succeeding day which is a regular business day.

(p) No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended or shall be construed to give any person other than the parties to this Agreement and their respective heirs, executors, administrators, successors or permitted assigns any legal or equitable right, remedy or claim under or in respect of any agreement or any provision contained herein.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have hereunto executed this Agreement as of the day and year first written above.

ONCOBIOLOGICS, INC.

Date: July 6<sup>th</sup>, 2011

By: /s/ Donald J. Griffith  
Name: Mr. Donald Griffith  
Title: Board Member

Date: July 6<sup>th</sup>, 2011

By: /s/ Pankaj Mohan  
Pankaj Mohan, Ph.D.



Pankaj Mohan *PhD MBA*  
*Founder & CEO*  
7 Clarke Drive, Cranbury  
New Jersey 08512

August 30<sup>th</sup> 2015

LAWRENCE A. KENYON, CPA

Dear Mr. Kenyon:

The Board of Oncobiologics Inc. is pleased to extend a full-time employment offer to you. The following are terms and conditions of our offer:

**Position:** "Chief Financial Officer". Please refer to the attached job description that will set expectations of your employment. You will be reporting to the CEO.

**Location/Facility:** 7 Clarke Drive, Cranbury, New Jersey, USA 08512

**Start Date:** September 15<sup>th</sup> 2015

**Base Pay:** \$10,770 per biweekly pay period

**Incentive Pay:** Your Bonus Target shall be \$ 120,000 in a financial year in the event that sufficient Revenue/Investment is generated to support such a payout as decided by the Board and that your performance rating is Fully Performing. The Board may make exceptions based on company performance, your performance and the business environment. The bonus cycle initiates January of each year and bonus shall be prorated within the bonus cycle. The bonus cycle for this employment shall initiate from the date of employment for proration.

**Restricted Stock Units:** The board will offer 150,000 Performance Stock Units (phantom stocks) or PSUs pursuant to the Company Stock Incentive Plan with a vesting schedule of 3 and 4 years from the employment start date. The generation of value from the stock's will require your expected contribution to the success of the company.

*In case your job is terminated (voluntarily or non-voluntarily) prior to liquidation you must return shares back to the company without any payment from the company. In the event of an Acquisition during your employment at Oncobiologics leading to a sale of the company (liquidation) shall result in accelerated vesting of your stocks issued by the company.*

**Employee Benefits Program:**

- i) Medical Health Care Plan: Company will offer a medical plan to you;
- ii) Employee Insurance Plan: Company will offer employee insurance plan.
- iii) 401-K Contribution: The Company shall contribute 3% of your base pay subject to a matching contribution from you.
- iv) Vacation shall be 3 weeks in an employment year following the company policy.

**Intellectual Property Protection and Confidentiality:** The Company requires you not to disclose any proprietary information from your previous employer/s. The Company requires you to keep confidential any propriety information that you will come across in this employment including information shared in this offer letter. You will be required to enter into confidentiality agreement with Oncobiologics.

T: 609 619 3988 | F: 609 228 4330 | M: 317 514 8886 | W: www.oncobiologics.com | E: pankajmohan@oncobiologics.com  
United States Federal Government Supported Biopharmaceutical Company

---



Pankaj Mohan *PhD MBA*  
*Founder & CEO*  
7 Clarke Drive, Cranbury  
New Jersey 08512

**Board Consideration for Executive Compensation:** Oncobiologics Board is currently considering revising overall executive compensation including Base Pay, Bonus, Equity, Severance Packages etc. in perusal of an initial public offering.

**Employment At-Will:** At all times during your employment with the Company, you will be an employee at-will. In other words, Oncobiologics Inc. has the right to terminate your employment with or without cause at any time and you have a right to terminate your employment with Oncobiologics Inc. at any time.

On behalf of the Board, I look forward to your joining Oncobiologics Inc. and hope that you will find this offer satisfactory in every respect. This offer needs to be signed by September 4<sup>th</sup> 2015 and one copy returned to the company.

Sincerely

/s/ Pankaj Mohan

Pankaj Mohan, PhD MBA, Chief Executive Officer, Oncobiologics Inc.  
cc: Members of the Board

I accept this offer with the terms and conditions as outlined in this letter:

/s/ Lawrence A Kenyon  
\_\_\_\_\_  
Lawrence A Kenyon, CPA

9-3-2015  
\_\_\_\_\_  
Date

T: 609 619 3988 | F: 609 228 4330 | M: 317 514 8886 | W: [www.oncobiologics.com](http://www.oncobiologics.com) | E: [pankajmohan@oncobiologics.com](mailto:pankajmohan@oncobiologics.com)  
United States Federal Government Supported Biopharmaceutical Company

---





Pankaj Mohan *PhD MBA*  
 Founder & CEO  
 7 Clarke Drive, Cranbury  
 New Jersey 08512

March 27<sup>th</sup> 2014

**Ms. Elizabeth Ann Yamashita**

Dear Ms. Yamashita:

The Board of Oncobiologics Inc. is pleased to extend a full-time employment offer to you. The following are terms and conditions of our offer:

**Position:** "Vice President – Regulatory and Clinical Affairs". Please refer to the attached job description that will set expectations of your employment. You will be reporting to the CEO.

**Location/Facility:** 7 Clarke Drive, Cranbury, New Jersey, USA 08512

**Start Date:** April 7<sup>th</sup> 2014

**Base Pay:** \$ 8,846 per biweekly pay period which shall be prorated for part-time engagement. You shall receive the first base pay increase of 2.5% at the receipt of No Objection Letter for the first biosimilar product Clinical Trial Application. The other base pay increases this year shall be prorated.

**Incentive Pay:** You will participate in the success of the company and would be rewarded based on revenue generation (based on EBDITA) and your performance. Your Bonus Target shall be 50% of your Base Pay in the event that sufficient Revenue is generated to support such a payout as decided by the Board and that your performance rating is Fully Performing. The Board may make exceptions based on company performance, your performance and the business environment. The bonus cycle initiates June of each year and bonus shall be prorated within the bonus cycle. The bonus cycle for this employment shall initiate from the date of employment for proration.

**Restricted Stock Units:** The board will offer 150,000 Restricted Stock Units (phantom stocks) pursuant to the Company Stock Incentive Plan. The generation of value from the stock's will require your expected contribution to the success of the company.

***In case your job is terminated (voluntarily or non-voluntarily) prior to liquidation you must return shares back to the company without any payment from the company.***

**Special Off-site Work Provision:** A maximum of 6 weeks of offsite work per employment year shall be permitted subject to prior approval by the CEO.

**Employee Benefits Program:**

- i) Medical Health Care Plan: Company will offer an medical plan to you;
- ii) Employee Insurance Plan: Company will offer employee insurance plan.
- iii) Vacation shall be 3 weeks in an employment year following the company policy.

**Intellectual Property Protection:** The Company requires you not to disclose any proprietary information from your previous employer/s. The company requires you to keep confidential

T: 609 619 3988 | F: 609 228 4330 | M: 317 514 8886 | W: [www.oncobiologics.com](http://www.oncobiologics.com) | E: [pankajmohan@oncobiologics.com](mailto:pankajmohan@oncobiologics.com)  
 United States Federal Government Supported Biopharmaceutical Company



Pankaj Mohan *PhD MBA*  
*Founder & CEO*  
7 Clarke Drive, Cranbury  
New Jersey 08512

any propriety information that you will come across in this employment. You will be required to enter into confidentiality agreement with Oncobiologics.

**Employment At-Will:** At all times during your employment with the Company, you will be an employee at-will. In other words, Oncobiologics Inc. has the right to terminate your employment with or without cause at any time and you have a right to terminate your employment with Oncobiologics Inc. at any time.

On behalf of the Board, I look forward to your joining Oncobiologics Inc. and hope that you will find this offer satisfactory in every respect. This offer needs to be signed by March 31<sup>st</sup> 2014 and one copy returned to the company.

Sincerely

/s/ Pankaj Mohan

Pankaj Mohan, Chief Executive Officer, Oncobiologics Inc.

cc: Members of the Board

I accept this offer with the terms and conditions as outlined in this letter:

/s/ Elizabeth A. Yamashita

Ms. Elizabeth Ann Yamashita

27 March 2014

Date

T: 609 619 3988 | F: 609 228 4330 | M: 317 514 8886 | W: [www.oncobiologics.com](http://www.oncobiologics.com) | E: [pankajmohan@oncobiologics.com](mailto:pankajmohan@oncobiologics.com)  
United States Federal Government Supported Biopharmaceutical Company

---



Pankaj Mohan *PhD MBA*  
Founder & CEO  
7 Clarke Drive, Cranbury  
New Jersey 08512

June 14<sup>th</sup> 2015

**Kenneth Bahrt, MD**

Dear Dr. Bahrt:

The Board of Oncobiologics Inc. is pleased to extend a full-time employment offer to you. The following are terms and conditions of our offer:

**Position:** "Chief Medical Officer". Please refer to the attached job description that will set expectations of your employment. You will be reporting to the CEO.

**Location/Facility:** 7 Clarke Drive, Cranbury, New Jersey, USA 08512

**Start Date:** June 22<sup>nd</sup> 2015

**Base Pay:** \$ 9,616 per biweekly pay period

**Incentive Pay:** You will participate in the success of the company and would be rewarded based on revenue generation (based on EBDITA) and your performance. Your Bonus Target shall be \$ 100,000 in a financial year in the event that sufficient Revenue is generated to support such a payout as decided by the Board and that your performance rating is Fully Performing. The Board may make exceptions based on company performance, your performance and the business environment. The bonus cycle initiates June of each year and bonus shall be prorated within the bonus cycle. The bonus cycle for this employment shall initiate from the date of employment for proration.

**Restricted Stock Units:** The board will offer 100,000 Restricted Stock Units (phantom stocks) or PSUs pursuant to the Company Stock Incentive Plan with a vesting schedule of 3 and 4 years from the employment start date. The generation of value from the stock's will require your expected contribution to the success of the company.

***In case your job is terminated (voluntarily or non-voluntarily) prior to liquidation you must return shares back to the company without any payment from the company. In the event of an Acquisition during your employment at Oncobiologics leading to a sale of the company (liquidation) shall result in accelerated vesting of your stocks issued by the Company.***

**Employee Benefits Program:**

- i) Medical Health Care Plan: Company will offer an medical plan to you;
- ii) Employee Insurance Plan: Company will offer employee insurance plan.
- iii) Vacation shall be 3 weeks in an employment year following the company policy.

**Intellectual Property Protection:** The Company requires you not to disclose any proprietary information from your previous employer/s. The company requires you to keep confidential any propriety information that you will come across in this employment. You will be required to enter into confidentiality agreement with Oncobiologics.

T: 609 619 3988 | F: 609 228 4330 | M: 317 514 8886 | W: [www.oncobiologics.com](http://www.oncobiologics.com) | E: [pankajmohan@oncobiologics.com](mailto:pankajmohan@oncobiologics.com)  
United States Federal Government Supported Biopharmaceutical Company

---



Pankaj Mohan *PhD MBA*  
*Founder & CEO*  
7 Clarke Drive, Cranbury  
New Jersey 08512

**Employment At-Will:** At all times during your employment with the Company, you will be an employee at-will. In other words, Oncobiologics Inc. has the right to terminate your employment with or without cause at any time and you have a right to terminate your employment with Oncobiologics Inc. at any time.

On behalf of the Board, I look forward to your joining Oncobiologics Inc. and hope that you will find this offer satisfactory in every respect. This offer needs to be signed by June 19<sup>th</sup> 2015 and one copy returned to the company.

Sincerely

/s/ Pankaj Mohan

Pankaj Mohan, Chief Executive Officer, Oncobiologics Inc.

cc: Members of the Board

I accept this offer with the terms and conditions as outlined in this letter:

/s/ Kenneth Bahrt

\_\_\_\_\_  
Kenneth Bahrt, MD

06/15/2015

\_\_\_\_\_  
Date

T: 609 619 3988 | F: 609 228 4330 | M: 317 514 8886 | W: [www.oncobiologics.com](http://www.oncobiologics.com) | E: [pankajmohan@oncobiologics.com](mailto:pankajmohan@oncobiologics.com)  
United States Federal Government Supported Biopharmaceutical Company

---



Pankaj Mohan *PhD MBA*  
 Founder & CEO  
 7 Clarke Drive, Cranbury  
 New Jersey 08512

September 12<sup>th</sup> 2014

**Oncobiologics – Director Engagement**

Dear Dr Brady:

The Board of Oncobiologics Inc. is pleased to extend Board of Director engagement to you. This engagement starts from the September 24<sup>th</sup> 2014. The following represents our offer to you to join the engagement:

**Position:** "Director – Oncobiologics Board".

**Summary of Role Description:** The Board requests you to help set direction to the Company and enable the Company to reach to the next level of Revenue Generation and Valuation. The Company expects approximately 10-15 hrs of company related activities per calendar month.

This engagement will be indicated in the company's website or any other PR media.

**Location/Facility:** At your discretion

**Total Package:**

**Stock Units**

**Stocks:** The Board will offer to you 200,000 units of Performance Stock Units (PSUs) per the Company Incentive Plan. Please note that there are no assurances that it will have any value. The generation of value from the stock's will require your expected contribution to the success of the company. The vesting period shall initiate from July 1<sup>st</sup> 2013 marking your initial engagement as an Advisor Corporate Strategy. These stock units replace Restricted Stock Units (or RSUs) given to you as an Advisor prior to this engagement.

*The shares must be returned back to the company without any payment from the company in the event that the engagement ends (voluntary or involuntary) prior to the vesting date. Any change to this agreement has to be mutually agreed.*

**Director's Fee:**

The fee will be \$100,000 per fiscal year prorated and paid on a monthly basis.

**Company's Benefit:** You will be an independent advisor and not an employee of the Company, and as such will not be provided with employee benefits, such as but not limited to health insurance.

**Expenses:** The Company will pay at cost the travel and other expenses incurred by you for company business.

**Termination:** Either party can terminate this engagement by giving a two weeks' notice.

T: 609 619 3988 | F: 609 228 4330 | M: 317 514 8886 | W: [www.oncobiologics.com](http://www.oncobiologics.com) | E: [pankajmohan@oncobiologics.com](mailto:pankajmohan@oncobiologics.com)  
 United States Federal Government Supported Biopharmaceutical Company



Pankaj Mohan *PhD MBA*  
*Founder & CEO*  
7 Clarke Drive, Cranbury  
New Jersey 08512

**Confidentiality:** You will be requested to sign a CDA with the company.

On behalf of the Board, I look forward to your joining Oncobiologics Inc. and hope that you will find this offer satisfactory in every respect. This offer needs to be signed by September 24<sup>th</sup> 2014 and one copy returned to the company.

Sincerely

/s/ Pankaj Mohan \_\_\_\_\_

9/25/14 \_\_\_\_\_  
Date

Pankaj Mohan, Chairman and Chief Operating Officer, Oncobiologics Inc.  
cc: Members of the Board

I accept this offer with the terms and conditions as outlined in this letter:

/s/ Todd C. Brady \_\_\_\_\_  
Todd C. Brady, MD PhD

9/25/14 \_\_\_\_\_  
Date

T: 609 619 3988 | F: 609 228 4330 | M: 317 514 8886 | W: [www.uncobiologics.com](http://www.uncobiologics.com) | E: [pankajmohan@uncobiologics.com](mailto:pankajmohan@uncobiologics.com)  
United States Federal Government Supported Biopharmaceutical Company

---



Pankaj Mohan PhD MBA  
 Founder & CEO  
 7 Clarke Drive, Cranbury  
 New Jersey 08512

October 12<sup>th</sup> 2011

**Oncobiologics – Director Engagement**

Dear Mr Scott Canute:

The Board of Oncobiologics Inc. is pleased to extend Board of Director engagement to you. This engagement starts from the 12<sup>th</sup> Oct. 2011. The following represents our offer to you to join the engagement:

**Position:** "Director – Oncobiologics Board".

**Summary of Role Description:** The Board requests you to help set direction to the Company and enable the Company to reach to the next level of Revenue Generation and Valuation.

This engagement will be indicated in the company's website or any other PR media.

**Location/Facility:** At your discretion

**Total Package:**

**Stock Units: Founder's Stock**

**Stocks:** The Board will offer to you 400,000 units (equivalent to 1% of the total common stock at Series A valuation) of founder's shares at par value to be vested over the next 5 years. The redemption in case of IPO will be driven by the IPO requirements and restrictions. The book value of these shares at launch is \$ 400,000 and per the business plan it may grow multiple times. Please note that the founder's share are common and that there are no assurances that it will have any value. The generation of value from the stock's will require your expected contribution to the success of the company.

**Dividends:**

You may receive dividends subject to Board's decision to issue such dividends which will be based on several factors, even prior to vesting.

*The shares must be returned back to the company without any payment from the company in the event that the engagement ends (voluntary or involuntary) prior to the vesting date. Any change to this agreement has to be mutually agreed.*

**Director's Fee:**

The fee will be \$100,000 per fiscal year.

**Director's Incentive Pay:**

The Board will allocate from time to time Incentive Pay to Independent Board Members based on EBDITA. The Revenue will be defined as all cash-inflows into the Company except the investment into Oncobiologics and any Debt.

T: 609 619 3988 | F: 609 228 4330 | M: 317 514 8886 | W: www.oncobiologics.com | E: pankajmohan@oncobiologics.com  
 United States Federal Government Supported Biopharmaceutical Company



Pankaj Mohan *PhD MBA*  
*Founder & CEO*  
7 Clarke Drive, Cranbury  
New Jersey 08512

**Company's Benefit:** You will be an independent advisor and not an employee of the Company, and as such will not be provided with employee benefits, such as but not limited to health insurance.

**Expenses:** The Company will pay at cost the travel and other expenses incurred by you for company business.

**Confidentiality:** You will be requested to sign a CDA with the company.

On behalf of the Board, I look forward to your joining Oncobiologics Inc. and hope that you will find this offer satisfactory in every respect. This offer needs to be signed by October 11<sup>th</sup> 2011 and one copy returned to the company.

Sincerely

/s/ Pankaj Mohan \_\_\_\_\_

10/12/11  
\_\_\_\_\_  
Date

Pankaj Mohan, Chairman and Chief Operating Officer, Oncobiologics Inc.  
cc: Members of the Board

I accept this offer with the terms and conditions as outlined in this letter:

/s/ Scott Canute \_\_\_\_\_  
Mr Scott Canute

10/12/11  
\_\_\_\_\_  
Date

T: 609 619 3988 | F: 609 228 4330 | M: 317 514 8886 | W: [www.oncobiologics.com](http://www.oncobiologics.com) | E: [pankajmohan@oncobiologics.com](mailto:pankajmohan@oncobiologics.com)  
United States Federal Government Supported Biopharmaceutical Company

---



## INDEMNITY AGREEMENT

THIS INDEMNITY AGREEMENT (the "**Agreement**") is made and entered into as of \_\_\_\_\_, 20\_\_, between Oncobiologics, Inc., a Delaware corporation (the "**Company**"), and \_\_\_\_\_ ("**Indemnitee**").

