# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2022**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

**Commission File Number: 001-39980**

# Sensei Biotherapeutics, Inc.

**(Exact name of Registrant as specified in its Charter)**

| **Delaware** | **83-1863385** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **451 D Street, Suite 710 Boston, MA** | **02210** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code: (240) 243-8000**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.0001 par value per share | SNSE | The Nasdaq Stock Market LLC |

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☒ |

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The number of shares of Registrant's Common Stock outstanding as of August 5, 2022 was 30,720,291.

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## PART I—FINANCIAL INFORMATION

**Item 1. Financial Statements (Unaudited)**

**SENSEI BIOTHERAPEUTICS, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**
**(In thousands, except share and per share data)**

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 9,899 | $ 7,159 |
| Marketable securities | 113,815 | 140,462 |
| Prepaid expenses | 3,484 | 547 |
| Other current assets | 293 | 374 |
| Total current assets | 127,491 | 148,542 |
| Right of use assets - operating leases, net | 5,971 | — |
| Right of use assets - financing leases, net | 2,417 | — |
| Property and equipment, net | 2,112 | 4,644 |
| Other non-current assets | 45 | 39 |
| Total assets | $ 138,036 | $ 153,225 |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 2,423 | $ 2,456 |
| Compensation and employee benefits liabilities | 1,019 | 1,753 |
| Operating lease liabilities, current | 1,194 | — |
| Financing lease liabilities, current | 798 | 680 |
| Total current liabilities | 5,434 | 4,889 |
| Operating lease liabilities, non-current | 4,967 | — |
| Financing lease liabilities, non-current | 1,719 | 1,674 |
| Other non-current liabilities | — | 149 |
| Total liabilities | 12,120 | 6,712 |
| Commitments and contingencies (Note 7) | | |
| Stockholders' equity: | | |
| Common stock, $0.0001 par value and 250,000,000 shares authorized as of June 30, 2022 and December 31, 2021; 30,720,921 and 30,609,029 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively | 3 | 3 |
| Additional paid-in capital | 299,271 | 296,049 |
| Accumulated deficit | (172,146) | (149,206) |
| Accumulated other comprehensive loss | (1,212) | (333) |
| Total stockholders' equity | 125,916 | 146,513 |
| Total liabilities and stockholders' equity | $ 138,036 | $ 153,225 |

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**SENSEI BIOTHERAPEUTICS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**(Unaudited)**
**(In thousands, except share and per share data)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Operating expenses: | | | | |
| Research and development | $ 6,393 | $ 5,898 | $ 13,848 | $ 9,263 |
| General and administrative | 4,319 | 3,886 | 9,351 | 8,490 |
| Total operating expenses | 10,712 | 9,784 | 23,199 | 17,753 |
| Loss from operations | (10,712) | (9,784) | (23,199) | (17,753) |
| Other income (expense): | | | | |
| Realized gain on marketable securities | — | — | 15 | — |
| Interest income | 349 | 188 | 659 | 188 |
| Interest expense | (172) | (147) | (415) | (150) |
| Loss on fixed asset disposition | — | (28) | — | (28) |
| Net loss | (10,535) | (9,771) | (22,940) | (17,743) |
| Net loss per common share, basic and diluted | $ (0.34) | $ (0.32) | $ (0.75) | $ (0.72) |
| Weighted-average number of shares used in computing net loss per common share, basic and diluted | 30,701,758 | 30,588,495 | 30,674,868 | 24,778,949 |
| Comprehensive loss: | | | | |
| Net loss | $ (10,535) | $ (9,771) | $ (22,940) | $ (17,743) |
| Other comprehensive items: | | | | |
| Unrealized loss on marketable securities | (313) | (101) | (879) | (101) |
| Total other comprehensive loss | (313) | (101) | (879) | (101) |
| Total comprehensive loss | $ (10,848) | $ (9,872) | $ (23,819) | $ (17,844) |

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**SENSEI BIOTHERAPEUTICS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK, COMMON STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)**
**(Unaudited)**
**(In thousands, except share data)**

| | Convertible Preferred Stock (Series AA) | | Convertible Preferred Stock (Series BB) | | Common Stock | | Additional Paid-In | Accumulated | Accumulated Other Comprehensive | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Capital | Deficit | Loss | (Deficit) |
| **Balance at December 31, 2020** | 747,683,172 | $ 61,411 | 52,680,306 | $ 10,925 | 1,875,422 | $ — | $ 55,969 | $ (112,412) | $ — | $ (56,443) |
| Stock-based compensation expense | — | — | — | — | — | — | 1,349 | — | — | 1,349 |
| Issuance of series BB preferred stock | — | — | 113,275,902 | 23,491 | — | — | — | — | — | — |
| Conversion of preferred stock to common stock upon closing of the initial public offering | (747,683,172) | (61,411) | (165,956,208) | (34,416) | 19,034,069 | 2 | 95,826 | — | — | 95,828 |
| Issuance of common stock upon closing of the initial public offering, net of issuance costs | — | — | — | — | 8,030,295 | 1 | 138,488 | — | — | 138,489 |
| Exercise of common stock warrants | — | — | — | — | 1,648,709 | — | 1 | — | — | 1 |
| Net loss | — | — | — | — | — | — | — | (7,972) | — | (7,972) |
| **Balance at March 31, 2021** | — | $ — | — | $ — | 30,588,495 | $ 3 | $ 291,633 | $ (120,384) | $ — | $ 171,252 |
| Stock-based compensation expense | — | — | — | — | — | — | 1,745 | — | — | 1,745 |
| Unrealized gains (loss) on marketable securities | — | — | — | — | — | — | — | — | (101) | (101) |
| Net loss | — | — | — | — | — | — | — | (9,771) | — | (9,771) |
| **Balance at June 30, 2021** | — | $ — | — | $ — | 30,588,495 | $ 3 | $ 293,378 | $ (130,155) | $ (101) | $ 163,125 |
| **Balance at December 31, 2021** | — | $ — | — | $ — | 30,609,029 | $ 3 | $ 296,049 | $ (149,206) | $ (333) | $ 146,513 |
| Stock-based compensation expense | — | — | — | — | — | — | 1,515 | — | — | 1,515 |
| Exercise of options into common stock | — | — | — | — | 73,784 | — | 237 | — | — | 237 |
| Employee stock purchase plan expense | — | — | — | — | — | — | 14 | — | — | 14 |
| Unrealized loss on marketable securities | — | — | — | — | — | — | — | — | (566) | (566) |
| Net loss | — | — | — | — | — | — | — | (12,405) | — | (12,405) |
| **Balance at March 31, 2022** | — | $ — | — | $ — | 30,682,813 | $ 3 | $ 297,815 | $ (161,611) | $ (899) | $ 135,308 |
| Stock-based compensation expense | — | — | — | — | — | — | 1,396 | — | — | 1,396 |
| Employee stock purchase plan expense | — | — | — | — | 37,478 | — | 60 | — | — | 60 |
| Unrealized loss on marketable securities | — | — | — | — | — | — | — | — | (313) | (313) |
| Net loss | — | — | — | — | — | — | — | (10,535) | — | (10,535) |
| **Balance at June 30, 2022** | — | $ — | — | $ — | 30,720,291 | $ 3 | $ 299,271 | $ (172,146) | $ (1,212) | $ 125,916 |

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**SENSEI BIOTHERAPEUTICS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
**(In thousands)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2022** | **2021** |
| **Operating activities** | | |
| Net loss | $ (22,940) | $ (17,743) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation expense | 2,934 | 3,095 |
| Depreciation and amortization | 301 | 220 |
| Accretion on marketable securities | 323 | 145 |
| Interest on finance lease | — | 5 |
| Non-cash lease expense | 587 | — |
| Amortization of financing lease right-of-use assets | 353 | — |
| Realized gain on marketable securities | (15) | — |
| Loss on fixed asset disposition | — | 28 |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses | (2,936) | (1,740) |
| Other assets | 74 | 86 |
| Accounts payable and accrued liabilities | (33) | (1,148) |
| Compensation and employee benefits | (735) | 180 |
| Operating lease liabilities | (546) | — |
| Other liabilities | (16) | 58 |
| Net cash used in operating activities | (22,649) | (16,814) |
| **Investing activities** | | |
| Purchases of property and equipment | (71) | (1,103) |
| Purchases of short-term investments | (43,269) | (147,145) |
| Sales of short-term investments | 7,864 | — |
| Maturities of short-term investments | 60,865 | — |
| Net cash provided by (used in) investing activities | 25,389 | (148,248) |
| **Financing activities** | | |
| Principle payments from financing leases | (289) | (21) |
| Proceeds from the exercise of common stock options | 238 | 1 |
| Employee stock purchase plan expense | 51 | — |
| Proceeds on the issuance of series BB convertible preferred stock | — | 23,491 |
| Proceeds from issuance of common stock upon initial public offering, net of issuance costs | — | 140,594 |
| Net cash provided by financing activities | — | 164,065 |
| Net increase (decrease) in cash and cash equivalents | 2,740 | (997) |
| Cash and cash equivalents at beginning of period | 7,159 | 16,596 |
| Cash and cash equivalents at end of period | $ 9,899 | $ 15,599 |
| **Supplemental disclosure of noncash financing information:** | | |
| Property and equipment additions included in accounts payable and accrued liabilities | $ — | $ 56 |
| Deferred offering costs included in accounts payable and accrued liabilities | $ — | $ 534 |
| Interest on financing | $ — | $ 5 |
| Conversion of series AA and BB convertible preferred stock into common stock | $ — | $ 95,826 |
| Initial measurement of operating lease right-of-use assets | $ 6,558 | $ — |
| Initial measurement of operating lease liabilities | $ 5,580 | $ — |
| Initial measurement of finance lease right-of-use assets | $ 453 | $ — |

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

## 1. ORGANIZATION AND OPERATIONS

### *Business*

Sensei Biotherapeutics, Inc. (the "Company" or "Sensei") is a biopharmaceutical company that was incorporated in 1999 as a Maryland corporation until incorporated in Delaware on December 1, 2017. The Company is focused on the discovery and development of next generation immunotherapies with an initial focus on treatments for cancer.

### *Liquidity and capital resources*

Since its inception, the Company has devoted substantially all of its resources to advancing development of its portfolio of programs, establishing and protecting its intellectual property, conducting research and development activities, organizing and staffing the Company, business planning, raising capital and providing general and administrative support for these operations. The Company is subject to risks and uncertainties common to early-stage companies in the biotechnology industry including, but not limited to, technical risks associated with the successful research, development and manufacturing of product candidates, development by competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations and the ability to secure additional capital to fund operations. Current and future programs will require significant research and development efforts, including extensive preclinical and clinical testing and regulatory approval prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel and infrastructure. Even if the Company's drug development efforts are successful, it is uncertain when, if ever, the Company will realize significant revenue from product sales.

Since its inception, the Company has incurred substantial losses and had a net loss of $22.9 million for the six months ended June 30, 2022. As of June 30, 2022, the Company had an accumulated deficit of $172.1 million. The Company expects to generate operating losses and negative operating cash flows for the foreseeable future.

In February 2021, the Company completed its initial public offering ("IPO"), in which the Company issued and sold 8,030,295 shares of its common stock at a public offering price of $19.00 per share, for aggregate gross proceeds of $152.6 million. The Company received $138.5 million in net proceeds after deducting underwriting discounts and estimated offering expenses payable by the Company.

The Company expects that its cash, cash equivalents and marketable securities as of June 30, 2022 of $123.7 million will be sufficient to fund its operations for at least the next twelve months from the date of issuance of these financial statements. The Company will need additional financing to support its continuing operations and pursue its growth strategy. Until such time as the Company can generate significant revenue from product sales, if ever, it expects to finance its operations through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. The Company may be unable to raise additional funds or enter into such other agreements when needed on favorable terms or at all. The inability to raise capital as and when needed would have a negative impact on the Company's financial condition and its ability to pursue its business strategy. The Company will need to generate significant revenue to achieve profitability, and it may never do so.

### *Reverse stock split*

On January 29, 2021, the Company effected a reverse stock split of the Company's common stock on a 48-for-1 basis (the "Reverse Stock Split"). In connection with the Reverse Stock Split, the conversion ratio for the Company's Series AA and Series BB convertible preferred stock was proportionately adjusted such that the common stock issuable upon conversion of such preferred stock was decreased in proportion to the Reverse Stock Split. Accordingly, all common stock share and per share amounts, as well as all preferred stock conversion ratios, for all periods presented in these financial statements have been retroactively adjusted, to reflect this reverse stock split and adjustment of the Series AA and BB convertible preferred stock conversion ratios.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation and Principles of Consolidation***

The Company has prepared the accompanying condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States ("US GAAP"). The condensed consolidated financial statements include those accounts of the Company and its subsidiaries after elimination of all intercompany accounts and transactions.

***Unaudited interim financial information***

The condensed consolidated financial statements of the Company included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted from these condensed consolidated financial statements, as is permitted by such rules and regulations. Accordingly, these condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K. The results for any interim period are not necessarily indicative of results for any future period.

***Use of Estimates***

The preparation of condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of expenses during the reporting periods presented. Estimates are used for, but are not limited to, depreciation of equipment, the Company's enterprise value, fair value of financial instruments, the Company's ability to continue as a going concern and contingencies. Actual results may differ from those estimates.

***Cash and cash equivalents***

Cash equivalents are highly liquid investments with an original maturity of 90 days or less at the date of purchase and consist of time deposits and investments in money market funds with commercial banks and financial institutions. At June 30, 2022, cash and cash equivalents included cash on deposit at commercial banks and a money market fund that invests in U.S. Government securities.