## RECITALS

**A.** Highly competent persons have become more reluctant to serve corporations as directors or officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

**B.** Although the furnishing of liability insurance to protect persons serving a corporation and its subsidiaries from certain liabilities has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Bylaws and Certificate of Incorporation of the Company require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware ("**DGCL**"). The Bylaws and Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification;

**C.** The uncertainties relating to liability insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

**D.** The Board of Directors of the Company (the "**Board**") has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company's stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

**E.** It is reasonable, prudent and necessary for the Company to contractually obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

**F.** This Agreement is a supplement to and in furtherance of the Bylaws and Certificate of Incorporation of the Company and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder;

**G.** Indemnitee does not regard the protection available under the Company's Bylaws and Certificate of Incorporation and insurance as adequate in the present circumstances, and may not be willing to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he be so indemnified;

---

**H.** Indemnitee may have certain rights to indemnification and/or insurance provided by other entities and/or organizations which Indemnitee and such other entities and/or organizations intend to be secondary to the primary obligation of the Company to indemnify Indemnitee as provided herein, with the Company's acknowledgement and agreement to the foregoing being a material condition to Indemnitee's willingness to serve on the Board; and

**I.** This Agreement supersedes and replaces in its entirety any previous Indemnification Agreement entered into between the Company and the Indemnitee.

**Now, THEREFORE,** in consideration of Indemnitee's agreement to serve as an officer or a director from and after the date hereof, the parties hereto agree as follows:

**1. Indemnity of Indemnitee.** The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

**(a) Proceedings Other Than Proceedings by or in the Right of the Company.** Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(a) if, by reason of his Corporate Status (as hereinafter defined), the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or in the right of the Company. Pursuant to this Section 1(a), Indemnitee shall be indemnified against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or her, or on his or her behalf, in connection with such Proceeding or any claim, issue or matter therein, if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal Proceeding, had no reasonable cause to believe the Indemnitee's conduct was unlawful.

**(b) Proceedings by or in the Right of the Company.** Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of his Corporate Status, the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company. Pursuant to this Section 1(b), Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee, or on the Indemnitee's behalf, in connection with such Proceeding if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; *provided, however,* if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company unless and to the extent that the Court of Chancery of the State of Delaware shall determine that such indemnification may be made.

**(c) Indemnification for Expenses of a Party Who is Wholly or Partly Successful.** Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified to the maximum extent permitted by law, as such may be amended from time to time, against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

**2. Additional Indemnity.** In addition to, and without regard to any limitations on, the indemnification provided for in Section 1 of this Agreement, the Company shall and hereby does

indemnify and hold harmless Indemnitee against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall be that the Company shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 6 and 7 hereof) to be unlawful.

### **3. Contribution.**

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall contribute to the amount of Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from which such action, suit or proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which the Law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company, other than Indemnitee, who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i)

the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

**4. Indemnification for Expenses of a Witness.** Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness, or is made (or asked to) respond to discovery requests, in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

**5. Advancement of Expenses.** Notwithstanding any other provision of this Agreement, the Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding by reason of Indemnitee's Corporate Status within thirty (30) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free.

**6. Procedures and Presumptions for Determination of Entitlement to Indemnification.** It is the intent of this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may be permitted under the DGCL and public policy of the State of Delaware. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

**(a)** To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification. Notwithstanding the foregoing, any failure of Indemnitee to provide such a request to the Company, or to provide such a request in a timely fashion, shall not relieve the Company of any liability that it may have to Indemnitee unless, and to the extent that, such failure actually and materially prejudices the interests of the Company.

**(b)** Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination with respect to Indemnitee's entitlement thereto shall be made in the specific case by one of the following four methods, which shall be at the election of the Board: (i) unless a Change in Control has occurred: (1) by a majority vote of the Disinterested Directors, even though less than a quorum, (2) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum, (3) if there are no Disinterested Directors or if the Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee, or (4) if so directed by the Board, by the stockholders of the Company; and (ii) if a Change in Control has occurred, then by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee. For purposes hereof, Disinterested Directors are those members of the Board who are not parties to the action, suit or proceeding in respect of which indemnification is sought by Indemnitee.

**(c)** If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) hereof, the Independent Counsel shall be selected as provided in this Section 6(c). The Independent Counsel shall be selected by the Board. Indemnitee may,

within 10 days after such written notice of selection shall have been given, deliver to the Company a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of “**Independent Counsel**” as defined in Section 13 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Indemnitee to the Company’s selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 6(b) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6(c), regardless of the manner in which such Independent Counsel was selected or appointed.

(d) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Neither the failure of the Company (including by its Board or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its Board or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(e) Indemnitee shall be deemed to have acted in good faith if Indemnitee’s action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise (as hereinafter defined) in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(e) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(f) If the person, persons or entity empowered or selected under Section 6 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee’s statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making such determination with respect to entitlement to

indemnification in good faith requires such additional time to obtain or evaluate documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 6(f) shall not apply if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 6(b) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination, the Board or the Disinterested Directors, if appropriate, resolve to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat.

(g) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board or stockholder of the Company shall act reasonably and in good faith in making a determination regarding the Indemnitee's entitlement to indemnification under this Agreement. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(h) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any action, claim or proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such action, suit or proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(i) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

## **7. Remedies of Indemnitee.**

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification is made pursuant to Section 6(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within 180 days

following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 6(b).

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's misstatement not materially misleading in connection with the application for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of Expenses in Section 13 of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement. The Company shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefore) advance, to the extent not prohibited by law, such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

(f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

**8. Non-Exclusivity; Survival of Rights; Insurance; Primacy of Indemnification; Subrogation.**

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the Bylaws, any agreement, a vote of stockholders, a resolution of Board or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in the DGCL, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Certificate of Incorporation, Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and

remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any director, officer, employee, agent or fiduciary under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) The Company hereby acknowledges that Indemnitee has or may have in the future certain rights to indemnification, advancement of expenses and/or insurance provided by other entities and/or organizations (collectively, the "**Secondary Indemnitors**"). The Company hereby agrees (i) that it is the indemnitor of first resort (*i.e.*, its obligations to Indemnitee are primary and any obligation of the Secondary Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnitee are secondary), (ii) that it shall be required to advance the full amount of expenses incurred by Indemnitee and shall be liable for the full amount of all Expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the terms of this Agreement and the Certificate of Incorporation or Bylaws of the Company (or any other agreement between the Company and Indemnitee), without regard to any rights Indemnitee may have against the Secondary Indemnitors, and, (iii) that it irrevocably waives, relinquishes and releases the Secondary Indemnitors from any and all claims against the Secondary Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Secondary Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Company shall affect the foregoing and the Secondary Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company. The Company and Indemnitee agree that the Secondary Indemnitors are express third party beneficiaries of the terms of this Section 8(c).

(d) Except as provided in paragraph (c) above, in the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee (other than against the Secondary Indemnitors), who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(e) Except as provided in paragraph (c) above, the Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(f) Except as provided in paragraph (c) above, the Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.



**9. Exception to Right of Indemnification.** Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision, provided, that the foregoing shall not affect the rights of Indemnitee or the Secondary Indemnitors set forth in Section 8(c) above;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act, or similar provisions of state statutory law or common law;

(c) in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law;

(d) with respect to remuneration paid to Indemnitee if it is determined by final judgment or other final adjudication that such remuneration was in violation of law (and, in this respect, both the Company and Indemnitee have been advised that the Securities and Exchange Commission believes that indemnification for liabilities arising under the federal securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication, as indicated in the last paragraph of this Section 9 below);

(e) a final judgment or other final adjudication is made that Indemnitee's conduct was in bad faith, knowingly fraudulent or deliberately dishonest or constituted willful misconduct (but only to the extent of such specific determination);

(f) in connection with any claim for reimbursement of the Company by Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act), if Indemnitee is held liable therefor (including pursuant to any settlement); or

(g) on account of conduct that is established by a final judgment as constituting a breach of Indemnitee's duty of loyalty to the Company or resulting in any personal profit or advantage to which Indemnitee is not legally entitled.

For purposes of this Section 9, a final judgment or other adjudication may be reached in either the underlying proceeding or action in connection with which indemnification is sought or a separate proceeding or action to establish rights and liabilities under this Agreement.

Any provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee or otherwise act in violation of any undertaking appearing in and required by the rules and regulations promulgated under the Securities Act, or in any registration statement filed with the SEC under the Securities Act. Indemnitee acknowledges that paragraph (h) of Item 512 of Regulation S-K currently generally requires the Company to undertake

in connection with any registration statement filed under the Securities Act to submit the issue of the enforceability of Indemnitee's rights under this Agreement in connection with any liability under the Securities Act on public policy grounds to a court of appropriate jurisdiction and to be governed by any final adjudication of such issue. Indemnitee specifically agrees that any such undertaking shall supersede the provisions of this Agreement and to be bound by any such undertaking.

**10. Duration of Agreement.** All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is an officer or director of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any Proceeding (or any proceeding commenced under Section 7 hereof) by reason of his Corporate Status, whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives.

**11. Security.** To the extent requested by Indemnitee and approved by the Board, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

**12. Enforcement.**

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve as an officer or director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as an officer or director of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

**13. Definitions.** For purposes of this Agreement:

(a) "**Beneficial Owner**" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(b) "**Board**" means the Board of Directors of the Company.

(c) "**Change in Control**" means the earliest to occur after the date of this Agreement of any of the following events:

(i) **Acquisition of Stock by Third Party.** Any Person is or becomes the Beneficial Owner (as defined above), directly or indirectly, of securities of the Company representing twenty five percent (25%) or more of the combined voting power of the Company's then outstanding securities;

(ii) **Change in Board.** During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i), (ii) or (iv) of this definition of Change in control) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) **Corporate Transactions.** The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the Board or other governing body of such surviving entity;

(iv) **Liquidation.** The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; and

(v) **Other Events.** There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement.

(d) **"Corporate Status"** describes the status of a person who is or was a director, officer, employee, agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving at the express written request of the Company.

(e) **"Disinterested Director"** means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(f) **"Enterprise"** shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that Indemnitee is or was serving at the express written request of the Company as a director, officer, employee, agent or fiduciary.

(g) **"Exchange Act"** shall mean the Securities Exchange Act of 1934, as amended.

(h) **"Expenses"** shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(i) **“Independent Counsel”** means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(j) **“Person”** for purposes of the definition of Beneficial Owner and Change in Control set forth above, shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(k) **“Proceeding”** includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of the fact that Indemnitee is or was an officer or director of the Company, by reason of any action taken by him or of any inaction on his part while acting as an officer or director of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other Enterprise; in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement; including one pending on or before the date of this Agreement, but excluding one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce his rights under this Agreement.

(l) **“Securities Act”** shall mean the Securities Act of 1933, as amended.

14. **Severability.** The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnitee indemnification rights to the fullest extent permitted by applicable laws. In the event any provision hereof conflicts with any applicable law, such provision shall be deemed modified, consistent with the aforementioned intent, to the extent necessary to resolve such conflict.

15. **Modification and Waiver.** No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. **Notice By Indemnitee.** Indemnitee agrees promptly to notify the Company in writing upon being served with or otherwise receiving any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the Company.

17. **Notices.** All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent:

(a) To Indemnitee at the address set forth below Indemnitee's signature hereto.

(b) To the Company at:

Oncobiologics, Inc.  
7 Clarke Drive  
Cranbury, New Jersey 08512  
Attention: Pankaj Mohan, Ph.D.

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

18. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement may also be executed and delivered by facsimile signature and 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.

19. **Headings.** The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

20. **Governing Law and Consent to Jurisdiction.** This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. The Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "**Delaware Court**"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, irrevocably Corporation Service Company as its agent in the State of Delaware for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

**[SIGNATURE PAGE TO FOLLOW]**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

**ONCOBIOLOGICS, INC.**

By: \_\_\_\_\_

Name: Pankaj Mohan, Ph.D.

Title: President and Chief Executive Officer

**INDEMNITEE**

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Oncobiologics, Inc. – Signature Page to Indemnity Agreement*

---

LEASE AGREEMENT

BY AND BETWEEN:

Cedar Brook 7 Corporate Center, LP

“Landlord”

- and -

OncoBiologics, Inc.

“Tenant”

PREMISES: 7 Clarke Dr., Cranbury, NJ 08512

DATED:

---

AGREEMENT, made March 18, 2011, between Cedar Brook 7 Corporate Center, LP, 1000 Eastpark Blvd., Cranbury, New Jersey 08512, "Landlord"; and OncoBiologics, Inc., 4 Sunrise Ct., Flemington, NJ 08822, "Tenant".

**W I T N E S S E T H :**

WHEREAS, the Landlord intends to lease to the Tenant a portion of 7 Clarke Dr., Cranbury, New Jersey, 08512 ("Building") constituting a portion of the office/industrial park known as Cedar Brook Corporate Center ("Office Park"); and

WHEREAS, the parties hereto wish to mutually define their rights, duties and obligations in connection with the Lease;

NOW THEREFORE, in consideration of the promises set forth herein, the Landlord leases unto the Tenant and the Tenant rents from the Landlord the leased premises described in Paragraph 1, and the Landlord and Tenant do hereby mutually covenant and agree as follows:

1. **LEASED PREMISES**

1.1 The leased premises shall consist of 17,066 rentable square feet of laboratory and office space and, subject to Paragraph 1.2 below, an additional 3,361 square feet of current warehouse space ("Leased Premises") as measured from outside of exterior walls to center line of common walls, together with all improvements to be constructed thereon by the Landlord for the use of the Tenant, and all easements, tenements, appurtenances, hereditaments, rights and privileges appurtenant thereto, and any and all fixtures and equipment which currently exist or are to be installed in the Building by the Landlord for the use of the Tenant in its

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11



occupancy of the Leased Premises. Tenant shall also have the right to use all common areas of the Office Park in a similar manner as other Office Park tenants.

1.2 Landlord grants to Tenant an option to lease an additional 3,361 square feet of space shown on the drawing attached hereto as Exhibit "B" (the "Additional Space"), pursuant to the terms of this agreement. Tenant may exercise this option any time until December 31, 2011. Within two weeks of exercising its option, Tenant shall provide to Landlord plans for modifications and improvements to the Additional Space pursuant to Paragraph 3. Tenant shall begin paying rent for the Additional Space upon Substantial Completion of the modifications and/or improvements to the Additional Space, but no later than six months after the option has been exercised.

2. TERM OF LEASE

2.1 The term of the Lease shall be 10 years, to commence on the Commencement Date and to end on the day before the 10th anniversary of the Commencement Date. The term "Commencement Date" shall mean the first day of the next succeeding month following Substantial Completion (as defined hereafter). The Commencement Date is projected to be May 1, 2011.

2.2 Tenant may terminate this Agreement, effective on the 5th anniversary of the Commencement Date, by giving notice to Landlord before the 4th anniversary of the Commencement Date. If Tenant exercises this option, it will be liable for the following: 1) the full amount of Landlord's allowance to Tenant for the Tenant Improvements or modifications to the premises pursuant to paragraph 3.4 below, 2) the difference between the full Base and

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

Additional Rent and the fractional Base and Additional rent paid pursuant to the phase-in set forth in paragraph 4.5 below during all months of the phase-in period, 3) 6 months of full Base Rent, and 4) \$25,599.00 for the remaining unamortized amount of the HVAC construction costs. However, the preceding liabilities will be waived if Tenant terminates in order to rent a space in the Office Park at least twice as large as the size of the Leased Premises at the time of termination.

3. CONSTRUCTION OF THE TENANT IMPROVEMENTS

3.1 The Landlord shall provide all necessary labor and materials and perform any and all the work required for construction of the Tenant’s laboratory and office facility comprising 17,066 square feet (plus an additional 3,361 square feet if Tenant exercises its option pursuant to paragraph 1.2 above) including machinery, fixtures and equipment to be constructed and other improvements to be installed by Landlord in the Leased Premises in order to ready the same for Tenant’s occupancy (the “Tenant Improvements”), all as shown on the Plans (as defined hereafter). Tenant’s designated representative for all work pertaining to the Tenant Improvements shall be either Kartik Subramanian or Doctor Pankag Mohan (“Representative”). The Landlord shall supervise and direct the work on the Tenant Improvements using Landlord’s best skill and attention, and Landlord shall be solely responsible for all construction means, methods, techniques, sequences and procedures and for coordinating all portions of the work on the Tenant Improvements. Landlord warrants to the Tenant that all materials and equipment incorporated in the Tenant Improvements will be new unless otherwise specified, and that all

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

work on the Tenant Improvements will be of good quality, free from known faults and defects, and in substantial conformity with the Plans.

3.2 (a) Landlord shall complete the construction of the Leased Premises in a good and workmanlike manner and in substantial accordance with plans and specifications ("Plans") to be prepared by Tenant's architect Princeton Design Group. The Plans shall be provided to Landlord on or before \_\_\_\_\_ and shall be in sufficient detail to permit Landlord to apply for a building permit for the Tenant Improvements (which Landlord shall promptly do), and to prepare a construction budget for the construction of the Tenant Improvements ("Construction Budget"). The Construction Budget shall set forth the lump sum amount payable by Tenant to Landlord for the construction of the Tenant Improvements, which amount shall include Landlord's standard mark-up for general conditions, overhead and profit.. The only exception to the lump sum amount shall be the actual fees charged by the Township of Cranbury for construction permits, which will not be determined by the municipality until after the Landlord applies for the construction permits and shall be paid by Tenant as set forth hereafter. Landlord shall submit the Construction Budget to Tenant for its approval. Tenant shall give written notice to Landlord within five business days of receipt, as to whether or not the Construction Budget is acceptable. If Tenant does not accept the Construction Budget during such five business day period, then the parties agree to negotiate in good faith until both parties reach an agreement on the Construction Budget. Landlord shall not be obligated to order any equipment or commence work until Tenant has approved the Construction Budget. A complete

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

set of the agreed upon Plans, and the agreed upon Construction Budget, shall be initialed by and distributed to Landlord and Tenant.

(b) Neither the Construction Budget nor the Plans shall be changed or altered in any way except by change order approved in writing by Landlord and Tenant ("Change Order"). All Change Orders shall be valid and binding upon Landlord and Tenant only if authorized by written Change Order signed prior to commencement of the work on the Tenant Improvements reflected thereby. In the event a Change Order is submitted to Tenant and is not approved by Tenant within 2 business days, work on the Tenant Improvements shall continue as if the Change Order had never been requested. The cost or credit to the Tenant due to any Change Order shall be determined per the terms of such Change Order. In the event the Change Order increases the cost set forth in the Construction Budget, then Landlord shall submit an invoice to Tenant and Tenant shall pay the invoice within 10 days of receipt. The Landlord shall have the right to substitute for the materials and equipment required by the Plans, materials and equipment of equal quality and standard, provided said substitutions conform with applicable building codes and are the subject of a Change Order. Each and every Change Order shall state whether the change will entail a delay in the date of Substantial Completion. Any Change Order requested by Tenant which results in a delay to the date of Substantial Completion shall not delay the date for the commencement of the payment of rent.

3.3 (a) The Landlord may secure and advance payment for the construction permits and for all other permits and governmental fees, licenses and inspections necessary for the proper execution and completion of the Tenant Improvements. Tenant shall

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

pay such amounts to Landlord not later than 10 business days after receipt of an invoice therefore. Landlord shall obtain a Certificate of Occupancy after the Tenant Improvements have been completed. Landlord shall not, however, be responsible for securing any environmental or operating permits or certifications which are required in order for Tenant to actually conduct its business.

(b) After construction is complete, Tenant shall be responsible for all costs related to the reproduction of "as built" Plans. In all instances where Plans are required, Tenant shall provide Landlord with a reproducible set. Landlord will also be provided with a current plot file containing the Plans at no cost to Landlord. Tenant agrees to have its Architect execute Exhibit "A" affirming Landlord's right to the Plans.