***Marketable securities***

Investments consist of marketable securities with original maturities greater than 90 days. The Company has classified its investments with maturities beyond one year as short-term, based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. The Company considers its investment portfolio of marketable securities to be available-for-sale. Accordingly, these investments are recorded at fair value (level 2). Unrealized gains and losses are reported as the accumulated other comprehensive loss in stockholders' equity. Amortization and accretion of premiums and discounts are recorded in other income (expense). Realized gains or losses on debt securities are included in interest income or interest expense, respectively. If any adjustment to fair value reflects a decline in value of the investment, the Company considers all available evidence to evaluate the extent to which the decline is other than temporary and, if so, marks the investment to market on the Company's statement of operations and comprehensive loss.

***Leases***

Prior to January 1, 2022, the Company accounted for leases in accordance with ASC 840, Leases ("ASC 840"). At lease inception, the Company determined if an arrangement was an operating or capital lease. For operating leases, the Company recognized rent expense, inclusive of rent escalations, holidays and lease incentives, on a straight-line basis over the lease term. The difference between rent expense recorded and the amount paid was charged to deferred rent. The Company presented lease incentives as deferred rent and amortized the incentives as a reduction to rent expense on a straight-line basis over the lease term. The Company classified deferred rent as current and noncurrent liabilities based on the portion of the deferred rent that was scheduled to mature within the proceeding twelve months.

Effective January 1, 2022, the Company accounts for leases in accordance with Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASC 842"). At contract inception, the Company determines if an arrangement is or contains a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If determined to be or contain a lease, the lease is assessed for classification as either an operating or finance lease at the lease commencement date, defined as the date on which the leased asset is made available for use by the Company, based on the economic characteristics of the lease. For each lease with a term greater than twelve months, the Company records a right-of-use asset and lease liability.

A right-of-use asset represents the economic benefit conveyed to the Company by the right to use the underlying asset over the lease term. A lease liability represents the obligation to make lease payments arising from the lease. The Company elected the practical expedient to not separate lease and non-lease components for all classes of underlying assets and therefore measures each lease payment as the total of the fixed lease and associated non-lease components. Lease liabilities are measured at lease commencement and calculated as the present value of the future lease payments in the contract using the rate implicit in the contract, when available. If an implicit rate is not readily determinable, the Company uses an incremental borrowing rate measured as the rate at which the Company could borrow, on a fully collateralized basis, a commensurate loan in the same currency over a period consistent with the lease term at the commencement date. Right-of-use assets are measured as the lease liability plus initial direct costs and prepaid lease payments, less lease incentives granted by the lessor. The lease term is measured as the noncancelable period in the contract, adjusted for any options to extend or terminate when it is reasonably certain the Company will extend the lease term via such options based on an assessment of economic factors present as of the lease commencement date. The Company elected the practical expedient to not recognize leases with a lease term of twelve months or less.

Components of a lease are split into three categories: lease components, non-lease components, and non-components. The fixed and in-substance fixed contract consideration (including any consideration related to non-components) are allocated, based on the respective relative fair values, to the lease components and non-lease components. The Company has elected to account for lease and non-lease components together as a single lease component for all underlying assets and allocate all of the contract consideration to the lease component only.

The Company's operating and finance leases are presented in the consolidated balance sheet as lease right-of-use assets, classified as noncurrent assets, and lease liabilities, classified as current and noncurrent liabilities. Operating and finance lease expense is recognized on a straight-line basis over the lease term. Variable costs associated with a lease, such as maintenance and utilities, are not included in the measurement of the lease liabilities and right-of-use assets but rather are expensed when the events determining the amount of variable consideration to be paid have occurred.

ASC 842 provides several optional practical expedients in transition. The Company applied the 'package of practical expedients' which allow the Company to not reassess whether existing or expired arrangements contain a lease, the lease classification of existing or expired leases, or whether previous initial direct costs would qualify for capitalization under ASC 842.

The adoption of ASC 842 resulted in the recognition of operating lease liabilities of $6.7 million and operating right-of-use assets of $6.6 million, along with the write-off of certain deferred rent balances of $0.1 million within the Company's condensed consolidated balance sheets as of January 1, 2022. Leases previously reported as capital leases are now referred to as finance leases. The adoption did not have a significant impact on the Company's condensed consolidated statements of operations and comprehensive loss and condensed consolidated statements of cash flows.

***Recently Issued Accounting Standards Updates***

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which was subsequently amended in November 2018 through ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses." ASU No. 2016-13 will require entities to estimate lifetime expected credit losses for trade and other receivables, net investments in leases, financing receivables, debt securities and other instruments, which will result in earlier recognition of credit losses. Further, the new credit loss model will affect how entities in all industries estimate their allowance for losses for receivables that are current with respect to their payment terms. As per the latest ASU 2020-02, FASB deferred the timelines for certain small public and private entities, thus the new guidance will be adopted by the Company for the annual reporting period beginning January 1, 2023, including interim periods within that annual reporting period. The standard will apply as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company does not expect adoption of this new guidance to have a material impact on its results of operations, financial condition, and financial statement disclosures.

## 3. MARKETABLE SECURITIES

Marketable securities consist of the following as of June 30, 2022 (in thousands):

| | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Commercial paper | $ 31,288 | $ - | $ (41) | $ 31,247 |
| Corporate bonds | 76,739 | - | (850) | $ 75,889 |
| U.S. Government agencies | 7,000 | - | (321) | $ 6,679 |
| Total | $ 115,027 | $ - | $ (1,212) | $ 113,815 |

As of June 30, 2022, all marketable securities held by the Company had remaining contractual maturities of one year or less, except for corporate bonds and U.S. government agencies securities with a fair value of $51.1 million that had maturities of one to three years.

As of June 30, 2022, $255 thousand and $957 thousand of unrealized losses were associated with marketable securities with contractual maturities of one year or less and more than one year, respectively.

There were no impairments of the Company's assets measured and carried at fair value during the six months ended June 30, 2022.

## 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following (in thousands):

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Research equipment | $ 2,813 | $ 4,974 |
| Office equipment and furniture | 536 | 606 |
| Leaseholder improvement | 253 | 253 |
| Total property and equipment | 3,602 | 5,833 |
| Less accumulated depreciation and amortization | (1,490) | (1,189) |
| Property and equipment, net | $ 2,112 | $ 4,644 |

Depreciation and amortization expense for the three months ended June 30, 2022 and 2021 was $144 thousand and $122 thousand, respectively, and for the six months ended June 30, 2022 and 2021 was $301 thousand and $220 thousand, respectively.

Effective January 1, 2022, the Company adopted ASC 842 and reclassed capital leases that were previously classified as property and equipment, net were presented separately under right of use assets - financing leases, net on the Company's condensed consolidated balance sheet. $2.2 million relates to items previously classified under research equipment and $70 thousand relates to items previously classified under office equipment and furniture on the table above. These leases are further described in Note 7.

## 5. DEBT

In May 2020, the Company received $567 thousand in loan funding from the Paycheck Protection Program ("PPP") pursuant to the Coronavirus Aid, Relief, and Economic Security Act, as amended by the Flexibility Act, and administered by the Small Business Administration. The unsecured loan (the "PPP Loan") is with Silicon Valley Bank.

Under the terms of the PPP Loan, interest accrued on the outstanding principal at a rate of 1.0% per annum. On August 6, 2021, the Small Business Administration approved the forgiveness for the full amount of the PPP Loan, which included principal of $567 thousand, plus interest. The Company recognized a gain on debt extinguishment once forgiven in other income (expense) on the Consolidated Statement of Operations and Comprehensive Loss for the year ended December 31, 2021.

## 6. FAIR VALUE MEASUREMENTS

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis and indicate the level of the fair value hierarchy used to determine such fair values (in thousands):

| | Fair value measurements at June 30, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Cash equivalents | | | | |
| Money market funds | $ 6,521 | $ - | $ - | $ 6,521 |
| Investments: | | | | |
| Commercial paper | - | 31,247 | - | 31,247 |
| Corporate bonds | - | 75,889 | - | 75,889 |
| U.S. Government agencies | - | 6,679 | - | 6,679 |
| Total | $ 6,521 | $ 113,815 | $ - | $ 120,336 |

When developing fair value estimates, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. When available, the Company uses quoted market prices to measure fair value. The valuation technique used to measure fair value for the Company's Level 1 and Level 2 assets is a market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets. If market prices are not available, the fair value measurement is based on models that use primarily market-based parameters including yield curves, volatilities, credit ratings and currency rates. In certain cases where market rate assumptions are not available, the Company is required to make judgments about assumptions market participants would use to estimate the fair value of a financial instrument.

There were no transfers among Level 1, Level 2 or Level 3 categories in the six months ended June 30, 2022 or 2021.

## 7. COMMITMENTS AND CONTINGENCIES

***Operating Leases***

As of June 30, 2022, the Company leases office and laboratory facilities under operating leases, which expire at various dates through 2027. The Company has $678 thousand in letters of credit outstanding as security on certain of these leases. As part of its adoption of ASC 842, the Company recorded operating right-of-use assets and operating lease liabilities for these leases as of January 1, 2022.

***Finance Leases***

The Company leases research equipment and furniture under finance leases. As part of its adoption of ASC 842, the Company recorded financing right-of-use assets and financing lease liabilities for these leases as of January 1, 2022.

On April 20, 2021, the Company entered into a finance lease agreement with a third-party company related to various research equipment and furniture, which included the Company selling specific equipment for $293 thousand, resulting in a gain on the sale of $20 thousand, and leasing it back for a four-year period. The associated lease facility includes up to $5 million for the purchase of equipment on an as needed basis. As of June 30, 2022, the Company had $2.7 million available for purchases under this arrangement. The Company has an option to purchase the equipment at fair market value, not to exceed 15% of the original equipment cost, or to renew the lease for an additional one- or two-year period at a mutually agreed upon rate.

On September 27, 2021, the Company commenced a lease for various research equipment. The terms of the four-year lease specify a monthly payment of $13 thousand, with the option to purchase the equipment for fair market value, to be determined by the lessor, at the end of the lease.

The following table contains a summary of the lease costs recognized under ASC 842 pertaining to the Company’s finance and operating leases for the six months ended June 30, 2022 (in thousands):

| | Six Months Ended June 30, 2022 |
|---|---|
| Lease Cost: | |
| Amortization of finance right-of-use assets | $ 353 |
| Interest on finance lease liabilities | 92 |
| Operating lease cost | 828 |
| Variable lease cost | 334 |
| Total lease costs | $ 1,607 |

The following table contains a summary of other information pertaining to the Company’s finance and operating leases for the six months ended June 30, 2022 (in thousands, except lease term and discount rate):

| | Six Months Ended June 30, 2022 |
|---|---|
| Other Operating Lease Information: | |
| Operating cash flows for operating leases | $ 787 |
| Operating cash flows for finance leases | $ 92 |
| Financing cash flows from finance leases | $ 289 |
| | |
| Weighted average remaining lease term | |
| Operating leases | 4.3 years |
| Financing leases | 3.4 years |
| | |
| Weighted average discount rate | |
| Operating leases | 7.6% |
| Financing leases | 8.2% |

The following table presents supplemental balance sheet information related to operating and financing leases as of June 30, 2022 (in thousands):

| | June 30, 2022 |
|---|---|
| Operating leases | |
| Right-of-use assets | $ 5,971 |
| | |
| Right-of-use lease liabilities, current | $ 1,194 |
| Right-of-use lease liabilities, noncurrent | 4,967 |
| Total operating lease liabilities | $ 6,161 |
| | |
| Financing leases | |
| Right-of-use assets, net | $ 2,417 |
| | |
| Right-of-use lease liabilities, current | $ 798 |
| Right-of-use lease liabilities, noncurrent | 1,719 |
| Total financing lease liabilities | $ 2,517 |

The following table presents the maturity of the Company's operating and finance lease liabilities as of June 30, 2022 (in thousands):

| | Operating | Financing |
|---|---|---|
| Remainder of 2022 | $ 801 | $ 412 |
| 2023 | 1,628 | 825 |
| 2024 | 1,640 | 726 |
| 2025 | 1,689 | 696 |
| 2026 | 1,413 | 89 |
| Thereafter | 59 | — |
| Total future minimum lease payments | $ 7,230 | $ 2,748 |
| Less amount representing interest | 1,069 | 231 |
| Total lease liabilities | $ 6,161 | $ 2,517 |

The following table presents operating lease commitments as reflected under ASC 840 as of December 31, 2021 (in thousands):

| | Operating |
|---|---|
| 2022 | 1,585 |
| 2023 | 1,606 |
| 2024 | 1,641 |
| 2025 | 1,689 |
| 2026 | 1,413 |
| 2027 | 59 |
| Total operating lease obligations | $ 7,993 |

The following table presents finance lease commitments as reflected under ASC 840 as of December 31, 2021 (in thousands):

| | Financing |
|---|---|
| 2022 | $ 699 |
| 2023 | 674 |
| 2024 | 674 |
| 2025 | 553 |
| 2026 | 47 |
| Total capital lease obligations | 2,647 |
| Less amount representing interest | (293) |
| Present value of minimum capital lease obligations | $ 2,354 |

***License Agreements***

In the normal course of business, the Company enters into licensing agreements with various parties to obtain the right to make, use, and sell licensed products currently in development.

***Litigation***

The Company records estimated losses from loss contingencies, such as a loss arising from a litigation, when it determines that it is probable a liability has been incurred and the amount of loss can be reasonably estimated. Litigation is subject to many factors that are difficult to predict so that there can be no assurance, in the event of a material unfavorable result in one or more claims, the Company will not incur material costs.