3.4 (a) Landlord shall provide Tenant with a \$96,000.00 allowance toward the construction costs of Tenant Improvements. The entire cost of the improvements, other than the \$96,000 allowance, shall be the responsibility of Tenant ("Tenant's Cost Share"). Upon issuance of a building permit, Tenant shall immediately pay to Landlord, prior to the Landlord's commencement of work on Tenant Improvements, a sum equal to 50% of Tenant's Cost Share. 30 days after issuance of the building permit, Tenant shall immediately pay to Landlord an additional 25% of Tenant's Cost Share. Upon Substantial Completion of Tenant Improvements, Tenant shall immediately pay to Landlord a sum equal to the remaining balance of Tenant's Cost Share. In the event Tenant fails to pay to Landlord, upon issuance of a building permit, a sum equal to 50% of Tenant's Cost Share, Landlord shall not be obligated to commence work on the Tenant Improvements for the Leased Premises. Such failure to pay shall constitute a default

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

under this Lease, but shall not delay the Commencement Date of this Lease, which shall be the Commencement Date set forth in paragraph 2; or any of Tenant's obligations hereunder including, without limitation, Tenant's obligation to pay all Rent. In the event that Tenant fails to pay to Landlord, upon Substantial Completion of the Tenant Improvements a sum equal to the remaining Tenant's Cost Share, such failure shall constitute a default under this Lease; and Tenant shall not be permitted to occupy the Leased Premises; and Tenant shall commence payment of all Rent; and Landlord shall be entitled to all rights and remedies available hereunder, at law or in equity, which rights shall be cumulative. All sums so owing to Landlord shall constitute Additional Rent and shall be subject to the imposition of late charges as provided in this Lease.

(b) Apart from extensions of time for delays and extensions of the Commencement Date for the payment of rent, no payment or allowance of any kind shall be claimed by Tenant, or made to the Landlord as compensation for damages on account of any delay from any cause in the Substantial Completion of the Tenant Improvements, whether such delay be avoidable or unavoidable, anything in this Agreement inconsistent herewith or to the contrary notwithstanding.

3.5 During construction of Tenant Improvements, a representative of Tenant shall inspect the site no less frequently than once a week and verify and agree that the work in progress has been completed in a manner acceptable to both Landlord and Tenant.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

3.6 The Tenant Improvements shall be commenced upon approval by governmental entities having jurisdiction therefore and, subject to authorized adjustments, Substantial Completion shall be achieved on or about May 1, 2011. As used herein the term "Substantial Completion" shall mean that the Leased Premises have been built and completed in substantial conformity with the Plans, and a temporary or permanent certificate of occupancy or a temporary or permanent certificate of acceptance ("CO/CA") has been issued permitting Tenant to use and occupy the Leased Premises, even though minor details, adjustments or punch list items which shall not materially impair Tenant's use and enjoyment of the Leased Premises may not have been finally completed, but which work Landlord agrees shall be diligently pursued to final completion. Tenant shall allow Landlord and its contractors to enter the Leased Premises during normal working hours after issuance of the CO/CA to complete remaining minor work or punch list items. It is agreed that for the purpose of this Lease, wherever and whenever the term Substantial Completion is used, it shall not include items of maintenance, service, punch list, or guarantee. If the date of Substantial Completion occurs on a day other than the first day of a month, rent from such day until the first day of the following month shall be prorated (at a rate of 1/30th of the monthly rent per day). During said period of partial monthly occupancy, all other terms and conditions of this Lease shall apply.

4. RENT

4.1 Tenant shall pay, as rent for the Leased Premises, the following:

- (a) During the first 5 years of the term, an annual base rent of \$18.50 per square foot, for an aggregate annual base rent of \$315,721.00 ("Base Rent"), payable

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

monthly in the sum of \$26,310.08. If Tenant exercises its option pursuant to paragraph 1.2 above, the annual base rent for the Additional Space will be \$18.00 per square foot for an aggregate annual base rent of \$376,219.00, payable monthly in the sum of \$31,351.58.

(b) During the final five years of the term, an annual base rent of \$21.28 per square foot, for an aggregate annual base rent of \$363,164.48 ("Base Rent"), payable monthly in the sum of \$30,263.71. If Tenant exercises its option pursuant to paragraph 1.2 above, the annual base rent for the Additional Space will be \$20.70 per square foot for an aggregate annual base rent of \$432,737.18 payable monthly in the sum of \$36,061.43.

4.2 Tenant shall pay the following which shall be referred to herein as "Additional Rent":

- (a) Common Area Expenses as hereafter defined in paragraph 8.1.
- (b) Any other charges as provided in this Lease.

The Base Rent and Additional Rent shall be referred to hereafter as "Rent".

4.3 Tenant covenants to pay the Rent in lawful money of the United States which shall be legal tender for the payment of all debts, public and private, at the time of payment. Such Rent shall be paid to Landlord at its office address hereinabove set forth, or at such other place as Landlord may, from time to time, designate by notice to Tenant.

4.4 The Rent shall be payable by Tenant without any set-off or deduction of any kind or nature whatsoever and without notice or demand. The sum of all increases required to be paid as Rent in accordance with this Lease, shall be paid to Landlord within 10 days following the giving of notice hereof by Landlord of such increases.

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11



4.5 Pertaining to the 17,066 square foot space only, Tenant will pay Base Rent for, and occupy, the office and laboratory space fractionally, according to the following schedule:

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

MONTH	OFFICE — 6,821 Sq. Ft.		LABORATORY — 10,245 Sq. Ft.		TOTAL — 17,066 Sq. Ft.*
	Fraction	Base Rent	Fraction	Base Rent	Base Rent*
1 <sup>st</sup> month	1/5	\$ 2,103.14	1/6	\$ 2,632.40	\$ 4,735.54*
2 <sup>nd</sup> month	2/5	\$ 4,206.28	2/6	\$ 5,264.79	\$ 9,471.07*
3 <sup>rd</sup> month	3/5	\$ 6,309.42	3/6	\$ 7,897.19	\$ 14,206.61*
4 <sup>th</sup> month	4/5	\$ 8,412.57	4/6	\$ 10,529.58	\$ 18,942.15*
5 <sup>th</sup> month	5/5	\$ 10,515.71	5/6	\$ 13,161.98	\$ 23,677.69*
6 <sup>th</sup> month	5/5	\$ 10,515.71	6/6	\$ 15,794.37	\$ 26,310.08*

\*Total for 17,066 square foot space only, not including Tenant's rent obligation if Tenant exercises its option rent the 3,361 square foot Additional Space according to paragraph 1.2 above.

At the completion of the phase-in in the above table, Base Rent shall be paid in full for the entire space. Tenant shall pay Common Area Expenses set forth in paragraph 8 below as a fractional phase-in: 1/4 in the first month, 2/4 in the second month, 3/4 in the third month, and fully thereafter. The parties agree that the laboratory space comprises 10,245 square feet, and the office space comprises 6,821 square feet.

5. PARKING AND USE OF EXTERIOR AREA

The Tenant shall have the right to use parking spaces on a non-exclusive basis in common with other tenants of the Building. The Landlord and Tenant mutually agree that they

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

will not block, hinder or otherwise obstruct the access driveways and parking areas so as to impede the free flow of vehicular traffic on the property. In connection with the use of the loading platforms, if any, Tenant agrees that it will not use the same so as to unreasonably interfere with the use of the access driveways and parking areas. Tenant shall not store trailers or other vehicles on any portion of the access driveways or parking areas, and may not utilize any portion of the land or Building outside of the Leased Premises for any purpose unless consented to in advance by Landlord.

6. USE

The Tenant covenants and agrees to use and occupy the Leased Premises only for research, development, and manufacture of bio-pharmaceuticals, and related office uses, which use is expressly subject to all applicable zoning ordinances, rules and regulations of any governmental instrumentalities, boards or bureaus having jurisdiction thereof. Tenant's use of the Leased Premises shall not interfere with the peaceable and quiet use and enjoyment by other tenants at their respective leased premises located at the Building or in the Office Park, nor shall Tenant's activities cause Landlord to be in default under its leases with such other tenants.

7. REPAIRS AND MAINTENANCE

7.1 Tenant shall generally monitor, maintain and repair the Leased Premises, in a good and workmanlike manner, and shall, at the expiration of the term, deliver the Leased Premises in good order and condition, damages by fire or casualty, the elements and ordinary wear and tear excepted. Tenant covenants and agrees that it shall not cause or permit any waste, damage or disfigurement to the Leased Premises, or any overloading of the floors. Tenant shall

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

monitor, maintain and make all repairs to the floor surface, plumbing and electrical systems including all ballasts and fluorescent fixtures located within the Leased Premises, and the entire HVAC system. The infrastructure system shall have a Landlord's warranty of one year. Landlord shall be responsible for repairs necessary to the roof exterior load-bearing walls, and electric and plumbing systems to the point where they enter the Leased Premises, unless repair is necessitated by any act of Tenant, or its agents, employees or contractors.

7.2 The Tenant shall, at its own cost and expense, pay all utility meter and service charges, including telephone, cable service, gas and electric servicing the Leased Premises. Landlord shall have the option to install, at its own cost, a separate water meter and invoice Tenant directly for its water/sewer usage. The Tenant agrees to maintain the Leased Premises at a minimum temperature of 45 degrees to prevent the freezing of domestic water and sprinkler pipes and no higher than 78 degrees to prevent humidity and mildew. Tenant shall not store any items outside the Leased Premises, and shall deliver its garbage and recyclables to the central receiving area on the lot. Tenant shall dispose of all hazardous/medical waste with an approved hauler at its own cost.

7.3 Landlord does not warrant that any services Landlord or any public utilities supply will not be interrupted. Services may be interrupted because of accidents, repairs, alterations, improvements or any other reason beyond the reasonable control of Landlord.

8. COMMON AREA EXPENSES, TAXES AND INSURANCE

8.1 The Tenant shall pay to the Landlord, monthly, as Additional Rent the cost of the following items all of which shall be known as Common Area Expenses:

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

(a) The costs incurred by the Landlord for the operation, maintenance or repair of the following items in the Office Park, which costs shall be fixed at \$2.66/square foot for the year 2011 and shall increase by 3% each January 1st commencing on January 1, 2012 ("Operating Costs"):

- (1) lawns and landscaping;
- (2) standard water/sewer usage and standby sprinkler charges;
- (3) exterior and interior common area Building lighting;
- (4) exterior sewer lines;
- (5) exterior utility lines;
- (6) repair and maintenance of any signs serving the Office Park;
- (7) snow removal;
- (8) standard garbage disposal and recycling;
- (9) general ground maintenance;
- (10) parking lot, driveways and walkways;
- (11) maintenance contracts for the roof;
- (12) pest control;
- (13) central station monitoring for fire sprinkler system; and
- (14) other ordinary maintenance expenses normally incurred by Landlord relating to the Building and common areas of the Office Park;

The \$2.66/square foot, as increased annually, shall include the cost of the annual insurance premiums charged to the Landlord for insurance coverage which insure the buildings

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

in the Office Park. The insurance shall be for the full replacement value of all insurable improvements with any customary extensions of coverage including, but not limited to, vandalism, malicious mischief, sprinkler damage and comprehensive liability, and insurance for one year's rent. The Landlord shall maintain said insurance in effect at all times hereunder. Any increase in the insurance premiums due to a change in rating of the Building which is solely attributable to Tenant's use, or due to special Tenant equipment, shall be paid entirely by the Tenant. Tenant expressly acknowledges that Landlord shall not maintain insurance on Tenant's furniture, fixtures, machinery, inventory, equipment or other personal property. Tenant shall at all times, at its own cost and expense, carry sufficient "All Risk" property insurance on a replacement cost basis to avoid any coinsurance penalties in applicable policies on all of Tenant's furniture, furnishings, fixtures, machinery, equipment and installations as well as on any alterations or improvements made to the Leased Premises by Tenant at its own cost and expense subsequent to the Commencement Date. Such coverage is to include property undergoing additions and alterations, and shall cover the value of equipment and supplies awaiting installations. On an annual basis, Tenant shall furnish Landlord with certificates of the existence of such insurance; and

(b) Tenant's proportionate share of the real estate and personal property taxes ("Proportionate Share") assessed against the Office Park for land, building and improvements, along with any levy for the installation of local improvements affecting the Office Park assessed by any governmental body having jurisdiction thereof, which taxes and levies are estimated to be \$2.40/square foot for the first year, provided, however, that Tenant

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

shall be entitled to Tenant's Proportionate Share of any refund obtained by Landlord with respect to any taxes. Taxes which shall be adjusted as of each January 1st during the term, based on the relationship between the rentable square footage leased to Tenant and the rentable square footage of building construction completed and occupied in the Office Park . The real estate tax obligation of the Tenant shall include any tax or imposition for parking lot usage which may be levied by any governmental body having jurisdiction thereof. In addition to its Proportionate Share of the above items, Tenant shall pay directly all real estate taxes assessed by the municipality on its Tenant Improvements. Anything in this Section 8.1(b) or elsewhere in this Lease to the contrary notwithstanding, Tenant shall not be obligated to pay any part of (1) any taxes on the income of the Landlord or the holder of an underlying mortgage and any taxes on the income of the lessor under any underlying lease, (2) any corporation, unincorporated business or franchise taxes, (3) any estate gift, succession or inheritance taxes, (4) any capital gains, mortgage recording or transfer taxes, (5) any taxes or assessments attributable to any sign attached to, or located on, the Building or the land or (6) any similar taxes imposed on the Landlord, the holder of any underlying mortgage or the lessor under any underlying lease; and

(c) A management fee of 3% of the Tenant's Base Rent.

8.2 Tenant's Share of Common Area Expenses for any calendar year, part of which falls within the term of this Lease and part of which does not, shall be appropriately prorated.

8.3 If at any time during the term of this Lease the method or scope of taxation prevailing at the commencement of the lease term shall be altered, Tenant's

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

Proportionate Share of such substituted tax or imposition shall be payable and discharged by the Tenant in the manner required pursuant to the law which shall authorize such change.

8.4 The Tenant covenants and agrees that it will, at its sole cost and expense, carry liability insurance covering the Leased Premises in the minimum amount of \$1,000,000 per accident and \$2,000,000 aggregate per year, a minimum amount of \$300,000 for property damage, with a deductible of no more than \$20,000; and a \$1,000,000 umbrella policy in addition to the above coverage. The Tenant shall add the Landlord as an additional insured on such policy and will furnish Landlord with a certificate of said liability insurance prior to the Commencement Date and annually thereafter. The certificate shall contain a clause that the policy will not be canceled except on 10 days written notice to the Landlord.

8.5 The parties covenant and agree that the insurance policies required to be furnished in accordance with the terms and conditions of this Lease, or in connection with insurance policies which they obtain insuring such insurable interest as Landlord or Tenant may have in its own properties, whether personal or real, shall expressly waive any right of subrogation on the part of the insurer against the Landlord or Tenant. Landlord and Tenant each waives all right of recovery against the other, its agents or employees for any loss, damage or injury of any nature whatsoever to property or person for which the waiving party is required by this Lease to carry insurance.

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11



9. SIGNS

Landlord will provide a sign monument listing all of the tenants in the Building. At its sole expense the Tenant shall have the right to install on the interior doors at the Leased Premises, only such signs as are required by Tenant for the purpose of identifying the Tenant.

10. ASSIGNMENT AND SUBLETTING

10.1 The Tenant may not assign or sublet the Leased Premises without Landlord's consent, which shall not be unreasonably withheld. The Tenant may not assign or sublet the Leased Premises to an existing tenant in the Office Park or assign or sublease any space in the Office Park from another tenant, without Landlord's consent, which consent shall be within the sole discretion of Landlord. Tenant shall advise the Landlord in writing, by certified mail, return receipt requested of its desire to assign or sublease and Landlord shall have 60 days from receipt of such notice to notify Tenant whether it rejects or consents to the assignment or sublease. Landlord shall also have the option to elect to re-capture the Leased Premises and terminate the Lease. If Landlord elects to recapture the Leased Premises, Tenant shall surrender the Leased Premises no later than 90 days after Landlord's written notice of its election to recapture.

10.2 The Landlord's consent shall not be required and the terms and conditions of Paragraph 10.1 shall not apply as to Landlord's right to recapture if the Tenant assigns or subleases the Leased Premises to a parent, subsidiary, affiliate or a company into which Tenant is merged or with which Tenant is consolidated, or to the purchaser of all or substantially all of the assets of Tenant.

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

10.3 In connection with any permitted assignment or subletting, (i) the Tenant shall pay monthly to the Landlord 50% of any increment in rent received by Tenant per square foot over the Rent then in effect during the year of the assignment or subletting, which payment shall be made monthly together with the required Rent hereunder; and (ii) if Tenant receives any consideration or value for such assignment or subletting, Landlord shall be paid 50% of any such consideration or value within 10 days after receipt of the same by Tenant. As a condition hereunder, Tenant warrants and represents to Landlord that it will furnish to Landlord a copy of all pertinent documents with respect to any such assignment or subletting so as to establish Tenant's obligation to Landlord hereunder.

10.4 In the event of any assignment or subletting permitted by the Landlord, the Tenant shall remain and be directly and primarily responsible for payment and performance of the within Lease obligations, and the Landlord reserves the right, at all times, to require and demand that the Tenant pay and perform the terms and conditions of this Lease. In the case of a complete recapture, Tenant shall be released from all further liability with respect to the recaptured space. No such assignment or subletting shall be made to any Tenant who shall occupy the Leased Premises for any use other than that which is permitted to the Tenant, or for any use which may be deemed inappropriate for the Building or extra hazardous, or which would in any way violate applicable laws, ordinances or rules and regulations of governmental boards and bodies having jurisdiction.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

11. FIRE AND CASUALTY

11.1 In case of any damage to or destruction of any portion of the Building of which the Leased Premises is a part by fire or other casualty occurring during the term of this Lease (or prior thereto), which shall render at least 1/3 of the floor area of the Leased Premises or the building untenable or unfit for occupancy, which damage cannot be repaired within 180 days from the happening of such casualty, using reasonable diligence ("Total Destruction") then the term hereby created shall, at the option of the Landlord, upon written notice to the Tenant within 15 days of such fire or casualty, cease and become null and void from the date of such Total Destruction. In such event the Tenant shall immediately surrender the Leased Premises to the Landlord and this Lease shall terminate. The Tenant shall only pay Rent to the time of such Total Destruction. However, in the event of Total Destruction if the Landlord shall elect not to cancel this Lease within the 15 day period the Landlord shall repair and restore the Building to substantially the same condition as it was prior to the damage or destruction, with reasonable speed and dispatch. The Rent shall not be accrued after said damage or while the repairs and restorations are being made, but shall recommence immediately after the Leased Premises are substantially restored as evidenced by the issuance of a CO/CA by municipal authorities. In any case where Landlord must restore, consideration shall be given for delays under the Force Majeure paragraph in this Lease. Whether or not this Lease has been terminated as a result of a casualty, in every instance, all insurance proceeds payable as a result of damage or destruction to the Building shall be paid to Landlord as its sole and exclusive property.

11.2 In the event of any other casualty which shall not be tantamount to Total Destruction the Landlord shall repair and restore the Building and the Leased Premises to

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

substantially the same condition as they were prior to the damage or destruction, with reasonable speed and dispatch. Such repairs will not exceed 180 days from the issuance of a construction permit. The Rent shall abate or shall be equitably apportioned as to any portion of the Leased Premises which shall be unfit for occupancy by the Tenant, or which cannot be used by the Tenant to conduct its business. The Rent shall recommence immediately upon substantial restoration of the Leased Premises as evidenced by the issuance of a CO/CA by municipal authorities.

11.3 In the event of any casualty caused by an event which is not covered by Landlord's insurance policy; the Landlord may elect to treat the casualty as though it had insurance or it may terminate the Lease. If it treats the casualty as though it had insurance then the provisions of this paragraph shall apply. The Landlord shall serve a written notice upon the Tenant within 15 days of the casualty specifying the election which it chooses to make.

11.4 In the event the Landlord rebuilds, the Tenant agrees, at its cost and expense, to forthwith remove any and all of its equipment, fixtures, stock and personal property in order to permit Landlord to expedite the construction. The Tenant shall assume at its sole risk the responsibility for damage to or security of such fixtures and equipment in the event that any portion of the Building area has been damaged and is not secure.

12. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

12.1 (a) The Tenant agrees that upon acceptance and occupancy of the Leased Premises, it will, at its own cost and expense, comply with all statutes, ordinances, rules, orders, regulations and requirements of the Federal, State and Municipal governments arising

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

from the operations of Tenant at the Leased Premises. The Tenant also agrees that it will not commit any nuisance or excessive noise, and will dispose of all garbage and waste in connection with its operations so as to avoid unreasonable emissions of dirt, fumes, odors or debris.

(b) The Tenant agrees, at its own cost and expense, to comply with such regulations or requests as may be required by the fire or liability insurance carriers providing insurance for the Leased Premises, and the Board of Fire Underwriters, in connection with Tenant's use and occupancy of the Leased Premises.

12.2 In case the Tenant shall fail to comply with all material provisions of the aforesaid statutes, ordinances, rules, orders, regulations and requirements then the Landlord may, after 10 days' notice (except for emergency repairs, which may be made immediately), enter the Leased Premises and take any reasonable actions to comply with them, at the cost and expense of the Tenant. The cost thereof shall be added to the next month's rent and shall be due and payable as such, or the Landlord may deduct the same from the balance of any sum remaining in the Landlord's hands. This provision is in addition to the right of the Landlord to terminate this Lease by reason of any default on the part of the Tenant. However, in the event that all necessary repairs are made by Tenant, the initial failure to comply with the aforesaid laws and regulations shall not constitute an event of default.

12.3 Tenant expressly covenants and agrees to indemnify, defend and save the Landlord harmless against any claim, damage, liability, cost, penalties, or fines which the Landlord may suffer as a result of air, ground or water pollution caused by the Tenant in its use of the Leased Premises. The Tenant covenants and agrees to notify the Landlord immediately of

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

any claim or notice served upon it with respect to any claim that the Tenant is causing air, ground or water pollution; and the Tenant shall take immediate steps to halt, remedy or cure any pollution of air, ground or water caused by the Tenant by its use of the Leased Premises.

12.4 Tenant expressly covenants and agrees to fully comply with the provisions of the New Jersey Industrial Site Recovery Act (N.J.S.A. 13:1K-6, et seq.) "ISRA", and its regulations, prior to the termination of the Lease or at any time that any action of the Tenant triggers the applicability of ISRA. In particular, the Tenant agrees that it shall comply with the provisions of ISRA in the event of any "closing, terminating or transferring" of Tenant's operations, as defined by and in accordance with the regulations. In the event evidence of such compliance is not delivered to the Landlord prior to surrender of the Leased Premises by the Tenant to the Landlord, it is understood and agreed that the Tenant shall be liable to pay to the Landlord an amount equal to two times the Base Rent then in effect, together with all applicable Additional Rent from the date of such surrender until such time as evidence of compliance with ISRA has been delivered to the Landlord, and together with any costs and expenses incurred by Landlord in enforcing Tenant's obligations under this paragraph. Evidence of compliance, as used herein, shall mean a "No Further Action Letter/Covenant Not to Sue Letter", a "Remedial Action Workplan" or utilization of one of the "Alternate Compliance Options" set forth in the ISRA regulations issued by the New Jersey Department of Environmental Protection ("NJDEP"). Evidence of compliance shall be delivered to the Landlord, together with copies of all submissions made to the NJDEP, including all environmental reports, test results and other supporting documentation. In addition to the above, Tenant agrees that it shall cooperate with

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

Landlord in the event ISRA is applicable to any portion of the property of which the Leased Premises are a part. In such case, Tenant agrees that it shall fully cooperate with Landlord in connection with any information or documentation which may be requested by the NJDEP. In the event that any remediation of the Property is required in connection with the conduct by Tenant of its business at the Leased Premises, Tenant expressly covenants and agrees that it shall be responsible for that portion of the remediation which is attributable to the Tenant's operation. Tenant hereby represents and warrants that its North American Industrial Classification System Code is 541711, and that Tenant shall not generate, manufacture, refine, transport, treat, store, handle or dispose of "hazardous substances" as the same are defined under ISRA and the regulations promulgated pursuant thereto, except in strict compliance with all governmental rules, regulations and procedures. Tenant hereby agrees that it shall promptly inform Landlord of any change in its NAICS number and obtain Landlord's consent for any change in the nature of the business to be conducted in the Leased Premises. The within covenants shall survive the expiration or earlier termination of the Lease term.

13. INSPECTION BY LANDLORD

The Tenant agrees that the Landlord shall have the right to enter into the Leased Premises at all reasonable hours for the purpose of examining the same upon reasonable advance notice of not less than 24 hours (except in the event of emergency), or to make such repairs as are necessary. Tenant agrees that, if Tenant has given Landlord notice that Tenant is not renewing its Lease for another term, if the period to exercise Tenant's option for renewal under Paragraph 43 has lapsed without Tenant giving notice, or if Tenant has ceased business

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

operations in the Leased Premises, Landlord shall have the right to enter into the Leased Premises at all hours for any reason without notice. Any entry or repair shall not unduly interfere with Tenant's use of the Leased Premises.

14. DEFAULT BY TENANT

14.1 Each of the following shall be deemed a default by Tenant and a breach of this Lease:

- (a) (1) filing of a petition by the Tenant for adjudication as a bankrupt, or for reorganization, or for an arrangement under any federal or state statute, except in a Chapter 11 Bankruptcy where the Rent stipulated herein is being paid and the terms of the Lease are being complied with;
- (2) dissolution or liquidation of the Tenant;
- (3) appointment of a permanent receiver or a permanent trustee of all or substantially all of the property of the Tenant, if such appointment shall not be vacated within 60 days, provided the Rent stipulated herein is being paid and the terms of the Lease are being complied with, during said 60 day period;
- (4) taking possession of the property of the Tenant by a governmental officer or agency pursuant to statutory authority for dissolution, rehabilitation, reorganization or liquidation of the Tenant if such taking of possession shall not be vacated within 60 days, provided the Rent stipulated herein is being paid and the terms of the Lease are being complied with, during said 60 day period;
- (5) making by the Tenant of an assignment for the benefit of creditors;

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11



- (6) abandonment, desertion or vacation of the Leased Premises by the Tenant, unless Tenant employs at least one individual in the Leased Premises on a full-time basis for the purpose of maintaining the HVAC system and observing the Leased Premises; and
  - (7) failure of the Tenant to move into or take possession of the Leased Premises within 15 days of the Commencement Date.
- (b) Default in the payment of the Rent herein reserved or any part thereof, which continues for 10 days.

(c) A default in the performance of any other covenant or condition which this Lease requires the Tenant to perform, for a period of 15 days after notice. However, no default on the part of Tenant shall be deemed to exist if it diligently commences efforts to rectify same and Landlord is indemnified against loss or liability arising from the default.

14.2 In the event of any default set forth above, Landlord may serve written notice upon the Tenant electing to terminate this Lease upon a specified date not less than 10 days after the date of serving such notice and this Lease shall then expire on the date so specified as if that date had been originally fixed as the expiration date of the term herein granted.

14.3 In case this Lease shall be terminated due to Tenant's default as set forth above, Landlord or its agents may, immediately or any time thereafter, re-enter and resume possession of the Leased Premises or such part thereof, and remove all persons and property therefrom, either by summary proceedings or a suitable action or proceeding at law, without being liable for any damages therefor. No re-entry by Landlord shall be deemed an acceptance

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

of a surrender of this Lease. However, if the Tenant is in default and vacates the Leased Premises, or is dispossessed, and fails to remove any property, machinery, equipment and fixtures or other property within 10 days of the date Landlord sends a written notice to the last known address of the Tenant, then the property, machinery, equipment and fixtures or other property left at the Leased Premises shall, at the option of the Landlord, be conclusively presumed to be abandoned and may be disposed of by the Landlord without accounting to Tenant for any of the proceeds, or the Landlord may remove such property and charge the reasonable cost and expense of removal and storage to the Tenant before disposing of such property. The Tenant shall be liable for any damage which it causes in the removal of said property from the Leased Premises.

14.4 In case this Lease shall be terminated, due to Tenant's default as set forth above Landlord may relet the whole or any portion of the Leased Premises for any period equal to or greater or less than the remainder of the then current term, for any sum which it may deem reasonable, to any tenant which it may deem suitable and satisfactory, and for any use and purpose which it may deem appropriate. In connection with any such lease Landlord may make such changes in the character of the improvements on the Leased Premises as Landlord may determine to be appropriate or helpful in effecting such lease and may grant concessions or free rent. Landlord shall make reasonable efforts to relet the Leased Premises. Landlord shall not in any event be required to pay Tenant any sums received by Landlord on such reletting of the Leased Premises.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

14.5 In the event this Lease is terminated due to Tenant's default as set forth above, and whether or not the Leased Premises be relet, Landlord shall be entitled to recover from the Tenant all Rent due and all expenses, including reasonable counsel fees, incurred by Landlord in recovering possession of the Leased Premises, and all reasonable costs and charges for the care of the Leased Premises while vacant, which damages shall be due at such time as they are incurred by Landlord; and all other damages set forth in this Paragraph 14 and in Paragraph 15. Without any previous notice or demand, separate actions may be maintained by Landlord against Tenant from time to time to recover any damages which have become due and payable to the Landlord without waiting until the end of the term.

15. LIABILITY OF TENANT FOR DEFICIENCY

In the event that the relation of the Landlord and Tenant terminates by reason of

(a) a default by the Tenant and the re-entry of the Landlord as permitted herein;

(b) by the ejectment of the Tenant by summary proceedings or other judicial proceedings; or

(c) after the abandonment of the Leased Premises by the Tenant, it is hereby agreed that the Tenant shall remain liable to pay in monthly payments the Rent and any other charges which shall accrue. The Tenant expressly agrees to pay a portion of Landlord's damages for such breach of this Lease the difference between the Rent herein and the rent received, if any, by the Landlord, during the remainder of the unexpired term.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

16. NOTICES

All notices required by this Lease shall be given either by certified mail, return receipt requested, or overnight courier, or personal delivery with receipt, at the address set forth on the first page of this Lease, and/or such other place as the parties may designate in writing.

17. NON-WAIVER BY LANDLORD

The failure of Landlord to insist upon the strict performance of any of the terms of this Lease, or to exercise any option contained herein, shall not be construed as a waiver of any such term. Acceptance by Landlord of performance of anything required by this Lease to be performed, with the knowledge of the breach of any term of this Lease, shall not be deemed a waiver of such breach, nor shall acceptance of Rent in a lesser amount than is due (regardless of any endorsement on any check, or any statement in any letter accompanying any payment of Rent) be construed either as an accord and satisfaction or in any manner other than as payment on account of the earliest Rent then unpaid by Tenant. No waiver by Landlord of any term of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord.

18. RIGHT OF TENANT TO MAKE ALTERATIONS AND IMPROVEMENTS

The Tenant may not make alterations, additions or improvements to the Leased Premises, or change the door locks or window coverings, or in any way alter access to the Leased Premises without the consent of the Landlord, which consent Landlord is not required to give. Landlord agrees to review any alterations, additions, or improvements proposed by Tenant within 15 days of receipt of plans and specifications, and advise Tenant of its decision. Landlord, at its option, shall provide the construction for all such alterations, additions or

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

improvements. Any approval given is not intended to subject the Landlord's property to liability under any lien law. Tenant shall be responsible for obtaining at its own cost and expense all licenses, permits and approvals that may be required by any governmental entity having jurisdiction over the approved alterations, additions and/or improvements. Tenant shall furnish to Landlord as-built drawings of any alterations, additions or improvements which are made.

19. NON-LIABILITY OF LANDLORD

Tenant agrees to assume all risk of damage to its property, equipment and fixtures occurring in or about the Leased Premises, whatever the cause of such damage or casualty. Landlord shall not be liable for any damage or injury to property or person caused by or resulting from steam, electricity, gas, water, rain, ice or snow, or any leak or flow from or into any part of the Building, or from any damage or injury resulting or arising from any other cause or happening whatsoever.

20. RESERVATION OF EASEMENT

Landlord reserves the right, easement and privilege to enter on the Leased Premises in order to install, at its own cost and expense, any utility lines and services in connection therewith as may be required by the Landlord. It is understood and agreed that if such work as may be required by Landlord requires any interior installation, or displaces any exterior paving or landscaping, the Landlord shall at its own cost and expense, restore such items, to substantially the same condition as they were before such work. The Landlord covenants that the foregoing work shall not unreasonably interfere with the normal operation of Tenant's business.

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

21. STATEMENT OF ACCEPTANCE

Upon the delivery of the Leased Premises to the Tenant the Tenant covenants and agrees that it will furnish to Landlord a statement which shall set forth the Date of Commencement and the Date of Expiration of the lease term.

22. FORCE MAJEURE

Except for the obligation of the Tenant to pay Rent and other charges, the period of time during which the Landlord or Tenant is prevented from performing any act required to be performed under this Lease by reason of fire, catastrophe, strikes, lockouts, civil commotion, weather conditions, acts of God, government prohibitions or preemptions or embargoes, inability to obtain material or labor by reason of governmental regulations, the act or default of the other party, or other events beyond the reasonable control of Landlord or Tenant, as the case may be, shall be added to the time for performance of such act.

23. STATEMENTS BY LANDLORD AND TENANT

Landlord and Tenant agree at any time and from time to time upon not less than 5 days' prior notice from the other to execute, acknowledge and deliver to the party requesting same, a statement in writing, certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), that it is not in default (or if claimed to be in default, stating the amount and nature of the default) and specifying the dates to which the Rent and other charges have been paid in advance.

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

24. CONDEMNATION

24.1 If due to condemnation, (i) more than 15% of the Leased Premises is taken or rendered untenable, or (ii) more than 25% of the ground is taken (including parking areas, but excluding front, side and rear set back areas) and, in Landlord's opinion, said taking unreasonably or unduly interferes with the use of the Leased Premises, the lease term created shall terminate from the date when the authority exercising the power of eminent domain takes or interferes with the use of the Property. The Tenant shall be responsible for the payment of Rent until the time of surrender. In any event, no part of the Landlord's condemnation award shall be claimed by the Tenant. Without diminishing Landlord's award, the Tenant shall have the right to make a claim against the condemning authority for such independent claim which it may have.

24.2 In the event of any partial taking which would not be cause for termination of the Lease, or in the event of any taking in excess of the percentages provided above and Tenant retains the balance of the Leased Premises remaining after such taking, then the Rent shall abate in an amount to be mutually agreed upon between the Landlord and Tenant based on the relationship that the character of the property prior to the taking bears to the property which shall remain after the condemnation. The Landlord shall, to the extent permitted by applicable law and as the same may be practicable, promptly make such repairs and alterations in order to restore the Building and/or improvements to a usable condition to the extent of any condemnation award received by Landlord.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

25. LANDLORD'S REMEDIES

25.1 The rights and remedies given to the Landlord in this Lease are distinct, separate and cumulative remedies, and no one of them, whether or not exercised by the Landlord, shall be deemed to be in exclusion of any of the others.

25.2 In addition to any other legal remedies for violation or breach of this Lease by the Tenant or by anyone holding or claiming under the Tenant such violation or breach shall be restrainable by injunction at the suit of the Landlord.

25.3 No receipt of money by the Landlord from any receiver, trustee or custodian or debtors in possession shall reinstate, or extend the term of this Lease or affect any notice theretofore given to the Tenant, or to any such receiver, trustee, custodian or debtor in possession, or operate as a waiver or estoppel of the right of the Landlord to recover possession of the Leased Premises for any of the causes therein enumerated by any lawful remedy; and the failure of the Landlord to enforce any covenant or condition by reason of its breach by the Tenant shall not be deemed to void or affect the right of the Landlord to enforce the same covenant or condition on the occasion of any subsequent default or breach.

26. QUIET ENJOYMENT

The Landlord covenants that the Tenant, on paying the Rent and performing the covenants and conditions contained in this Lease, may peaceably and quietly have, hold and enjoy the Leased Premises, in the manner of a multi-tenanted building, for the Lease term.

27. SURRENDER OF PREMISES

On the last day, or earlier permitted termination of the Lease , Tenant shall quit and surrender the Leased Premises in good and orderly condition and repair (reasonable wear

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11



and tear, and damage by fire or other casualty excepted) and shall deliver and surrender the Leased Premises to the Landlord peaceably, together with all Tenant Improvements. All data and communication wiring, whether installed by Tenant or Landlord, shall be surrendered in working order. The Landlord reserves the right, however, to require the Tenant at its cost and expense to remove any alterations or improvements installed by the Tenant, and restore the Leased Premises to its original state, normal wear and tear excepted. Prior to the expiration of the Lease term the Tenant shall remove all of its tangible property, fixtures and equipment from the Leased Premises. Prior to Tenant's occupancy of the Leased Premises, Landlord and Tenant will execute a mutually agreed-upon amendment to this agreement setting forth a list of equipment which Tenant shall remove in the Leased Premises after the end of the lease term and which will not become Landlord's property. All property not removed by Tenant shall be deemed abandoned by Tenant, and Landlord reserves the right to charge the reasonable cost of such removal and disposal to the Tenant. If the Leased Premises are not surrendered at the end of the Lease term, the Tenant shall be liable for 150% of the then current rent under NJSA 2A:42-6, and Tenant shall indemnify Landlord against loss or liability resulting from delay by Tenant in surrendering the Leased Premises, including, without limitation any claims made by any succeeding tenant founded on the delay, and any loss of income suffered by Landlord. These covenants shall survive the termination of the Lease.

28. INDEMNITY

Anything in this Lease to the contrary notwithstanding, and without limiting the Tenant's obligation to provide Insurance hereunder, the Tenant covenants and agrees that it will

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

indemnify, defend and save harmless the Landlord against and from all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including without limitation reasonable attorneys' fees, which may be imposed upon or incurred by Landlord by reason of any of the following occurring during the term of this Lease:

- (a) Any matter, cause or thing arising out of Tenant's use, occupancy, control or management of the Leased Premises and any part thereof ..
- (b) Any negligence on the part of the Tenant or any of its agents, employees, licensees or invitees, arising in or about the Leased Premises.
- () Any failure on the part of Tenant to perform or comply with any of its covenants, agreements, terms or conditions contained in this Lease.

Subject to the provisions of paragraph 19, the foregoing shall not require indemnity by Tenant in the event of damage or injury occasioned by the negligence or acts of commission or omission of the Landlord, its agents, servants or employees.

Landlord shall promptly notify Tenant of any such claim asserted against it and shall promptly send to Tenant copies of all papers or legal process served upon it in connection with any action or proceeding brought against Landlord.

29. BIND AND CONSTRUE CLAUSE

The terms, covenants and conditions of this Lease shall be binding upon, and inure to the benefit of, each of the parties hereto and their respective heirs, successors and assigns. If any one of the provisions of this Lease shall be held to be invalid by a court of competent jurisdiction, such adjudication shall not affect the validity or enforceability of the

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

remaining portions of this Lease. The parties each acknowledge to the other that this Lease has been drafted by both parties, after consultation with their attorneys, and in the event of any dispute, the provisions are not to be interpreted against either party as the drafter of the Lease.