During 2017, the Company became actively involved in a matter pending in the Ontario (Canada) Superior Court of Justice which names, among multiple other defendants, the Company and two former officers of the Company. The claims pending in this matter allege breach of contract by the Company and seek declaratory and other relief, including monetary damages from the Company, and the individual defendants, including the Company's former officers. The claims by such plaintiffs were originally made in a lawsuit filed in Ontario during October 2011, but was not pursued by such plaintiffs in any material manner until 2017. The Company believes that there is no merit to the claims alleged against the Company and its former officers, including no alleged breach of contract by the Company, and intends to vigorously defend against the claims pertaining to the Company and its former officers. At the present stage of the suit, management believes the outcome in this matter is not likely to have any material impact on the Company's results, cash flows, or financial position.

***Coronavirus pandemic***

The full impact of the COVID-19 pandemic continues to evolve as of the date of these financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 pandemic and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 pandemic on its results of operations, financial condition, or liquidity. Although the Company cannot estimate the length or gravity of the impact of the COVID-19 pandemic at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity during the remainder of 2022 and beyond.

**8. EQUITY**

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 not entitled to receive dividends, unless declared by the board of directors.

***Series BB Convertible Preferred Stock Issuance***

In January 2021, the Company issued and sold 113,275,902 shares of Series BB convertible preferred stock at $0.207383 per share in exchange for $23.5 million in gross proceeds.

***Initial Public Offering***

In February 2021, the Company completed its IPO in which the Company issued and sold 8,030,295 shares of its common stock, including 1,030,243 shares pursuant to the partial exercise of the underwriters' option to purchase additional shares, at a public offering price of $19.00 per share, for aggregate gross proceeds of $152.6 million. The Company received approximately $138.5 million in net proceeds after deducting underwriting discounts and estimated offering expenses payable by the Company.

Upon closing of the IPO on February 8, 2021, all of the Company's outstanding preferred stock converted into an aggregate of 19,034,069 shares of common stock.

On February 8, 2021, in connection with the IPO, the Company filed an Amended and Restated Certificate of Incorporation (the "Amended Certificate") with the Secretary of State of the State of Delaware. The Amended Certificate, among other things: (i) authorized 250,000,000 shares of common stock; (ii) eliminated all references to the previously existing series of preferred stock; and (iii) authorized 10,000,000 shares of undesignated preferred stock that may be issued from time to time by the Company's board of directors in one or more series.

***Common Stock Warrants***

The following is a summary of the common stock warrant activity for the six months ended June 30, 2022 related to common stock warrants issued in conjunction with equity and debt fundraising events:

| | Number of Common Stock Warrants | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|
| Outstanding at December 31, 2021 | 412,262 | $ 9.81 | 5.71 | $ 723 |
| Granted | — | $ — | | |
| Exercised | — | $ — | | |
| Expired | — | | | |
| Outstanding at June 30, 2022 | 412,262 | $ 9.81 | 5.22 | $ — |

**9. STOCK-BASED COMPENSATION**

***2018 Equity Incentive Plan***

The Company's 2018 Stock Incentive Plan (the "2018 Plan"), provided for the Company to grant qualified incentive options, nonqualified options, stock grants and other stock-based awards to employees and non-employees to purchase the Company's common stock. Upon the effectiveness of the 2021 Plan (as defined below), no further issuances will be made under the 2018 Plan.

***2021 Stock Option and Incentive Plan***

The 2021 Equity Incentive Plan (the "2021 Plan") was approved by the board of directors on January 27, 2021, and the Company's stockholders on January 28, 2021 and became effective on the execution of the underwriting agreement related to the initial public offering. The 2021 Plan, which superseded the Company's previous equity incentive plan, provides for the grant of incentive stock options to employees, including employees of any parent or subsidiary corporations, and for the grant of nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance awards and other forms of stock awards to employees, directors, and consultants, including employees and consultants of the Company's affiliates. The number of shares initially reserved for issuance under the 2021 Plan was 5,000,000, which began automatically increasing on January 1 of each calendar year, starting on January 1, 2022 through January 1, 2031, in an amount equal to 4.0% of the total number of shares of the Company's capital stock outstanding on the last day of the calendar month before the date of each automatic increase, or a lesser number of shares determined by the board of directors. As of June 30, 2022, 2,463,559 shares remained available for issuance pursuant to the 2021 Plan.

***2021 Employee Stock Purchase Plan***

The 2021 Employee Stock Purchase Plan (the "2021 ESPP") was approved by the Company's board of directors on January 27, 2021 and became effective on the execution of the underwriting agreement related to the initial public offering. A total of 333,333 shares of common stock were initially reserved for issuance under the 2021 ESPP, which will automatically increase on January 1 of each calendar year, beginning on January 1, 2022 through January 1, 2031, by an amount equal to 1.0% of the total shares of common stock outstanding on December 31st of the preceding calendar year. The purchase price of the shares under the 2021 ESPP are at 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the purchase date. As of June 30, 2022, the Company had issued 49,178 shares under the 2021 ESPP. As of June 30, 2022, 590,245 shares were available to be issued under the 2021 ESPP. The Company recognized $9 thousand share-based compensation expense related to the ESPP for the six months ended June 30, 2022.

***Stock Options***

During 2022, the Company has granted options to purchase shares of common stock to employees and nonexecutive directors pursuant to the 2021 Plan at a weighted average fair value of $2.62 per share. The Company uses the Black-Scholes option-pricing model to estimate the fair value of the stock options on the applicable grant dates.

The following is a summary of the stock option award activity during the six months ended June 30, 2022:

| | Number of Stock Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|
| Outstanding at December 31, 2021 | 3,026,464 | $ 10.84 | 8.51 | $ 6,403 |
| Granted | 999,554 | $ 3.39 | | |
| Exercised | (73,784) | $ 3.22 | | |
| Forfeited | (386,520) | $ 8.90 | | |
| Expired | (113,360) | $ 14.12 | | |
| Outstanding at June 30, 2022 | 3,452,354 | $ 8.95 | 8.62 | $ 97 |
| Options expected to vest as of June 30, 2022 | 2,212,456 | $ 6.92 | 9.02 | $ 97 |
| Exercisable at June 30, 2022 | 1,239,898 | $ 12.59 | 7.90 | $ — |

The aggregate intrinsic value of stock options exercised in the six months ended June 30, 2022 was $0.1 million.

The grant date fair value of options vested during the six months ended June 30, 2022 was $5.7 million.

At June 30, 2022, there was approximately $13.4 million of unrecognized stock-based compensation expense associated with the stock options, which is expected to be recognized over a weighted-average period of 2.62 years.

***Restricted Stock Units***

The Company has granted restricted stock units with service vesting based conditions.

The following is a summary of the restricted stock unit activity during the six months ended June 30, 2022:

| | Restricted Stock Units | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Unvested at December 31, 2021 | — | $ — |
| Granted | 239,963 | $ 3.74 |
| Forfeited | (14,133) | $ 4.30 |
| Unvested at June 30, 2022 | 225,830 | $ 3.70 |

Pursuant to the 2021 Plan, the Company granted restricted stock units which vest annually over a period of one, two, three or four years. No restricted stock units vested during the six months ended June 30, 2022.

At June 30, 2022, there was approximately $0.8 million of unrecognized stock-based compensation expense associated with the restricted stock units which is expected to be recognized over a weighted-average period of 3.18 years.

***Common Stock Warrants***

The following is a summary of the employee-issued common stock warrant activity during the six months ended June 30, 2022:

| | Number of Common Stock Warrants | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|
| Outstanding at December 31, 2021 | 57,004 | $ 6.94 | 2.91 | $ 2 |
| Granted | — | $ — | | |
| Exercised | — | $ — | | |
| Expired | — | $ — | | |
| Outstanding and exercisable at June 30, 2022 | 57,004 | $ 6.94 | 2.41 | $ — |

As of June 30, 2022 there was no unrecognized stock-based compensation expense associated with the common stock warrants.

For the six months ended June 30, 2022, the Company utilized the Black-Scholes option-pricing model for estimating the fair value of the stock options granted. The following table presents the assumptions and the Company's methodology for developing each of the assumptions used:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| Volatility | 94%-97% | 91%-98% |
| Expected life (years) | 5.5-7 | 5.5-6.1 |
| Risk-free interest rate | 1.7%–3.2% | 0.5%-1.1% |
| Dividend rate | —% | —% |

- Volatility—The Company estimates the expected volatility of its common stock at the date of grant based on the historical volatility of comparable public companies over the expected term.
- Expected life—The expected life is estimated as the contractual term.
- Risk-free interest rate—The risk-free rate for periods within the estimated life of the stock award is based on the U.S. Treasury yield curve in effect at the time of grant.
- Dividend rate—The assumed dividend yield is based upon the Company's expectation of not paying dividends in the foreseeable future.

Stock-based compensation expense was recorded in the following line items in the condensed consolidated statements of operations for the six months ended June 30, 2022 and 2021 (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Research and development | $ 480 | $ 639 | $ 1,035 | $ 1,148 |
| General and administrative | 916 | 1,106 | 1,876 | 1,946 |
| Total stock-based compensation expense | $ 1,396 | $ 1,745 | $ 2,911 | $ 3,094 |

## 10. EMPLOYEE RETIREMENT PLAN

The Company maintains a defined contribution 401(k) profit-sharing plan (the "Plan") for all employees. Under the Plan, participants may make voluntary contributions up to the maximum amount allowable by law. The Plan is based on employees' salary deferral, and the Company matches employees' contributions up to 4% of the employees' base salary. Employees are 100% vested in the Company's match contributions. During the three months ended June 30, 2022 and 2021, the Company's matching contributions were $77 thousand and $76 thousand, respectively. During the six months ended June 30, 2022 and 2021, the Company's matching contributions were $183 thousand and $105 thousand, respectively.

## 11. RELATED-PARTY TRANSACTIONS

### *Service Agreement*

During 2020, the Company entered into a service agreement with Hope Farms at Disco Bay LLC ("Hope Farms") to provide animal vaccination testing and provide samples to the Company. The Company's Chief Research and Development Officer is a co-founder and partial owner of Hope Farms. Further, the CEO of Hope Farms is the spouse of the Company's Chief Research and Development Officer.

Expenses recognized by the Company relating to this service agreement for the six months ended June 30, 2022 and 2021 were $75 thousand and $92 thousand, respectively. In the first quarter of 2022, the Company also made a payment of $47 thousand to Hope Farms that was an outstanding obligation at the end of 2021.

## 12. INCOME TAXES

The Company recorded no provision for income taxes for the six months ended June 30, 2022 and 2021.

Deferred tax assets and deferred tax liabilities are recognized based on temporary differences between the financial reporting and tax bases of assets and liabilities using statutory rates. Management of the Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets, which are comprised principally of net operating loss carryforwards and research and development credits. Under the applicable accounting standards, management has considered the Company's history of losses and concluded that it is more likely than not that the Company will not recognize the benefits of federal and state deferred tax assets. Accordingly, a full valuation allowance has been established against the Company's otherwise recognizable net deferred tax assets.

## 13. NET LOSS PER SHARE

Basic and diluted net loss per share attributable to common stockholders is calculated as follows (in thousands except share and per share amounts):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Net loss | $ (10,535) | $ (9,771) | $ (22,940) | $ (17,743) |
| Net loss per share—basic and diluted | $ (0.34) | $ (0.32) | $ (0.75) | $ (0.72) |
| Weighted-average number of shares used in computing net loss per share—basic and diluted | 30,701,758 | 30,588,495 | 30,674,868 | 24,778,949 |

The following outstanding potentially dilutive securities have been excluded from the calculation of diluted net loss per share, as their effect is anti-dilutive:

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| Stock options to purchase common stock | 3,452,354 | 3,214,117 |
| Unvested restricted stock units | 225,830 | — |
| Warrants issued to employees and contractor to purchase common stock | 57,004 | 57,212 |
| Warrants issued related to convertible notes and other equity agreements | 412,262 | 412,262 |

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

Certain statements contained in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words and phrases "designed to," "may," "might," "can," "will," "to be," "could," "would," "should," "expect," "intend," "plan," "objective," "anticipate," "believe," "estimate," "predict," "project," "potential," "likely," "continue," "ongoing" or similar expressions, or the negative of such words, are intended to identify "forward-looking statements." We have based these forward-looking statements on our current expectations and projections about future events. Because such statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include those below in this Quarterly Report on Form 10-Q and those in our Annual Report on Form 10-K, in each case under the caption "Risk Factors," and in our other filings with the Securities and Exchange Commission, or SEC. Statements made herein are as of the date of the filing of this Form 10-Q with the SEC and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim, any obligation to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes that appear in Item 1 of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and related notes for the year ended December 31, 2021, which are included in our Annual Report on Form 10-K filed with the SEC on March 15, 2022.

**Overview**

We are an immuno-oncology company focused on the discovery and development of next-generation immunotherapies with an initial focus on treatments for cancer. Our focus is to leverage well characterized biological targets to generate novel product candidates that incorporate next generation technologies or approaches. We have built a robust set of R&D capabilities and infrastructure to support the discovery and advancement of our product candidates. Our goal is to efficiently develop these product candidates by incorporating state-of-the-art biomarker approaches and mechanistic understanding into clinical trial designs targeted to well-defined patient populations.

We have developed two platforms that are designed to address resistance to immunotherapy. Our TMAb™ (Tumor Microenvironment Activated Biologics) platform generates next-generation antibodies that are designed to block key immune checkpoints selectively within the tumor microenvironment. Our ImmunoPhage™ platform is a pioneering approach to cancer therapy that utilizes and combines aspects of vaccine, gene therapy, and personalized medicine approaches. Both platforms are designed to work independently or have the potential to be combined to create powerful rational drug combinations.