30. INCLUSIONS

The neuter gender when used herein, shall include all persons and corporations, and words used in the singular shall include words in the plural where the text of the instrument so requires.

31. DEFINITION OF TERM "LANDLORD"

When the term "Landlord" is used in this Lease it shall be construed to mean and include only the entity which is the owner of title to the building. Upon the transfer by the Landlord of the title, the Landlord shall advise the Tenant in writing by certified mail, return receipt requested, of the name of the Landlord's transferee. In such event, the Landlord shall be automatically freed and relieved from and after the date of such transfer of title of all personal liability with respect to the performance of any of the covenants and obligations on the part of the Landlord herein contained to be performed, provided any such transfer and conveyance by the Landlord is expressly subject to the assumption by the transferee of the obligations of the Landlord hereunder.

32. COVENANTS OF FURTHER ASSURANCES

If, in connection with obtaining financing for the improvements on the Leased Premises, the mortgage lender shall request reasonable modifications in this Lease as a condition to such financing, Tenant will not unreasonably withhold, delay or refuse its consent

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

thereto, provided that such modifications do not in Tenant's reasonable judgment increase the obligations of Tenant hereunder or materially adversely affect the leasehold interest hereby created or Tenant's use and enjoyment of the Leased Premises.

33. COVENANT AGAINST LIENS

Tenant agrees that it shall not encumber, or permit to be encumbered, the Leased Premises or the fee thereof by any lien, charge or encumbrance, and Tenant shall have no authority to mortgage or hypothecate this Lease in any way whatsoever. Any violation of this Paragraph shall be considered a breach of this Lease.

34. SUBORDINATION

This Lease shall be subject and subordinate at all times to the lien of any mortgages or ground leases or other encumbrances now or hereafter placed on the land , Building and Leased Premises without the necessity of any further instrument or act on the part of Tenant to effectuate such subordination. However, Tenant agrees to execute such further documents evidencing the subordination of the Lease to the lien of any mortgage or ground lease as shall be desired by Landlord within 5 days. Tenant appoints Landlord the attorney in fact of the Tenant irrevocably, to execute and deliver any such instrument or instruments for and in the name of Tenant. Landlord will use its best efforts to obtain a non-disturbance agreement for Tenant from its current and future lenders.

35. EXCULPATION OF LANDLORD

Neither Landlord nor its principals shall have any personal obligation for the payment of any indebtedness or for the performance of any obligation under this Lease. The

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

performance of Landlord's obligations expressed herein may be enforced only against the Building and land of which the Leased Premises are a part, and the rents, issues and profits thereof. The Tenant agrees that no deficiency judgment or other judgment for money damages shall be entered by it against the Landlord or its principals personally in any action.

36. NET RENT

It is the intent of the Landlord and Tenant that this Lease shall yield, net to Landlord, the Base Rent specified and all Additional Rent and charges in each month during the term of the Lease, and that all costs, expenses and obligations of every kind relating to the Leased Premises shall be paid by the Tenant, unless expressly assumed by the Landlord.

37. SECURITY

As security for the full and faithful performance of its obligations under this Lease, Tenant shall deposit 3 months rent upon executing this agreement and an additional 3 months rent upon issuance of a Certificate of Occupancy for the Leased Premises, for a total of 6 months rent. The rent shall be calculated as full base rent according to paragraph 4.1, without regard to the phase-in outlined in paragraph 4.5. Landlord will return 2 months rent to Tenant upon the earlier of either 1) the second anniversary of the commencement date, or 2) Tenant establishing a bank balance of \$18 million. Upon termination of this Lease, and providing the Tenant is not in default hereunder and has performed all of the conditions of this Lease, the Landlord shall return the security deposit to the Tenant. Tenant covenants and agrees that it will not assign, pledge, hypothecate, mortgage or otherwise encumber the security during the term of this Lease. It is expressly understood and agreed that the Landlord shall not be required to segregate the security.

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

38. BROKERAGE

The parties mutually represent to each other that Grub and Ellis is the broker who negotiated and consummated the within transaction, that neither party dealt with any other broker in connection with the Lease, and that neither party will deal with any other broker in connection with this Lease in the future. In the event either party violates this representation, it shall indemnify, defend and hold the other party harmless from all claims and damages. Specifically, if Tenant chooses to deal with a different broker regarding any renewal of this Lease, Tenant will indemnify, defend and hold Landlord harmless from any claims by the original broker named above. Apart from the foregoing, it is agreed that the Landlord shall be responsible, at its sole cost and expense, to pay the brokerage commission in connection with this Lease.

39. LATE CHARGES

In addition to any other remedy, a late charge of 1-1/2% per month, retroactive to the date Rent was due, shall be due and payable, without notice from Landlord, on any portion of Rent or other charges not paid within 5 days of the due date.

40. PRESS RELEASES

Landlord shall have the right to announce the execution of this Lease, the parties hereto, and the real estate brokers involved in such press releases as Landlord shall deem advisable. In addition, Tenant shall permit Landlord to use its name and photographs of the Leased Premises (all photographs being subject to Tenant's prior consent) in Landlord's

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

marketing brochures and materials, and Tenant agrees to reasonably cooperate with Landlord in such regard, but at no cost or expense to Tenant.

41. WAIVER OF JURY TRIAL

Landlord and Tenant both irrevocably waive a trial by jury in any action or proceeding between them or their successors or assigns arising out of this Lease or any of its provisions, or Tenant's use or occupancy of the Leased Premises.

42. LAWS OF NEW JERSEY

Without regard to principles of conflicts of laws, the validity, interpretation, performance and enforcement of this Lease shall be governed by and construed in accordance with the laws of the State of New Jersey. The sole and exclusive venue for any dispute between the parties shall be in Middlesex County, New Jersey.

43. RENEWAL

Provided the Tenant is not in default hereunder, it has the right to renew the Lease, for a 5year period, to commence at the end of the initial term of this Lease. The renewal shall be upon the same terms and conditions as contained in this Lease, except that the Base Rent shall increase 15%over the Base Rent paid during years 6-10 of the Lease Term, described in paragraph 4.1(b) above. The option of the Tenant to renew this Lease is expressly conditioned upon the Tenant delivering to the Landlord a notice, in writing, by certified mail, return receipt requested at least 180 days prior to the date fixed for termination of the original Lease term.

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11

44. TENANT REPRESENTATION

Tenant represents, warrants and covenants that neither Tenant nor any of its partners, officers, directors, members or shareholders (i) is listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Asset Control, Department of the Treasury ("OFAC") and all applicable provisions of Title III of the USA Patriot Act or any other publicly available list of terrorists, terrorist organizations or narcotics traffickers maintained by the United States Department of State, the United States Department of Commerce or any other governmental authority; (ii) is listed on the List of Terrorists and List of Disbarred parties maintained by the United States Department of State; or (iii) has been convicted, indicted, arraigned, pleaded no contest or been custodially detained on charges involving money laundering or predicate crimes to money laundering, drug trafficking, terrorist-related activities or other crimes or in connection with the Bank Secrecy Act.

IN WITNESS WHEREOF, the parties hereto have executed this document on the date first above written.

Cedar Brook 7 Corporate Center, LP

Date: March 18, 2011

By: /s/ Joseph Stern  
Landlord

OncoBiologics, Inc.

Date: 3/8/2011

By: /s/ Pankaj Mohan  
Tenant

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 03-03-11



**EXHIBIT "A"**

**ASSIGNMENT** made \_\_\_\_\_, 2011 between OncoBiologics, Inc., 4 Sunrise Ct., Flemington, NJ 08822 ("Assignor"), Cedar Brook Corporate Center, 1000 Eastpark Blvd., Cranbury, NJ 08512 ("Assignee") and ("Architect").

**Whereas**, Assignee is the owner of the property located at 7 Clarke Dr., Cranbury, NJ 08512, ("Property") a portion of which is being leased to Assignor; and

**Whereas**, Assignor has contracted with the Architect to prepare plans, engineering drawings, architectural drawings and specifications ("Plans") for certain tenant improvements to be made to the portion of the Property Assignor intends to occupy; and

**Whereas**, Assignee has conditioned the construction of such tenant improvements on an assignment of the Plans.

**Now Therefore**, in consideration of the covenants and promises contained herein, the parties agree as follows:

44. Assignor hereby assigns to Assignee, and consents to Assignee's use of, all of Assignor's rights to the Plans.
  45. Assignor shall provide sufficient copies of the Plans, and sufficient copies of any revisions made to the Plans, as Assignee shall request for the efficient management of the construction of the tenant improvements, and at no cost to Assignee. Assignor also agrees to contract with the Architect to provide Assignee with a CAD disk or disks containing the Plans, at no cost to the Assignee, upon Assignee's request during or at the conclusion of the construction,
-

and at any time Assignor fails to comply with any of its covenants and agreements as set forth in the Lease.

46. Architect agrees to recognize any assignment made by Assignor and agrees to cooperate with Assignee in completing the construction of the Building in the event Assignor fails to comply with any of its covenants and agreements relating to construction as set forth in the Lease. Provided however, Architect shall have no obligation to provide further services unless and until an agreement mutually acceptable to Architect and Assignee with respect to compensation for such future services, but not for any unpaid work performed on behalf of Assignor, is agreed upon and executed by all parties.

47. As long as there shall be no default by Assignor under the Lease, Assignor may continue to exercise all rights under the Plans as though no assignment had been made.

48. This agreement shall be binding upon the parties hereto, their heirs, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals or caused these presents to be executed by their proper corporate officers.

CEDAR BROOK CORPORATE CENTER

By: \_\_\_\_\_  
A. Joseph Stern, Partner

ONCOBIOLOGICS, INC.

By: \_\_\_\_\_  
Assignor

\_\_\_\_\_  
Architect

---

**FIRST AMENDMENT TO LEASE**

AMENDMENT TO LEASE dated March 18, 2011 by and between CEDAR BROOK 7 CORPORATE CENTER, L.P., having an office at 4A Cedar Brook Drive, Cranbury, New Jersey 08512 (hereinafter called the "Landlord"); and OncoBiologics, Inc. having an office at 7 Clarke Drive, Cranbury, New Jersey 08512 (hereinafter called the "Tenant").

**WITNESSETH:**

WHEREAS, OncoBiologics, Inc. entered into a Lease Agreement with Landlord dated March 18, 2011 ("Lease"), in connection with office space at 7 Clarke Drive, Cranbury, New Jersey, 08512; and

WHEREAS, the parties want to modify the terms of the Lease Agreement

NOW, THEREFORE, the parties hereto covenant and agree as follows:

1. The Tenant and Landlord agree that the Tenant shall expand into approximately 2,727 square feet of warehouse space ("Expansion Area A") as shown on Attachment 1 of this Amendment. Included within this area shall be an area common to both the Tenant and the current occupant of Expansion Area A (Iris ID). The Base Rent and Additional Rent for this shared area shall be equally divided between the existing occupant and the Tenant and the area chargeable to the Tenant has been included in Expansion Area A. The expansion into this area shall be effective as of February 1, 2014.
  2. The final determination of the amount of space in Expansion Area A shall be mutually agreed upon by the parties prior to the commencement of this Amendment. Rent shall be paid at a modified Base Rental Rate of \$8.50 per square foot of rentable area as of the commencement date of February 1, 2014. This amount
-

shall be modified to \$12.50 per square foot on March 1, 2014 and to \$16.50 per square foot on April 1, 2014. Upon the earlier of May 1, 2014 or the issuance of a CO/TCO/CA by Cranbury Township, the full Base Rent of \$18.00 per square foot shall come into effect. The Base Rent for Expansion Areas A and B, assuming full Base Rent commencing on 5/1/14, shall be as shown below. The Lease Term for both expansion areas shall be co-terminus with the area initially leased in Building 7.

Assume 5/1/14 – 4/31/19	\$18.00/sf
5/1/19 – 6/30/21	\$20.70/sf
7/1/21 – 6/30/24	\$20.70/sf (if lease renewed)
7/1/24 – 6/30/26	\$23.81/sf

3. Landlord shall contribute \$18.00 per rentable square footage towards the build out of Expansion Area A. Expansion Area B, as defined below, shall not receive any contribution from Landlord for any work that might be required. Landlord shall perform all construction services required for this build out and shall charge its normal mark-up for general conditions (2%), overhead (10%) and profit (7.5%).
  4. Tenant shall also take possession and have exclusive use of the front entrance and second floor of the adjacent facility as shown in Attachment 1 and delineated as Expansion Area B. This expansion area is approximately 4,794 square feet. The Base Rent for this Expansion Area B shall be \$18.00 per square foot and shall commence at this rate on February 1, 2014.
  5. Landlord shall provide a maintenance and warranty for the HVAC system in Expansion Area B
-

6. As a condition of this Amendment, the Tenant's termination right contained in the Lease Agreement shall be modified in such a manner that the Tenant may not terminate the Lease Agreement any earlier than five (5) years from the date of payment of full Base Rent for Expansion Area A. The lease for the space occupied by the Tenant at 1 Duncan Drive, Cranbury, New Jersey shall not be affected by this Amendment.
7. This Amendment shall be subject to the Iris ID signing a separate Lease Amendment with the Landlord ceding Expansion Area A and B to Landlord.
8. Except as set forth above, all other terms and conditions of the Lease shall remain in full force and effect, unimpaired and unmodified.
9. This agreement shall be binding upon the parties hereto, their heirs, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have hereunder set their hands and seals or caused these presents to be executed by their proper corporate officers and caused their proper corporate seals to be hereunder affixed the day and year first above written.

By: /s/ Joseph Stern  
CEDAR BROOK 7 CORPORATE CENTER, L.P.

By: /s/ Donald Griffith  
Oncobiologics, Inc.

---

**SECOND AMENDMENT TO LEASE**

AMENDMENT TO LEASE dated March 18, 2011 by and between CEDAR BROOK 7 CORPORATE CENTER, L.P., having an office at 4A Cedar Brook Drive, Cranbury, New Jersey 08512 (hereinafter called the "Landlord"); and OncoBiologics, Inc. having an office at 7 Clarke Drive, Cranbury, New Jersey 08512 (hereinafter called the "Tenant").

**WITNESSETH:**

WHEREAS, OncoBiologics, Inc. entered into a Lease Agreement with Landlord dated March 18, 2011 ("Lease"), in connection with office space at 7 Clarke Drive, Cranbury, New Jersey, 08512; and

WHEREAS, a First Amendment to Lease was entered into in December, 2013, and

WHEREAS, the parties want to modify the terms of the Lease Agreement

NOW, THEREFORE, the parties hereto covenant and agree as follows:

1. The Tenant and Landlord agree that the Tenant shall expand into 5,707 square feet of office and laboratory space as shown on Attachment 1 of this Amendment. The Lease Term for this expansion area shall commence upon the earlier of sixty (60) days after the vacation of the Expansion Area by the existing tenant or the issuance of a certificate of occupancy (CO/TCO/CA) by the township. The Lease Term expiration shall be co-terminus with that of the remainder of the space, i.e. June 30, 2021. The expansion space contained in this Second Amendment to Lease shall have the same right of early termination as contained in Paragraph 6 of the First Amendment to Lease dated January 14, 2014. The right to terminate shall be as of April 30, 2019 with proper notice being
-

given as detailed in the Lease. The Base Rent for this expansion area shall be \$18.00 per square foot of space which is equivalent to \$102,726.00 annually payable monthly in the amount of \$8,560.50. Additional Rent shall be paid as described in the Lease Agreement.

2. Landlord shall contribute \$13.00 per rentable square foot of area towards the modifications of the Expansion Area. Landlord shall perform all construction services required for all areas described by this Amendment and shall charge its normal mark-up for general conditions (2%), overhead (10%) and profit (7.5%) for all such work. Landlord shall present a budget to Tenant for the modifications of the Expansion Area which shall include all Landlords' costs and markup. Within ten days of issuance of drawings, Tenant has the right to obtain a competitive estimate from an acceptable secondary source for comparison with the Landlord's budget. This secondary budget shall include a normal markup for a contractor's general conditions, overhead and profit. In the event that the Landlord's budget is lower than the secondary budget, the Landlord's budget shall be deemed acceptable and work shall commence immediately upon the issuance of a construction permit. In the event that the Landlord's budget is not lower than the secondary budget, the Landlord shall be provided with all the backup details used to develop this secondary budget. If this secondary budget is then deemed to be correct, the Landlord shall have the right to either perform the work using the secondary budget or cede the right to perform the work to the Tenant. If the secondary budget is not deemed to be complete the Landlord and Tenant shall review and modify the secondary budget until it is deemed correct at which time the procedures described in this paragraph shall be followed. Under no circumstances shall the Tenant be allowed to use the
-

services of any of the Landlord's contractors that have previously performed work within the Tenant's facilities. Landlord shall provide a one year warranty contract for any mechanical failures to the HVAC system in this expansion area. All maintenance requirements for the HVAC shall remain the responsibility of the Tenant.

3. Upon approval of the construction budget, Tenant shall issue payment to Landlord in the amount of 50% of the approved construction budget. Upon receipt of this payment, work shall commence on the fit-out of the facility. Thirty days after the commencement of construction the Tenant shall issue a second payment to the Landlord in the amount of 25% of the construction budget. Final payment shall be issued upon the issuance of a CO/TCO/CA by the Township.
4. Except as set forth above, all other terms and conditions of the Lease shall remain in full force and effect, unimpaired and unmodified.
5. This agreement shall be binding upon the parties hereto, their heirs, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have hereunder set their hands and seals or caused these presents to be executed by their proper corporate officers and caused their proper corporate seals to be hereunder affixed the day and year first above written.

---



Date: 7/18/14

By: /s/ Joseph Stern  
CEDAR BROOK 7 CORPORATE CENTER, L.P.

Date: \_\_\_\_\_

By: /s/ Donald Griffith, CFO  
ONCOBIOLOGICS, INC.

---

**THIRD AMENDMENT TO LEASE**

AMENDMENT TO LEASE dated January 16, 2015 by and between CEDAR BROOK 7 CORPORATE CENTER, L.P., having an office at 4A Cedar Brook Drive, Cranbury, New Jersey 08512 (hereinafter called the "Landlord"); and Oncobiologics, Inc. having an office at 7 Clarke Drive, Cranbury, New Jersey 08512 (hereinafter called the "Tenant").

**WITNESSETH:**

WHEREAS, the Tenant entered into a Lease with Landlord dated March 18, 2011 ("Lease"), in connection with office and laboratory space at 7 Clarke Drive, Cranbury, New Jersey, 08512; and

WHEREAS, the parties entered into a First Lease Amendment dated December, 2013; and a Second Amendment to Lease dated July 18, 2014 and

WHEREAS, the parties want to modify the terms of the Lease,

NOW, THEREFORE, the parties hereto covenant and agree as follows:

1. The Tenant and Landlord agree that the Landlord shall lease to Tenant approximately 361 square feet of office space ("Recapture Area C") as shown on Attachment 1 of this Amendment. All areas shown shall be verified and agreed upon prior to the signing of this Amendment. The recapture of Recapture Area C shall be effective as of the completion of the move of the entire existing computer, data and communication lines and HVAC support equipment within Recapture Area C to a new location within the adjacent tenant's (Iris ID) space. Tenant shall reimburse the cost of this move in the amount of \$5,000 by the adjacent tenant, Iris ID.
-



**FOURTH AMENDMENT TO LEASE**

AMENDMENT TO LEASE dated February 9, 2015 by and between CEDAR BROOK 7 CORPORATE CENTER, L.P., having an office at 4A Cedar Brook Drive, Cranbury, New Jersey 08512 (hereinafter called the "Landlord"); and Oncobiologics, Inc. having an office at 7 Clarke Drive, Cranbury, New Jersey 08512 (hereinafter called the "Tenant").

**WITNESSETH:**

WHEREAS, the Tenant entered into a Lease with Landlord dated March 18, 2011 ("Lease"), in connection with office and laboratory space at 7 Clarke Drive, Cranbury, New Jersey, 08512; and

WHEREAS, the parties entered into a First Lease Amendment dated December, 2013; and a Second Amendment to Lease dated July 18, 2014 and a Third Amendment dated January 12, 2015, and

WHEREAS, the parties want to modify the terms of the Lease,

NOW, THEREFORE, the parties hereto covenant and agree as follows:

1. The Landlord has prepared a construction budget for revisions to Tenant's existing facility based upon preliminary drawings and a Basis of Design prepared by Johnsrud Architects and Precise Engineering all dated December 12, 2014. This budget is meant to be a guideline to the Tenant and is provided with an accuracy of +/- 30%. Changes in scope may increase or decrease the accuracy of this estimate. A copy of this estimate is attached hereto as Attachment A. Tenant acknowledges that this budget is acceptable and that it shall be responsible to make payments according to the following schedule:
    - Invoices shall be presented to Tenant every two weeks due to the expedited nature of the project.
-



**FIFTH AMENDMENT TO LEASE**

AMENDMENT TO LEASE dated July , 2015 by and between CEDAR BROOK 7 CORPORATE CENTER, L.P., having an office at 4A Cedar Brook Drive, Cranbury, New Jersey 08512 (hereinafter called the "Landlord"); and Oncobiologics, Inc. having an office at 7 Clarke Drive, Cranbury, New Jersey 08512 (hereinafter called the "Tenant").

**WITNESSETH:**

WHEREAS, the Tenant entered into a Lease with Landlord dated March 18, 2011 ("Lease"), in connection with office and laboratory space at 7 Clarke Drive, Cranbury, New Jersey, 08512; and

WHEREAS, the parties entered into a First Lease Amendment dated December, 2013; a Second Amendment to Lease dated July 18, 2014, a Third Amendment dated January 12, 2015, and a Fourth Amendment dated February 9, 2015, and

WHEREAS, the parties want to modify the terms of the Lease,

NOW, THEREFORE, the parties hereto covenant and agree as follows:

1. The Tenant shall increase the area of the Leased Premises by incorporating the remaining 10,468 square feet of space, currently occupied by Iris ID, into the Leased Premises.
  2. The commencement of the lease for this expansion shall occur upon Iris ID's vacating the Leased Premises which is currently scheduled to occur on or about August 15, 2015. The Lease Term will end on June 30, 2021 and is co-terminus with that of the remaining areas currently occupied by the Tenant.
  3. The Base Rent for the 10,468 square foot addition shall be \$18.00 per square foot. In the event that the lease is extended the Base Rent shall be increased by fifteen (15%) at the commencement of the sixth year from the Commencement Date of the area covered under this Amendment.
-

4. The Tenant shall be responsible for the payment of all costs associated with Iris ID's vacating the Leased Premises and moving into a newly constructed facility at 8 Clarke Drive, Cranbury, New Jersey including but not limited to:
  - All costs (including Landlord's standard markup) for the construction of Iris ID's new facility.
  - All costs associated with moving Iris ID from the Leased Premises to its new facility.
  - All costs for new stationary and setting up the telephone and computer systems.
  - All costs associated with the relocation of Iris ID's access control system.
5. Except as set forth above, all other terms and conditions of the Lease shall remain in full force and effect, unimpaired and unmodified.
6. This agreement shall be binding upon the parties hereto, their heirs, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have hereunder set their hands and seals or caused these presents to be executed by their proper corporate officers and caused their proper corporate seals to be hereunder affixed the day and year first above written.

CEDAR BROOK 7 CORPORATE CENTER, L.P.

By:     /s/ Joseph Stern    

ONCOBIOLOGICS, INC.

By:     /s/ Donald Griffith    

CFO ONCOBIOLOGICS, INC.

---

LEASE AGREEMENT

BY AND BETWEEN:

Cedar Brook East Corporate Center, LP

“Landlord”

- and -

OncoBiologics, Inc.

“Tenant”

PREMISES: 9 Cedar Brook Drive, Cranbury, NJ 08512

DATED:

---



AGREEMENT, made August 31, 2015, between Cedar Brook East Corporate Center, LP, 4A Cedar Brook Drive, Cranbury, New Jersey 08512, "Landlord"; and OncoBiologics, Inc., 7 Clarke Drive, Cranbury, New Jersey 08512, "Tenant".

**W I T N E S S E T H:**

WHEREAS, the Landlord intends to lease to the Tenant the entire premises known as 9 Cedar Brook Drive, Cranbury, New Jersey, 08512 ("Building") constituting a portion of the office/industrial park known as Cedar Brook Corporate Center ("Office Park"); and

WHEREAS, the parties hereto wish to mutually define their rights, duties and obligations in connection with the Lease;

NOW THEREFORE, in consideration of the promises set forth herein, the Landlord leases unto the Tenant and the Tenant rents from the Landlord the leased premises described in Paragraph 1, and the Landlord and Tenant do hereby mutually covenant and agree as follows:

1. **LEASED PREMISES**

1.1 The leased premises shall consist of approximately 62,000 square foot first floor area, approximately 20,000 square feet of second floor space and approximately a 20,000 square foot basement to be fit out as laboratory and office space ("Leased Premises") as measured from outside of exterior walls to center line of common walls, together with all improvements to be constructed thereon by the Landlord for the use of the Tenant, and all easements, tenements, appurtenances, hereditaments, rights and privileges appurtenant thereto, and any and all fixtures and equipment which currently exist or are to be installed in the Building by the Landlord for the use of the Tenant in its occupancy of the Leased Premises. Tenant shall

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

also have the right to use all common areas of the Office Park in a similar manner as other Office Park tenants.

2. TERM OF LEASE

2.1 The term of the Lease shall be 10 years, to commence on the Commencement Date and to end on the day before the 10th anniversary of the Commencement Date. The term "Commencement Date" shall mean the first day of the next succeeding month following Substantial Completion (as defined hereafter). The Commencement Date is projected to be on or about March 1, 2016.

2.2 Tenant shall have an initial occupancy of approximately 60,000 square feet to occur on or about March 1, 2016, with payment of rent to commence on March 1, 2016, on the greater of 60,000 square feet or the actual amount of space occupied but in no event less than 40,000 square feet. The remainder of the space will be fit out and occupied in 2016. As of March 1, 2017, the Tenant will pay rent for the entire building even if the build out of the remaining space has not yet been completed.

3. CONSTRUCTION OF THE TENANT IMPROVEMENTS

3.1 The Landlord shall provide all necessary labor and materials and perform any and all the work required for construction of the Tenant's laboratory and office including machinery, fixtures and equipment to be constructed and other improvements to be installed by Landlord in the Leased Premise in order to ready the same for Tenant's occupancy (the "Tenant Improvements. Tenant's designated representative for all work pertaining to the Tenant Improvements shall be Carl Sprang ("Representative"). The Landlord shall supervise and direct the work on the Tenant Improvements using Landlord's best skill and attention, and Landlord shall be solely responsible for all construction means, methods, techniques, sequences and

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

procedures and for coordinating all portions of the work on the Tenant Improvements. Landlord warrants to the Tenant that all materials and equipment incorporated in the Tenant Improvements will be new unless otherwise specified, and that all work on the Tenant Improvements will be of good quality, free from known faults and defects, and in substantial conformity with the Plans.

3.2 (a) Landlord shall complete the construction of the Leased Premises in a good and workmanlike manner and in substantial accordance with plans and specifications ("Plans") to be prepared by Tenant's architect \_\_\_\_\_. The Plans shall be provided to Landlord on or before \_\_\_\_\_ and shall be in sufficient detail to permit Landlord to apply for a building permit for the Tenant Improvements (which Landlord shall promptly do), and to prepare a construction budget for the construction of the Tenant Improvements ("Construction Budget"). The Construction Budget shall set forth the lump sum amount payable by Tenant to Landlord for the construction of the Tenant Improvements, which amount shall include Landlord's standard mark-up for general conditions, overhead and profit. Simultaneously, Tenant shall, if desired, obtain from a contractor or contractors, experienced in this type of construction, a competitive price for the same scope of work which shall also include an itemized listing of contractor's general conditions, overhead and profit. This "check" bid shall be presented by Oncobiologics to the Landlord at the same time the Landlord's bid is presented to Oncobiologics. Landlord and Tenant shall have seven (7) business days to review the bids. If Landlord's price is the low bid then the Construction Budget shall be deemed accepted by the Tenant and the Landlord shall commence work immediately. In the event that Landlord's price is not the low bid, Landlord shall be given all backup used in the development of the lower price. If after analysis of the competitive bid and any price adjustments that might be required, it is shown that Landlord's price is the low bid then the Landlord's Construction Budget shall be

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

deemed accepted by the Tenant and the Landlord shall immediately commence construction at its price. If Landlord's price is shown to be high, than Landlord shall be required to either perform the construction at the competitive price or cede the work to Tenant. In any event, Tenant shall not be allowed to use any of Landlord's contractors in either the development of pricing or the fit out of the space.

The only exception to the lump sum amount shall be the actual fees charged by the Township of Cranbury for construction permits, which will not be determined by the municipality until after the Landlord applies for the construction permits and shall be paid by Tenant as set forth hereafter. Landlord shall not be obligated to order any equipment or commence any work until Tenant has approved the Construction Budget. A complete set of the agreed upon Plans, and the agreed upon Construction Budget, shall be initialed by and distributed to Landlord and Tenant.

(b) Neither the Construction Budget nor the Plans shall be changed or altered in any way except by change order approved in writing by Landlord and Tenant ("Change Order"). All Change Orders shall be valid and binding upon Landlord and Tenant only if authorized by written Change Order signed prior to commencement of the work on the Tenant Improvements reflected thereby. In the event a Change Order is submitted to Tenant and is not approved by Tenant within 2 business days, work on the Tenant Improvements shall continue as if the Change Order had never been requested. The cost or credit to the Tenant due to any Change Order shall be determined per the terms of such Change Order. In the event the Change Order increases the cost set forth in the Construction Budget, then Landlord shall submit an invoice to Tenant and Tenant shall pay the invoice within 10 days of receipt. The Landlord shall have the right to substitute for the materials and equipment required by the Plans, materials and equipment of equal quality and standard, provided said substitutions conform to applicable

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

building codes and are the subject of a Change Order. Each and every Change Order shall state whether the change will entail a delay in the date of Substantial Completion. Any Change Order requested by Tenant which results in a delay to the date of Substantial Completion shall not delay the date for the commencement of the payment of rent.

3.3 (a) Landlord shall obtain a Certificate of Occupancy after the Tenant Improvements have been completed. Landlord shall not be responsible for securing any environmental or operating permits or certifications which are required in order for Tenant to actually conduct its business.

(b) After construction is complete, Tenant shall be responsible for all costs related to the reproduction of "as built" Plans. In all instances where Plans are required, Tenant shall provide Landlord with a reproducible set. Landlord will also be provided with a current plot file containing the Plans at no cost to Landlord.

The Landlord is willing to contribute towards the cost of the construction fit out and the maximum amount of this contribution will be determined by Landlord's lending institution. The amount that each party will provide shall be mutually agreed upon. This contribution is repaid via increases in rent as follows: For each \$40 that Landlord contributes, the base rent is increased by \$7.00, allowing for the amortization of the Landlord's contribution over 10 years.

Upon issuance of a building permit, Tenant shall immediately pay to Landlord, prior to the Landlord's commencement of work on Tenant Improvements, a sum equal to 50% of Tenant's Cost Share. Thirty (30) days after issuance of the building permit and commencement of construction, Tenant shall immediately pay to Landlord an additional 12.5% of Tenant's Cost Share. Upon the first of each month thereafter, Tenant shall pay an additional 12.5% of the Tenant's Cost Share until the amount paid equals 87.5% of the Tenant's Cost Share. The final

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

payment shall be due upon Landlord achieving Substantial Completion of Tenant Improvements at which time Tenant shall immediately pay to Landlord a sum equal to the remaining balance of Tenant's Cost Share. In the event Tenant fails to pay to Landlord, upon issuance of a building permit, a sum equal to 50% of Tenant's Cost Share, Landlord shall not be obligated to commence work on the Tenant Improvements for the Leased Premises. Such failure to pay shall constitute a default under this Lease, but shall not delay the Commencement Date of this Lease, which shall be the Commencement Date set forth in paragraph 2; or any of Tenant's obligations hereunder including, without limitation, Tenant's obligation to pay all Rent. In the event that Tenant fails to pay to Landlord, upon Substantial Completion of the Tenant Improvements, a sum equal to the remaining Tenant's Cost Share, such failure shall constitute a default under this Lease; and Tenant shall not be permitted to occupy the Leased Premises; and Tenant shall commence payment of all Rent; and Landlord shall be entitled to all rights and remedies available hereunder, at law or in equity, which rights shall be cumulative. All sums so owing to Landlord shall constitute Additional Rent and shall be subject to the imposition of late charges as provided in this Lease.

(b) Apart from extensions of time for delays and extensions of the Commencement Date for the payment of Rent, no payment or allowance of any kind shall be claimed by Tenant, or made to the Landlord as compensation for damages on account of any delay from any cause in the Substantial Completion of the Tenant Improvements, whether such delay be avoidable or unavoidable, anything in this Agreement inconsistent herewith or to the contrary notwithstanding.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

3.5 During construction of Tenant Improvements, a representative of Tenant shall inspect the site no less frequently than once a week and verify and agree that the work in progress has been completed in a manner acceptable to Tenant.

3.6 The Tenant Improvements shall be commenced upon approval by governmental entities having jurisdiction therefore and, subject to authorized adjustments, Substantial Completion of the initial fit out is estimated to be achieved on or about March 1, 2016 provided that final construction documents are delivered to Landlord by Tenant's architect and engineer no later than October 15, 2015. As used herein the term "Substantial Completion" shall mean that the Leased Premises have been built and completed in substantial conformity with the Plans, and a temporary or permanent certificate of occupancy or a temporary or permanent certificate of acceptance ("CO/CA") has been issued permitting Tenant to use and occupy the Leased Premises, even though minor details, adjustments or punch list items which shall not materially impair Tenant's use and enjoyment of the Leased Premises may not have been finally completed, but which work Landlord agrees shall be diligently pursued to final completion. Tenant shall allow Landlord and its contractors to enter the Leased Premises during normal working hours after issuance of the CO/CA to complete remaining minor work or punch list items. It is agreed that for the purpose of this Lease, wherever and whenever the term Substantial Completion is used, it shall not include items of maintenance, service, punch list, or guarantee. If the date of Substantial Completion occurs on a day other than the first day of a month, rent from such day until the first day of the following month shall be prorated (at a rate of 1/30th of the monthly rent per day). During said period of partial monthly occupancy, all other terms and conditions of this Lease shall apply.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

4. RENT

4.1 Tenant shall pay, as rent for the Leased Premises the following:

(a) During the first year of occupancy an annual Base Rent of \$8.50 per square foot for the occupied area of the 82,000 square foot building shell and \$5.50 per square foot for the basement. During the first year of the Lease Term Tenant shall not be responsible for the payment of real estate taxes or common area expenses for the basement area only. Assuming that the initial occupancy is for 40,000 square feet on the first and second floors and 20,000 square feet in the basement the assumed aggregate annual Base Rent would be \$450,000.00 ("Base Rent"), payable monthly in the sum of \$37,500.00. This assumed Base Rent is based upon Landlord providing no extra construction funding.

(b) Full rental will be charged to the Tenant starting on the earlier of full occupancy of the Building or March 1, 2017. At this time, the Base Rent shall be \$8.50 per square foot for the 82,000 square foot first and second floor areas and no Base Rent for the 20,000 square foot basement. This is equivalent to a Base Rent payment of \$697,000.00 on an annual basis or \$58,083.33 paid monthly.

(c) During the final five years of the term, an annual base rent of \$9.78 per square foot for the first and second areas and no Base Rent for the basement, for an aggregate annual base rent of \$801,960.00 ("Base Rent"), payable monthly in the sum of \$66,830.00.

4.3 Tenant shall pay the following which shall be referred to herein as "Additional Rent":

(a) Common Area Expenses as hereafter defined in paragraph 8.1.

(b) Any other charges as provided in this Lease.

The Base Rent and Additional Rent shall be referred to hereafter as "Rent".

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015



4.4 Tenant covenants to pay the Rent in lawful money of the United States which shall be legal tender for the payment of all debts, public and private, at the time of payment. Such Rent shall be paid to Landlord at its office address hereinabove set forth, or at such other place as Landlord may, from time to time, designate by notice to Tenant.

4.5 The Rent shall be payable by Tenant without any set-off or deduction of any kind or nature whatsoever and without notice or demand. The sum of all increases required to be paid as Rent in accordance with this Lease, shall be paid to Landlord within 10 days following the giving of notice hereof by Landlord of such increases.

5. PARKING AND USE OF EXTERIOR AREA

The Tenant shall have the right to use all parking spaces provided. The Landlord and Tenant mutually agree that they will not block, hinder or otherwise obstruct the access driveways and parking areas so as to impede the free flow of vehicular traffic on the property. In connection with the use of the loading platforms, if any, Tenant agrees that it will not use the same so as to unreasonably interfere with the use of the access driveways and parking areas. Tenant shall not store trailers or other vehicles on any portion of the access driveways or parking areas, and may not utilize any portion of the land or Building outside of the Leased Premises for any purpose unless consented to in advance by Landlord.

6. USE

The Tenant covenants and agrees to use and occupy the Leased Premises only for research, development, and manufacture of bio-pharmaceuticals, and related office uses, which use is expressly subject to all applicable zoning ordinances, rules and regulations of any governmental instrumentalities, boards or bureaus having jurisdiction thereof. Tenant's use of the Leased Premises shall not interfere with the peaceable and quiet use and enjoyment by other

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

tenants at their respective leased premises located in the Office Park, nor shall Tenant's activities cause Landlord to be in default under its leases with such other tenants.

7. REPAIRS AND MAINTENANCE

7.1 Tenant shall generally monitor, maintain and repair the Leased Premises, in a good and workmanlike manner, and shall, at the expiration of the term, deliver the Leased Premises in good order and condition, damages by fire or casualty, the elements and ordinary wear and tear excepted. Tenant covenants and agrees that it shall not cause or permit any waste, damage or disfigurement to the Leased Premises, or any overloading of the floors. Tenant shall monitor, maintain and make all repairs to the floor surface, plumbing and electrical systems including all ballasts and fluorescent fixtures located within the Leased Premises, and the entire HVAC system. The infrastructure built by the Landlord shall have a Landlord's warranty of one year. Landlord shall be responsible for repairs necessary to the roof, exterior load-bearing walls, and electric and plumbing systems to the point where they enter the Leased Premises, unless repair is necessitated by any act of Tenant, or its agents, employees or contractors.

7.2 The Tenant shall, at its own cost and expense, pay all utility meter and service charges, including telephone, cable service, gas and electric servicing the Leased Premises. Landlord shall have the option to install, at its own cost, a separate water meter and invoice Tenant directly for its water/sewer usage. The Tenant agrees to maintain the Leased Premises at a minimum temperature of 45 degrees to prevent the freezing of domestic water and sprinkler pipes and no higher than 78 degrees to prevent humidity and mildew. Tenant shall not store any items outside the Leased Premises, and shall deliver its garbage and recyclables to the central receiving area on the lot. Tenant shall dispose of all hazardous/medical waste with an approved hauler at its own cost.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

7.3 Landlord does not warrant that any services Landlord or any public utilities supply will not be interrupted. Services may be interrupted because of accidents, repairs, alterations, improvements or any other reason beyond the reasonable control of Landlord.

8. COMMON AREA EXPENSES, TAXES AND INSURANCE

8.1 The Tenant shall pay to the Landlord, monthly, as Additional Rent the cost of the following items all of which shall be known as Common Area Expenses:

(a) The costs incurred by the Landlord for the operation, maintenance or repair of the following items in the Office Park, which costs shall be fixed at \$3.09/square foot for the year 2016 and shall increase by 3% each January 1st commencing on January 1, 2017 ("Operating Costs"):

- (1) lawns and landscaping;
- (2) exterior sewer lines;
- (3) exterior utility lines;
- (4) repair and maintenance of any signs furnished and installed by Landlord serving the Office Park;
- (5) snow removal;
- (6) standard garbage disposal and recycling;
- (7) general ground maintenance;
- (8) parking lot, driveways and walkways;
- (9) maintenance contracts for the roof;
- (10) pest control;
- (11) central station monitoring for fire sprinkler system; and

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

(12) other ordinary maintenance expenses normally incurred by Landlord relating to the Building and common areas of the Office Park;

The \$3.09/square foot, as increased annually, shall include the cost of the annual insurance premiums charged to the Landlord for insurance coverage which insure the buildings in the Office Park. The insurance shall be for the full replacement value of all insurable improvements with any customary extensions of coverage including, but not limited to, vandalism, malicious mischief; sprinkler damage and comprehensive liability, and insurance for one year's rent. The Landlord shall maintain said insurance in effect at all times hereunder. Any increase in the insurance premiums due to a change in rating of the Building which is solely attributable to Tenant's use, or due to special Tenant equipment, shall be paid entirely by the Tenant. Tenant expressly acknowledges that Landlord shall not maintain insurance on Tenant's furniture, fixtures, machinery, inventory, equipment or other personal property. Tenant shall at all times, at its own cost and expense, carry sufficient "All Risk" property insurance on a replacement cost basis to avoid any coinsurance penalties in applicable policies on all of Tenant's furniture, furnishings, fixtures, machinery, equipment and installations as well as on any alterations or improvements made to the Leased Premises by Tenant at its own cost and expense subsequent to the Commencement Date. Such coverage is to include property undergoing additions and alterations, and shall cover the value of equipment and supplies awaiting installations. On an annual basis, Tenant shall furnish Landlord with certificates of the existence of such insurance; and

(b) Tenant's proportionate share of the real estate and personal property taxes ("Proportionate Share") assessed against the Office Park for land, building and improvements, along with any levy for the installation of local improvements affecting the Office Park assessed

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

by any governmental body having jurisdiction thereof, which taxes and levies are estimated to be \$3.00/square foot for 2016, provided, however, that Tenant shall be entitled to Tenant's Proportionate Share of any refund obtained by Landlord with respect to any taxes. Taxes which shall be adjusted as of each January 1st during the term, based on the relationship between the rentable square footage leased to Tenant and the rentable square footage of building construction completed and occupied in the Office Park . The real estate tax obligation of the Tenant shall include any tax or imposition for parking lot usage which may be levied by any governmental body having jurisdiction thereof. In addition to its Proportionate Share of the above items, Tenant shall pay directly all real estate taxes assessed by the municipality on its Tenant Improvements. Anything in this Section 8.1(b) or elsewhere in this Lease to the contrary notwithstanding, Tenant shall not be obligated to pay any part of (1) any taxes on the income of the Landlord or the holder of an underlying mortgage and any taxes on the income of the lessor under any underlying lease, (2) any corporation, unincorporated business or franchise taxes, (3) any estate gift, succession or inheritance taxes, (4) any capital gains, mortgage recording or transfer taxes, (5) any taxes or assessments attributable to any sign attached to, or located on, the Building or the land or (6) any similar taxes imposed on the Landlord, the holder of any underlying mortgage or the lessor under any underlying lease; and

(c) A management fee of 3% of the Tenant's Base Rent.

8.2 Tenant's Share of Common Area Expenses for any calendar year, part of which falls within the term of this Lease and part of which does not, shall be appropriately prorated.

8.3 If at any time during the term of this Lease the method or scope of taxation prevailing at the commencement of the lease term shall be altered, Tenant's

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

Proportionate Share of such substituted tax or imposition shall be payable and discharged by the Tenant in the manner required pursuant to the law which shall authorize such change.

8.4 The Tenant covenants and agrees that it will, at its sole cost and expense, carry liability insurance covering the Leased Premises in the minimum amount of \$1,000,000 per accident and \$2,000,000 aggregate per year, a minimum amount of \$300,000 for property damage, with a deductible of no more than \$20,000; and a \$1,000,000 umbrella policy in addition to the above coverage. The Tenant shall add the Landlord as an additional insured on such policy and will furnish Landlord with a certificate of said liability insurance prior to the Commencement Date and annually thereafter. The certificate shall contain a clause that the policy will not be canceled except on 10 days written notice to the Landlord.

8.5 The parties covenant and agree that the insurance policies required to be furnished in accordance with the terms and conditions of this Lease, or in connection with insurance policies which they obtain insuring such insurable interest as Landlord or Tenant may have in its own properties, whether personal or real, shall expressly waive any right of subrogation on the part of the insurer against the Landlord or Tenant. Landlord and Tenant each waives all right of recovery against the other, its agents or employees for any loss, damage or injury of any nature whatsoever to property or person for which the waiving party is required by this Lease to carry insurance.

9. SIGNS

Landlord will provide a sign monument listing Tenant's name and logo. At its sole expense the Tenant shall have the right to install on the interior doors at the Leased Premises, only such signs as are required by Tenant for the purpose of identifying the Tenant.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

10. ASSIGNMENT AND SUBLETTING

10.1 The Tenant may not assign or sublet the Leased Premises without Landlord's consent, which shall not be unreasonably withheld. The Tenant may not assign or sublet the Leased Premises to an existing tenant in the Office Park or assign or sublease any space in the Office Park from another tenant, without Landlord's consent, which consent shall be within the sole discretion of Landlord. Tenant shall advise the Landlord in writing, by certified mail, return receipt requested of its desire to assign or sublease and Landlord shall have 60 days from receipt of such notice to notify Tenant whether it rejects or consents to the assignment or sublease. Landlord shall also have the option to elect to re-capture the Leased Premises and terminate the Lease. If Landlord elects to recapture the Leased Premises, Tenant shall surrender the Leased Premises no later than 90 days after Landlord's written notice of its election to recapture.

10.2 The Landlord's consent shall not be required and the terms and conditions of Paragraph 10.1 shall not apply as to Landlord's right to recapture if the Tenant assigns or subleases the Leased Premises to a parent, subsidiary, affiliate or a company into which Tenant is merged or with which Tenant is consolidated, or to the purchaser of all or substantially all of the assets of Tenant.

10.3 In connection with any permitted assignment or subletting, (i) the Tenant shall pay monthly to the Landlord 50% of any increment in rent received by Tenant per square foot over the Rent then in effect during the year of the assignment or subletting, which payment shall be made monthly together with the required Rent hereunder; and (ii) if Tenant receives any consideration or value for such assignment or subletting, Landlord shall be paid 50% of any such consideration or value within 10 days after receipt of the same by Tenant. As a condition hereunder, Tenant warrants and represents to Landlord that it will furnish to Landlord a copy of all pertinent documents with respect to any such assignment or subletting so as to establish Tenant's obligation to Landlord hereunder.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

10.4 In the event of any assignment or subletting permitted by the Landlord, the Tenant shall remain and be directly and primarily responsible for payment and performance of the within Lease obligations, and the Landlord reserves the right, at all times, to require and demand that the Tenant pay and perform the terms and conditions of this Lease. In the case of a complete recapture, Tenant shall be released from all further liability with respect to the recaptured space. No such assignment or subletting shall be made to any Tenant who shall occupy the Leased Premises for any use other than that which is permitted to the Tenant, or for any use which may be deemed inappropriate for the Building or extra hazardous, or which would in any way violate applicable laws, ordinances or rules and regulations of governmental boards and bodies having jurisdiction.

11. FIRE AND CASUALTY

11.1 In case of any damage to or destruction of any portion of the Building of which the Leased Premises is a part by fire or other casualty occurring during the term of this Lease (or prior thereto), which shall render at least 1/3 of the floor area of the Leased Premises or the building untenable or unfit for occupancy, which damage cannot be repaired within 180 days from the happening of such casualty, using reasonable diligence ("Total Destruction") then the term hereby created shall, at the option of the Landlord, upon written notice to the Tenant within 15 days of such fire or casualty, cease and become null and void from the date of such Total Destruction. In such event the Tenant shall immediately surrender the Leased Premises to the Landlord and this Lease shall terminate. The Tenant shall only pay Rent to the time of such Total Destruction. However, in the event of Total Destruction if the Landlord shall elect not to

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015



cancel this Lease within the 15 day period the Landlord shall repair and restore the Building to substantially the same condition as it was prior to the damage or destruction, with reasonable speed and dispatch. The Rent shall not be accrued after said damage or while the repairs and restorations are being made, but shall recommence immediately after the Leased Premises are substantially restored as evidenced by the issuance of a CO/CA by municipal authorities. In any case where Landlord must restore, consideration shall be given for delays under the Force Majeure paragraph in this Lease. Whether or not this Lease has been terminated as a result of a casualty, in every instance, all insurance proceeds payable as a result of damage or destruction to the Building shall be paid to Landlord as its sole and exclusive property.

11.2 In the event of any other casualty which shall not be tantamount to Total Destruction the Landlord shall repair and restore the Building and the Leased Premises to substantially the same condition as they were prior to the damage or destruction, with reasonable speed and dispatch. Such repairs will not exceed 180 days from the issuance of a construction permit. The Rent shall abate or shall be equitably apportioned as to any portion of the Leased Premises which shall be unfit for occupancy by the Tenant, or which cannot be used by the Tenant to conduct its business. The Rent shall recommence immediately upon substantial restoration of the Leased Premises as evidenced by the issuance of a CO/CA by municipal authorities.

11.3 In the event of any casualty caused by an event which is not covered by Landlord's insurance policy; the Landlord may elect to treat the casualty as though it had insurance or it may terminate the Lease. If it treats the casualty as though it had insurance then the provisions of this paragraph shall apply. The Landlord shall serve a written notice upon the Tenant within 15 days of the casualty specifying the election which it chooses to make.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

11.4 In the event the Landlord rebuilds, the Tenant agrees, at its cost and expense, to forthwith remove any and all of its equipment, fixtures, stock and personal property in order to permit Landlord to expedite the construction. The Tenant shall assume at its sole risk the responsibility for damage to or security of such fixtures and equipment in the event that any portion of the Building area has been damaged and is not secure.

12. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

12.1 (a) The Tenant agrees that upon acceptance and occupancy of the Leased Premises, it will, at its own cost and expense, comply with all statutes, ordinances, rules, orders, regulations and requirements of the Federal, State and Municipal governments arising from the operations of Tenant at the Leased Premises. The Tenant also agrees that it will not commit any nuisance or excessive noise, and will dispose of all garbage and waste in connection with its operations so as to avoid unreasonable emissions of dirt, fumes, odors or debris.

(b) The Tenant agrees, at its own cost and expense, to comply with such regulations or requests as may be required by the fire or liability insurance carriers providing insurance for the Leased Premises, and the Board of Fire Underwriters, in connection with Tenant's use and occupancy of the Leased Premises.

12.2 In case the Tenant shall fail to comply with all material provisions of the aforesaid statutes, ordinances, rules, orders, regulations and requirements then the Landlord may, after 10 days' notice (except for emergency repairs, which may be made immediately), enter the Leased Premises and take any reasonable actions to comply with them, at the cost and expense of the Tenant. The cost thereof shall be added to the next month's rent and shall be due and payable as such, or the Landlord may deduct the same from the balance of any sum remaining in the Landlord's hands. This provision is in addition to the right of the Landlord to terminate this

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

Lease by reason of any default on the part of the Tenant. However, in the event that all necessary repairs are made by Tenant, the initial failure to comply with the aforesaid laws and regulations shall not constitute an event of default.

12.3 To the best of Landlord’s knowledge, no adverse environmental conditions exist as of the date of the signing of this Lease.

12.4 Tenant expressly covenants and agrees to indemnify, defend and save the Landlord harmless against any claim, damage, liability, cost, penalties, or fines which the Landlord may suffer as a result of air, ground or water pollution caused by the Tenant in its use of the Leased Premises. The Tenant covenants and agrees to notify the Landlord immediately of any claim or notice served upon it with respect to any claim that the Tenant is causing air, ground or water pollution; and the Tenant shall take immediate steps to halt, remedy or cure any pollution of air, ground or water caused by the Tenant by its use of the Leased Premises.

12.5 Tenant expressly covenants and agrees to fully comply with the provisions of the New Jersey Industrial Site Recovery Act (N.J.S.A. 13:1K-6, et seq.) “ISRA”, and its regulations, prior to the termination of the Lease or at any time that any action of the Tenant triggers the applicability of ISRA. In particular, the Tenant agrees that it shall comply with the provisions of ISRA in the event of any “closing, terminating or transferring” of Tenant’s operations, as defined by and in accordance with the regulations. In the event evidence of such compliance is not delivered to the Landlord prior to surrender of the Leased Premises by the Tenant to the Landlord, it is understood and agreed that the Tenant shall be liable to pay to the Landlord an amount equal to two times the Base Rent then in effect, together with all applicable Additional Rent from the date of such surrender until such time as evidence of compliance with ISRA has been delivered to the Landlord, and together with any costs and expenses incurred by

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

Landlord in enforcing Tenant's obligations under this paragraph. Evidence of compliance, as used herein, shall mean a "No Further Action Letter/Covenant Not to Sue Letter", a "Remedial Action Work plan" or utilization of one of the "Alternate Compliance Options" set forth in the ISRA regulations issued by the New Jersey Department of Environmental Protection ("NJDEP"). Evidence of compliance shall be delivered to the Landlord, together with copies of all submissions made to the NJDEP, including all environmental reports, test results and other supporting documentation. In addition to the above, Tenant agrees that it shall cooperate with Landlord in the event ISRA is applicable to any portion of the property of which the Leased Premises are a part. In such case, Tenant agrees that it shall fully cooperate with Landlord in connection with any information or documentation which may be requested by the NJDEP. In the event that any remediation of the Property is required in connection with the conduct by Tenant of its business at the Leased Premises, Tenant expressly covenants and agrees that it shall be responsible for that portion of the remediation which is attributable to the Tenant's operation. Tenant hereby represents and warrants that its North American Industrial Classification System Code is 541711, and that Tenant shall not generate, manufacture, refine, transport, treat, store, handle or dispose of "hazardous substances" as the same are defined under ISRA and the regulations promulgated pursuant thereto, except in strict compliance with all governmental rules, regulations and procedures. Tenant hereby agrees that it shall promptly inform Landlord of any change in its NAICS number and obtain Landlord's consent for any change in the nature of the business to be conducted in the Leased Premises. The within covenants shall survive the expiration or earlier termination of the Lease term.

Initial: Landlord \_\_\_\_\_  
          Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

13. INSPECTION BY LANDLORD

The Tenant agrees that the Landlord shall have the right to enter into the Leased Premises at all reasonable hours for the purpose of examining the same upon reasonable advance notice of not less than 24 hours (except in the event of emergency), or to make such repairs as are necessary. Tenant agrees that, if Tenant has given Landlord notice that Tenant is not renewing its Lease for another term, if the period to exercise Tenant's option for renewal under Paragraph 43 has lapsed without Tenant giving notice, or if Tenant has ceased business operations in the Leased Premises, Landlord shall have the right to enter into the Leased Premises at all hours for any reason without notice. Any entry or repair shall not unduly interfere with Tenant's use of the Leased Premises.

14. DEFAULT BY TENANT

14.1 Each of the following shall be deemed a default by Tenant and a breach of this Lease:

- (a) (1) filing of a petition by the Tenant for adjudication as a bankrupt, or for reorganization, or for an arrangement under any federal or state statute, except in a Chapter 11 Bankruptcy where the Rent stipulated herein is being paid and the terms of the Lease are being complied with;
- (2) dissolution or liquidation of the Tenant;
- (3) appointment of a permanent receiver or a permanent trustee of all or substantially all of the property of the Tenant, if such appointment shall not be vacated within 60 days, provided the Rent stipulated herein is being paid and the terms of the Lease are being complied with, during said 60 day period;
- (4) taking possession of the property of the Tenant by a governmental officer or agency pursuant to statutory authority for dissolution, rehabilitation, reorganization or liquidation of the Tenant if such

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

taking of possession shall not be vacated within 60 days, provided the Rent stipulated herein is being paid and the terms of the Lease are being complied with, during said 60 day period;

- (5) making by the Tenant of an assignment for the benefit of creditors;
- (6) abandonment, desertion or vacation of the Leased Premises by the Tenant, unless Tenant employs at least one individual in the Leased Premises on a full-time basis for the purpose of maintaining the HVAC system and observing the Leased Premises; and
- (7) failure of the Tenant to move into or take possession of the Leased Premises within 15 days of the Commencement Date.

(b) Default in the payment of the Rent herein reserved or any part thereof, which continues for 10 days.

(c) A default in the performance of any other covenant or condition which this Lease requires the Tenant to perform, for a period of 15 days after notice.

However, no default on the part of Tenant shall be deemed to exist if it diligently commences efforts to rectify same and Landlord is indemnified against loss or liability arising from the default.

14.2 In the event of any default set forth above, Landlord may serve written notice upon the Tenant electing to terminate this Lease upon a specified date not less than 10 days after the date of serving such notice and this Lease shall then expire on the date so specified as if that date had been originally fixed as the expiration date of the term herein granted.

14.3 In case this Lease shall be terminated due to Tenant's default as set forth above, Landlord or its agents may, immediately or any time thereafter, re-enter and resume possession of the Leased Premises or such part thereof; and remove all persons and property therefrom, either by summary proceedings or a suitable action or proceeding at law, without

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

being liable for any damages therefor. No re-entry by Landlord shall be deemed an acceptance of a surrender of this Lease. However, if the Tenant is in default and vacates the Leased Premises, or is dispossessed, and fails to remove any property, machinery, equipment and fixtures or other property within 10 days of the date Landlord sends a written notice to the last known address of the Tenant, then the property, machinery, equipment and fixtures or other property left at the Leased Premises shall, at the option of the Landlord, be conclusively presumed to be abandoned and may be disposed of by the Landlord without accounting to Tenant for any of the proceeds, or the Landlord may remove such property and charge the reasonable cost and expense of removal and storage to the Tenant before disposing of such property. The Tenant shall be liable for any damage which it causes in the removal of said property from the Leased Premises.

14.4 In case this Lease shall be terminated, due to Tenant's default as set forth above Landlord may relet the whole or any portion of the Leased Premises for any period equal to or greater or less than the remainder of the then current term, for any sum which it may deem reasonable, to any tenant which it may deem suitable and satisfactory, and for any use and purpose which it may deem appropriate. In connection with any such lease Landlord may make such changes in the character of the improvements on the Leased Premises as Landlord may determine to be appropriate or helpful in effecting such lease and may grant concessions or free rent. Landlord shall make reasonable efforts to relet the Leased Premises. Landlord shall not in any event be required to pay Tenant any sums received by Landlord on such reletting of the Leased Premises.

14.5 In the event this Lease is terminated due to Tenant's default as set forth above, and whether or not the Leased Premises be relet, Landlord shall be entitled to recover from the Tenant all Rent due and all expenses, including reasonable counsel fees, incurred by

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

Landlord in recovering possession of the Leased Premises, and all reasonable costs and charges for the care of the Leased Premises while vacant, which damages shall be due at such time as they are incurred by Landlord; and all other damages set forth in this Paragraph 14 and in Paragraph 15. Without any previous notice or demand, separate actions may be maintained by Landlord against Tenant from time to time to recover any damages which have become due and payable to the Landlord without waiting until the end of the term.

15. LIABILITY OF TENANT FOR DEFICIENCY

In the event that the relation of the Landlord and Tenant terminates by reason of

- (a) a default by the Tenant and the re-entry of the Landlord as permitted herein;
- (b) by the ejectment of the Tenant by summary proceedings or other judicial proceedings; or

(c) After the abandonment of the Leased Premises by the Tenant, it is hereby agreed that the Tenant shall remain liable to pay in monthly payments the Rent and any other charges which shall accrue. The Tenant expressly agrees to pay a portion of Landlord's damages for such breach of this Lease the difference between the Rent herein and the rent received, if any, by the Landlord, during the remainder of the unexpired term.

16. NOTICES

All notices required by this Lease shall be given either by certified mail, return receipt requested, or overnight courier, or personal delivery with receipt, at the address set forth on the first page of this Lease, and/or such other place as the parties may designate in writing.

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015



17. NON-WAIVER BY LANDLORD

The failure of Landlord to insist upon the strict performance of any of the terms of this Lease, or to exercise any option contained herein, shall not be construed as a waiver of any such term. Acceptance by Landlord of performance of anything required by this Lease to be performed, with the knowledge of the breach of any term of this Lease, shall not be deemed a waiver of such breach, nor shall acceptance of Rent in a lesser amount than is due (regardless of any endorsement on any check, or any statement in any letter accompanying any payment of Rent) be construed either as an accord and satisfaction or in any manner other than as payment on account of the earliest Rent then unpaid by Tenant. No waiver by Landlord of any term of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord.

18. RIGHT OF TENANT TO MAKE ALTERATIONS AND IMPROVEMENTS

The Tenant may not make alterations, additions or improvements to the Leased Premises, or change the door locks or window coverings, or in any way alter access to the Leased Premises without the consent of the Landlord, which consent Landlord will not unreasonably withhold. Landlord agrees to review any alterations, additions, or improvements proposed by Tenant within 15 days of receipt of plans and specifications, and advise Tenant of its decision. Landlord, at its option, shall provide the construction for all such alterations, additions or improvements. Any approval given is not intended to subject the Landlord's property to liability under any lien law. Tenant shall be responsible for obtaining, at its own cost and expense, all licenses, permits and approvals that may be required by any governmental entity having jurisdiction over the approved alterations, additions and/or improvements. Tenant shall furnish to Landlord as-built drawings of any alterations, additions or improvements which are made.

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

19. NON-LIABILITY OF LANDLORD

Tenant agrees to assume all risk of damage to its property, equipment and fixtures occurring in or about the Leased Premises, whatever the cause of such damage or casualty. Landlord shall not be liable for any damage or injury to property or person caused by or resulting from steam, electricity, gas, water, rain, ice or snow, or any leak or flow from or into any part of the Building, or from any damage or injury resulting or arising from any other cause or happening whatsoever.

20. RESERVATION OF EASEMENT

Landlord reserves the right, easement and privilege to enter on the Leased Premises in order to install, at its own cost and expense, any utility lines and services in connection therewith as may be required by the Landlord. It is understood and agreed that if such work as may be required by Landlord requires any interior installation, or displaces any exterior paving or landscaping, the Landlord shall at its own cost and expense, restore such items, to substantially the same condition as they were before such work. The Landlord covenants that the foregoing work shall not unreasonably interfere with the normal operation of Tenant's business.

21. STATEMENT OF ACCEPTANCE

Upon the delivery of the Leased Premises to the Tenant the Tenant covenants and agrees that it will furnish to Landlord a statement which shall set forth the Date of Commencement and the Date of Expiration of the lease term.

22. FORCE MAJEURE

Except for the obligation of the Tenant to pay Rent and other charges, the period of time during which the Landlord or Tenant is prevented from performing any act required to be performed under this Lease by reason of fire, catastrophe, strikes, lockouts, civil commotion, weather conditions, acts of God, government prohibitions or preemptions or embargoes, inability

Initial: Landlord \_\_\_\_\_  
          Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

to obtain material or labor by reason of governmental regulations, the act or default of the other party, or other events beyond the reasonable control of Landlord or Tenant, as the case may be, shall be added to the time for performance of such act.

23. STATEMENTS BY LANDLORD AND TENANT

Landlord and Tenant agree at any time and from time to time upon not less than 5 days' prior notice from the other to execute, acknowledge and deliver to the party requesting same, a statement in writing, certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), that it is not in default (or if claimed to be in default, stating the amount and nature of the default) and specifying the dates to which the Rent and other charges have been paid in advance.

24. CONDEMNATION

24.1 If due to condemnation, (i) more than 15% of the Leased Premises is taken or rendered untenable, or (ii) more than 25% of the ground is taken (including parking areas, but excluding front, side and rear set back areas) and, in Landlord's opinion, said taking unreasonably or unduly interferes with the use of the Leased Premises, the lease term created shall terminate from the date when the authority exercising the power of eminent domain takes or interferes with the use of the Property. The Tenant shall be responsible for the payment of Rent until the time of surrender. In any event, no part of the Landlord's condemnation award shall be claimed by the Tenant. Without diminishing Landlord's award, the Tenant shall have the right to make a claim against the condemning authority for such independent claim which it may have.

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

24.2 In the event of any partial taking which would not be cause for termination of the Lease, or in the event of any taking in excess of the percentages provided above and Tenant retains the balance of the Leased Premises remaining after such taking, then the Rent shall abate in an amount to be mutually agreed upon between the Landlord and Tenant based on the relationship that the character of the property prior to the taking bears to the property which shall remain after the condemnation. The Landlord shall, to the extent permitted by applicable law and as the same may be practicable, promptly make such repairs and alterations in order to restore the Building and/or improvements to a usable condition to the extent of any condemnation award received by Landlord.

25. LANDLORD'S REMEDIES

25.1 The rights and remedies given to the Landlord in this Lease are distinct, separate and cumulative remedies, and no one of them, whether or not exercised by the Landlord, shall be deemed to be in exclusion of any of the others.

25.2 In addition to any other legal remedies for violation or breach of this Lease by the Tenant or by anyone holding or claiming under the Tenant such violation or breach shall be restrainable by injunction at the suit of the Landlord.

25.3 No receipt of money by the Landlord from any receiver, trustee or custodian or debtors in possession shall reinstate, or extend the term of this Lease or affect any notice theretofore given to the Tenant, or to any such receiver, trustee, custodian or debtor in possession, or operate as a waiver or estoppel of the right of the Landlord to recover possession of the Leased Premises for any of the causes therein enumerated by any lawful remedy; and the failure of the Landlord to enforce any covenant or condition by reason of its breach by the Tenant shall not be deemed to void or affect the right of the Landlord to enforce the same covenant or condition on the occasion of any subsequent default or breach.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

26. QUIET ENJOYMENT

The Landlord covenants that the Tenant, on paying the Rent and performing the covenants and conditions contained in this Lease, may peaceably and quietly have, hold and enjoy the Leased Premises, in the manner of a multi-tenanted building, for the Lease term.

27. SURRENDER OF PREMISES

On the last day, or earlier permitted termination of the Lease, Tenant shall quit and surrender the Leased Premises in good and orderly condition and repair (reasonable wear and tear, and damage by fire or other casualty excepted) and shall deliver and surrender the Leased Premises to the Landlord peaceably, together with all Tenant Improvements. All data and communication wiring, whether installed by Tenant or Landlord, shall be surrendered in working order. The Landlord reserves the right, however, to require the Tenant at its cost and expense to remove any alterations or improvements installed by the Tenant, and restore the Leased Premises to its original state, normal wear and tear excepted. Prior to the expiration of the Lease term the Tenant shall remove all of its tangible property, fixtures and equipment from the Leased Premises. Prior to Tenant's occupancy of the Leased Premises, Landlord and Tenant will execute a mutually agreed-upon amendment to this agreement setting forth a list of equipment which Tenant shall remove in the Leased Premises after the end of the lease term and which will not become Landlord's property. All property not removed by Tenant shall be deemed abandoned by Tenant, and Landlord reserves the right to charge the reasonable cost of such removal and disposal to the Tenant. If the Leased Premises are not surrendered at the end of the Lease term, the Tenant shall be liable for 150% of the then current rent under NJSA 2A:42-6, and Tenant

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

shall indemnify Landlord against loss or liability resulting from delay by Tenant in surrendering the Leased Premises, including, without limitation any claims made by any succeeding tenant founded on the delay, and any loss of income suffered by Landlord. These covenants shall survive the termination of the Lease.

28. INDEMNITY

Anything in this Lease to the contrary notwithstanding, and without limiting the Tenant’s obligation to provide insurance hereunder, the Tenant covenants and agrees that it will indemnify, defend and save harmless the Landlord against and from all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including without limitation reasonable attorneys’ fees, which may be imposed upon or incurred by Landlord by reason of any of the following occurring during the term of this Lease:

- (a) Any matter, cause or thing arising out of Tenant’s use, occupancy, control or management of the Leased Premises and any part thereof.
- (b) Any negligence on the part of the Tenant or any of its agents, employees, licensees or invitees, arising in or about the Leased Premises.
- (c) Any failure on the part of Tenant to perform or comply with any of its covenants, agreements, terms or conditions contained in this Lease.

Subject to the provisions of paragraph 19, the foregoing shall not require indemnity by Tenant in the event of damage or injury occasioned by the negligence or acts of commission or omission of the Landlord, its agents, servants or employees.

Initial: Landlord \_\_\_\_\_  
                  Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

Landlord shall promptly notify Tenant of any such claim asserted against it and shall promptly send to Tenant copies of all papers or legal process served upon it in connection with any action or proceeding brought against Landlord.

29. BIND AND CONSTRUE CLAUSE

The terms, covenants and conditions of this Lease shall be binding upon, and inure to the benefit of, each of the parties hereto and their respective heirs, successors and assigns. If any one of the provisions of this Lease shall be held to be invalid by a court of competent jurisdiction, such adjudication shall not affect the validity or enforceability of the remaining portions of this Lease. The parties each acknowledge to the other that this Lease has been drafted by both parties, after consultation with their attorneys, and in the event of any dispute, the provisions are not to be interpreted against either party as the drafter of the Lease.

30. INCLUSIONS

The neuter gender when used herein, shall include all persons and corporations, and words used in the singular shall include words in the plural where the text of the instrument so requires.

31. DEFINITION OF TERM "LANDLORD"

When the term "Landlord" is used in this Lease it shall be construed to mean and include only the entity which is the owner of title to the building. Upon the transfer by the Landlord of the title, the Landlord shall advise the Tenant in writing by certified mail, return receipt requested, of the name of the Landlord's transferee. In such event, the Landlord shall be automatically freed and relieved from and after the date of such transfer of title of all personal liability with respect to the performance of any of the covenants and obligations on the part of the Landlord herein contained to be performed, provided any such transfer and conveyance by the Landlord is expressly subject to the assumption by the transferee of the obligations of the Landlord hereunder.

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

32. COVENANTS OF FURTHER ASSURANCES

If, in connection with obtaining financing for the improvements on the Leased Premises, the mortgage lender shall request reasonable modifications in this Lease as a condition to such financing, Tenant will not unreasonably withhold, delay or refuse its consent thereto, provided that such modifications do not in Tenant's reasonable judgment increase the obligations of Tenant hereunder or materially adversely affect the leasehold interest hereby created or Tenant's use and enjoyment of the Leased Premises.

33. COVENANT AGAINST LIENS

Tenant agrees that it shall not encumber, or permit to be encumbered, the Leased Premises or the fee thereof by any lien, charge or encumbrance, and Tenant shall have no authority to mortgage or hypothecate this Lease in any way whatsoever. Any violation of this Paragraph shall be considered a breach of this Lease.

34. SUBORDINATION

This Lease shall be subject and subordinate at all times to the lien of any mortgages or ground leases or other encumbrances now or hereafter placed on the land, Building and Leased Premises without the necessity of any further instrument or act on the part of Tenant to effectuate such subordination. However, Tenant agrees to execute such further documents evidencing the subordination of the Lease to the lien of any mortgage or ground lease as shall be desired by Landlord within 5 days. Tenant appoints Landlord the attorney in fact of the Tenant irrevocably, to execute and deliver any such instrument or instruments for and in the name of Tenant. Landlord will obtain a non-disturbance agreement for Tenant from future lender.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015



35. EXCULPATION OF LANDLORD

Neither Landlord nor its principals shall have any personal obligation for the payment of any indebtedness or for the performance of any obligation under this Lease. The performance of Landlord's obligations expressed herein may be enforced only against the Building and land of which the Leased Premises are a part, and the rents, issues and profits thereof. The Tenant agrees that no deficiency judgment or other judgment for money damages shall be entered by it against the Landlord or its principals personally in any action.

36. NET RENT

It is the intent of the Landlord and Tenant that this Lease shall yield, net to Landlord, the Base Rent specified and all Additional Rent and charges in each month during the term of the Lease, and that all costs, expenses and obligations of every kind relating to the Leased Premises shall be paid by the Tenant, unless expressly assumed by the Landlord.

37. SECURITY

As security for the full and faithful performance of its obligations under this Lease, Tenant shall deposit three (3) months' rent upon executing this agreement. Security deposit shall be based upon the Building being fully occupied by the Tenant. Upon termination of this Lease, and providing the Tenant is not in default hereunder and has performed all of the conditions of this Lease, the Landlord shall return the security deposit to the Tenant. Tenant covenants and agrees that it will not assign, pledge, hypothecate, mortgage or otherwise encumber the security during the term of this Lease. It is expressly understood and agreed that the Landlord shall not be required to segregate the security.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

38. BROKERAGE

The parties mutually represent to each other that Newmark, Grubb, Knight, Frank is the broker who negotiated and consummated the within transaction, that neither party dealt with any other broker in connection with the Lease, and that neither party will deal with any other broker in connection with this Lease in the future. In the event either party violates this representation, it shall indemnify, defend and hold the other party harmless from all claims and damages. Specifically, if Tenant chooses to deal with a different broker regarding any renewal of this Lease, Tenant will indemnify, defend and hold Landlord harmless from any claims by the original broker named above. Apart from the foregoing, it is agreed that the Landlord shall be responsible, at its sole cost and expense, to pay the brokerage commission in connection with this Lease.

39. LATE CHARGES

In addition to any other remedy, a late charge of 1-1/2% per month, retroactive to the date Rent was due, shall be due and payable, without notice from Landlord, on any portion of Rent or other charges not paid within 5 days of the due date.

40. OPTION TO PURCHASE BUILDING

40.1 Tenant shall have the option to purchase the building and all improvements at the end of the fifth (5<sup>th</sup>) year of full occupancy of 82,000 square feet, which is the end of year 6 of the Lease. When Tenant notices Landlord that it wishes to exercise the purchase option, a non-refundable deposit of \$1 million will be required. If this option is not exercised by Tenant prior to 270 days before the fifth (5<sup>th</sup>) anniversary of full occupancy of the building, this option shall be deemed waived. However, Tenant shall have an ongoing right to exercise the purchase option, with the same 270 days' notice, at five (5) year intervals (year 11, year 16, etc.) throughout their tenancy.

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

40.2 The purchase price of the building shall be determined using the following methodology. For the purchase price calculation, we assume that the initial base rent was \$10 PSF, (\$8.50 being a special discount for Tenant to lease the entire building); increasing 15% on each five (5) year lease anniversary ("Calculated Base Rent"). The purchase price will be derived by applying a 6% cap rate (whether cap rates at the time of the purchase are higher or lower) on the calculated base rent being paid (excluding CAM charges) and adding to that result the unamortized portion of the Landlord's tenant fit-up contribution, if any. For this calculation, we will include in the square footage of the building, half of the basement square footage (20,000 SF /2 = 10,000SF), even though no rent was actually charged for use of the basement, as an accommodation to the Tenant. Accordingly, the purchase price will be based on a 92,000 SF building as opposed to a 102,000 SF building. In the event that the Tenant exercises its purchase option, the Tenant will be responsible for all fees related to the purchase, including brokerage fees and realty transfer fees. In addition, the Tenant will consent for the Landlord to assign its mortgage to the Tenant.

40.3 In the event that the Tenant exercises its option to purchase the building, Landlord will still manage and maintain the landscaping, snow removal and pond maintenance at the Building and shall be reimbursed by Tenant for this work at a fee to be determined as part of the purchase documents.

41. PRESS RELEASES

Landlord shall have the right to announce the execution of this Lease, the parties hereto, and the real estate brokers involved in such press releases as Landlord shall deem advisable. In addition, Tenant shall permit Landlord to use its name and photographs of the Leased Premises (all photographs being subject to Tenant's prior consent) in Landlord's marketing brochures and materials, and Tenant agrees to reasonably cooperate with Landlord in such regard, but at no cost or expense to Tenant.

Initial: Landlord \_\_\_\_\_

Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

42. WAIVER OF JURY TRIAL

Landlord and Tenant both irrevocably waive a trial by jury in any action or proceeding between them or their successors or assigns arising out of this Lease or any of its provisions, or Tenant's use or occupancy of the Leased Premises.

43. LAWS OF NEW JERSEY

Without regard to principles of conflicts of laws, the validity, interpretation, performance and enforcement of this Lease shall be governed by and construed in accordance with the laws of the State of New Jersey. The sole and exclusive venue for any dispute between the parties shall be in Middlesex County, New Jersey.

44. RENEWAL

Provided the Tenant is not in default hereunder, it has the right to renew the Lease on an ongoing basis, for five (5) year periods, to commence at the end of the initial term of this Lease. These renewals shall be upon the same terms and conditions as contained in this Lease, except that the Base Rent shall increase 15% over the Base Rent paid during the previous five years of the Lease Term, described in paragraph 4.1(b) above. The option of the Tenant to renew this Lease shall automatically occur unless Tenant provides written and certified notice to Landlord of its intention not to renew, prior to six (6) months before the expiration of the then current Lease Term.

45. TENANT REPRESENTATION

Tenant represents, warrants and covenants that neither Tenant nor any of its partners, officers, directors, members or shareholders (i) is listed on the Specially Designated

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015

Nationals and Blocked Persons List maintained by the Office of Foreign Asset Control, Department of the Treasury ("OFAC") and all applicable provisions of Title III of the USA Patriot Act or any other publicly available list of terrorists, terrorist organizations or narcotics traffickers maintained by the United States Department of State, the United States Department of Commerce or any other governmental authority; (ii) is listed on the List of Terrorists and List of Disbarred parties maintained by the United State Department of State; or (iii) has been convicted, indicted, arraigned, pleaded no contest or been custodially detained on charges involving money laundering or predicate crimes to money laundering, drug trafficking, terrorist-related activities or other crimes or in connection with the Bank Secrecy Act.

IN WITNESS WHEREOF, the parties hereto have executed this document on the date first above written.

Cedar Brook East Corporate Center, LP

Date: August 31, 2015

By: /s/ Joseph Stern Landlord

OncoBiologics, Inc.

Date: August 28, 2015

By: /s/ Pankaj Mohan Tenant

Initial: Landlord \_\_\_\_\_  
Tenant \_\_\_\_\_

Lease Version Date: 8-27-2015