**Our Pipeline**

We currently have four investigational products in various stages of early development:

- **SNS-101** is our monoclonal antibody targeting the immune checkpoint VISTA (V-domain Ig suppressor of T cell activation) and is currently in IND-enabling studies. In April 2022, we presented preclinical data at the World Vaccine Congress, held April 18-21, 2022, in Washington DC. In July 2022, we received pre-IND feedback from the FDA and expect to submit an IND in the first half of 2023.
- **SNS-102** is our monoclonal antibody targeting VSIG4 (V-Set and Immunoglobulin Domain Containing 4), an immune checkpoint often expressed on macrophages. We believe that VSIG4 is a key player in macrophage polarization.
- **SNS-103** is our monoclonal antibody targeting ENTPDase1 (ecto-nucleoside triphosphate diphosphohydrolase-1), also known as CD39. ENTPDase1 is the rate-limiting enzyme in the breakdown of extracellular ATP, leading to the production of adenosine, a well-established immunosuppressive pathway.
- **SNS-401-NG** is our ImmunoPhage candidate being developed initially for the treatment of patients with Merkel cell carcinoma, or MCC. SNS-401-NG is designed to deliver a personalized cocktail of off-the-shelf premanufactured bacteriophage, which we refer to as ImmunoPhage, aimed at driving a patient-specific constellation of anti-tumor T cells.

SNS-101: Monoclonal Antibody Targeting VISTA

We believe that anti-VISTA antibodies have the potential to become the backbone of the next generation of cancer immunotherapy. Based on our expertise and deep understanding of this myeloid checkpoint target, our human monoclonal antibody targeting VISTA is designed to overcome the challenges of the previous generation of anti-VISTA monoclonal antibodies and we believe has the potential to become the first anti-VISTA monoclonal antibody approved as a therapeutic agent.

Based on the unique biology of VISTA, we believe that there are three critical design parameters required to achieve optimal biologic activity of inhibitory anti-VISTA antibodies:

1. Block the pH-dependent binding of VISTA to PSGL-1 (P-selectin glycoprotein ligand-1) on T cells at low pH;
2. Selectively bind VISTA at low pH to avoid target-mediated drug disposition, or TMDD, and on-target/off-tumor side effects; and
3. Utilize an Fc-competent IgG backbone to engage and activate $FcgR^+$ myeloid cells within the tumor.

SNS-101 is a fully human monoclonal IgG1 antibody that has been designed to selectively bind active (low pH) VISTA, but not inactive VISTA in the blood. In preclinical studies, we have observed that SNS-101 binds to VISTA at low pH with a greater than 600-fold differential affinity compared to VISTA at physiological pH of 7.4. SNS-101 has shown favorable pharmacokinetic properties, demonstrating sustained higher serum drug concentrations of SNS-101 compared to anti-VISTA antibodies that bind blood elements at physiological pH. In addition, in the MC38 syngeneic mouse model, SNS-101 has shown significant activity in combination with anti-PD-1.

Based on the totality of the preclinical data to date and the promising profile of this antibody, in 2021 we initiated both IND-enabling studies and GMP manufacturing for SNS-101. We received pre-IND feedback from the FDA in July 2022 and expect to submit an IND in the first half of 2023.

SNS-102: Monoclonal antibody targeting VSIG-4

VSIG-4 (V-set and Ig domain-containing 4; also known as complement receptor of the Ig superfamily, or CRIg) is a B7-related protein, which is highly expressed on macrophages, including tumor-associated macrophages. VSIG-4 has been shown to be a potent inhibitor of T cell proliferation and inhibits proinflammatory macrophage activity through metabolic reprogramming. We believe these complementary immunosuppressive features of VSIG-4 make it an interesting and high-potential myeloid immunotherapeutic target.

Expression of VSIG-4 in normal tissues, chiefly on tissue-resident macrophage populations such as the Kupffer cells of the liver, suggest the presence of a large peripheral target sink and potential for on-target/off-tumor toxicities. Taken together, we believe these features make VSIG-4 a strong candidate for a TMAb-based approach.

We have generated antibodies and are currently screening to identify a lead monoclonal antibody for SNS-102. We expect to select a product candidate and initiate IND-enabling studies in 2023.

SNS-103: Monoclonal antibody targeting ENTPDase1 (CD39)

ENTPDase1 (also known as CD39) is the upstream, rate-limiting enzyme that leads to the breakdown of extracellular adenosine triphosphate, or ATP. Extracellular ATP represents a potent immunologic “danger signal”, which drives immune activation. The ultimate downstream product of this pathway, adenosine, has potent immunosuppressive activity through binding to adenosine receptors. Upregulation of CD39 by tumors is common and leads to decreased extracellular ATP and a diminished anti-tumor immune response.

Pharmacologic inhibition of CD39 activity has shown anti-tumor activity in a variety of experimental tumor models. Several of these molecules are currently being evaluated as cancer therapeutics in early phase clinical trials. CD39, although upregulated in tumors, is also expressed in normal tissue on a variety of different cell populations. The expression of CD39 on endothelial cells is particularly problematic, as this is anticipated to result in significant on-target/off-tumor binding, leading to TMDD, a poor pharmacokinetic profile and potential toxicities.

We have initiated a TMAb antibody campaign aimed at developing an anti-CD39 inhibitory antibody with high selectivity for CD39 in the tumor microenvironment, or TME, versus normal tissue environments. We expect to select a product candidate in 2023.

ImmunoPhage product candidate: SNS-401-NG

SNS-401-NG, our multi-antigenic personalized ImmunoPhage candidate, is being developed in collaboration with the University of Washington.

We intend to initially develop SNS-401-NG for the treatment of Merkel cell carcinoma or MCC, an aggressive form of skin cancer commonly driven by the Merkel Cell Polyoma Virus. If clinical proof of concept is achieved, we plan to evaluate a broader basket study in patients with head and neck cancer, lung cancer, melanoma, and triple negative breast cancer based on the prevalence of antigens found in our proprietary library of ImmunoPhages.

We do not have any product candidates approved for sale, have not generated any revenue from product sales, and do not expect to generate any revenue from product sales for at least the next several years. We have largely funded our operations with proceeds from the sale of convertible preferred stock, common stock and convertible debt. Through the date of this report, we have raised an

aggregate of $123.4 million of gross proceeds from private placements of our equity and convertible debt securities and net proceeds of $138.5 million from our initial public offering, or IPO, in February 2021.

We have incurred significant operating losses over the last several years. Our net loss was $22.9 million and $17.7 million for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, we had an accumulated deficit of $172.1 million. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses will increase significantly in connection with our ongoing activities, as we:

- prepare to submit INDs and then initiate clinical development of product candidates, including SNS-101;
- continue the research and development of our other product candidates;
- invest in our TMAb and ImmunoPhage platforms;
- seek to discover and develop additional product candidates or acquire or in-license drugs, product candidates or technologies;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- ultimately establish a sales, marketing and distribution infrastructure and scale up manufacturing capabilities to commercialize any product candidates for which we may obtain regulatory approval;
- manufacture our product candidates or otherwise secure the clinical and commercial supply of our product candidates;
- hire additional research and development and selling, general and administrative personnel;
- maintain, expand and protect our intellectual property portfolio; and
- incur additional costs associated with operating as a public company.

Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our accounts payable and accrued expenses. We expect to continue to incur net losses and negative cash flows for the foreseeable future, and we expect our research and development expenses, general and administrative expenses, and capital expenditures will continue to increase. In particular, we expect our expenses to increase as we continue our development of, and seek regulatory approvals for, our product candidates, as well as hire additional personnel, pay fees to outside consultants, lawyers and accountants, and incur other increased costs associated with being a public company. In addition, if we seek and obtain regulatory approval to commercialize any product candidate, we will also incur increased expenses in connection with commercialization and marketing of any such product.

**Impact of COVID-19**

The COVID-19 pandemic continues to present a substantial public health and economic challenge around the world. The length of time and full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain, subject to change and are difficult to predict. While we continue to conduct our research and development activities, the COVID-19 pandemic may cause disruptions that impact the timing of our planned and ongoing preclinical trials and affect our ability to complete preclinical studies, future clinical trials or to procure items that are essential for our research and development activities.

In addition, a further recurrence of COVID-19 cases could cause other widespread or more severe impacts depending on where infection rates are highest. We plan to continue to closely monitor the ongoing impact of the COVID-19 pandemic on our employees and our business operations, as we deal with the disruptions and uncertainties relating to the COVID-19 pandemic. In an effort to provide a safe work environment for our employees, the majority of our employees, other than our laboratory staff, have adopted a “hybrid” work schedule which is intended to limit the number of people in our office at any particular time. We expect to continue to take actions as may be required or recommended by government authorities or as we determine are in the best interests of our employees and other business partners in light of the pandemic. To date, there has not been a significant impact on our product candidate development or on the rest of our pipeline; however we cannot at this time predict the specific extent, duration, or full impact that the COVID-19 pandemic could potentially have on our ongoing business plan, financial condition and operations.

**Components of Our Results of Operations**

***Operating Expenses***

*Research and Development Expense*

Our research and development expense consists of expenses incurred in connection with the discovery and development of our product candidates. 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;
- the cost of manufacturing our product candidates including the potential cost of contract manufacturing organizations, or CMOs, that manufacture product for use in our preclinical studies and planned clinical trials and perform analytical testing, scale-up and other services in connection with our development activities;
- the cost of outsourced professional scientific development services;
- employee-related expenses, including salaries, benefits and stock-based compensation for employees engaged in the research and development function;
- expenses relating to regulatory activities, including filing fees paid to regulatory agencies;
- fees for maintaining licenses and other amounts due under our third party licensing agreements;
- laboratory materials and supplies used to support our research activities; and
- allocated expenses for utilities and other facility-related costs.

We expense all research and development costs in the periods in which they are incurred. Costs for certain research and development activities are recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors and third-party service providers.

Our direct external research and development expenses consist primarily of external costs, such as fees paid to CROs, CMOs, research/testing laboratories and outside consultants in connection with our preclinical development, process development, manufacturing and clinical development activities. We do not allocate these costs to specific product candidates because many of them are deployed across several of our development programs and, as such, are not separately classified. We use internal resources primarily to conduct research and manage our preclinical development, outsourced clinical trials, process development, manufacturing and clinical development activities. These employees work across multiple development programs and, therefore, we do not track their costs by program and, as such, are not separately classified. Research and development activities are central to our business model. 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 our preclinical studies and planned clinical trials, and prepare regulatory filings for our product candidates.

The successful development of our 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 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 scope, progress, outcome and costs of our preclinical studies, our current product candidates and any other product candidates we may acquire or develop;
- manufacturing of our product candidates or making arrangements with potential third-party manufacturers for both clinical and commercial supplies of these product candidates;
- successful patient enrollment in, and the initiation, duration and completion of clinical trials;
- the cost of gaining regulatory approvals for our product candidates, subject to the successful outcome of ongoing and future clinical trials; and
- the extent of any required post-marketing approval commitments to applicable regulatory authorities.

Our expenditures are subject to additional uncertainties, including the terms and timing of regulatory approvals, and the expense of filing, prosecuting, defending and enforcing any patent claims or other intellectual property rights. We may never succeed in

achieving regulatory approval for any of our product candidates. We may obtain unexpected results from our planned clinical trials. We may elect to discontinue, delay or modify clinical trials of some product candidates or focus on others. A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the 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 planned clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development. Product commercialization will take several years and significant additional development costs.

*General and Administrative Expense*

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 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 Nasdaq listing and SEC requirements, accounting and investor relations costs, and director and officer insurance premiums associated with being a public company.

*Other Income (Expense)*

Our other income (expense) consists of changes in the fair value of our derivative liability related to an embedded derivative on certain convertible debt, realized gain or loss on short-term investments, gain on debt extinguishments, accretion expense on short-term investments and interest expense.

*Income Taxes*

Since our inception, we have not recorded any income tax benefits for the net losses we have incurred or for the research and development tax credits earned in each year, as we believe, based upon the weight of available evidence, that it is more likely than not that all of our net operating loss carryforwards and tax credit carryforwards will not be realized.

**Results of Operations**

***Comparison of the Three Months Ended June 30, 2022 and 2021***

The following sets forth our results of operations for the three months ended June 30, 2022 and 2021:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| **(in thousands)** | **2022** | **2021** | **Change** |
| Operating expenses: | | | |
| Research and development | $ 6,393 | $ 5,898 | $ 495 |
| General and administrative | 4,319 | 3,886 | 433 |
| Total operating expenses | 10,712 | 9,784 | 928 |
| Loss from operations | (10,712) | (9,784) | (928) |
| Total other income | 177 | 13 | 164 |
| Net loss | $ (10,535) | $ (9,771) | $ (764) |

*Research and Development Expenses*

Research and development expenses were $6.4 million for the three months ended June 30, 2022, compared to $5.9 million for the three months ended June 30, 2021. The increase of $0.5 million was primarily attributable to $0.9 million of increased expenses relating to manufacturing contracts, $0.4 million of additional expenses relating to lab supply purchases and equipment, $0.3 million of higher facilities expense and $0.2 million of increased personnel cost, including stock-based compensation and incentives, to support our research, development and manufacturing activities, partially offset by a $0.7 million decrease in consulting fees, $0.5 million of lower expense associated with clinical trials and $0.2 million less expense for licensing agreements.

*General and Administrative Expenses*

General and administrative expenses were $4.3 million for the three months ended June 30, 2022, compared to $3.9 million for the three months ended June 30, 2021. The increase of $0.4 million was primarily attributable to $0.4 million relating to higher recruiting costs, $0.2 million of increased public relations expense, $0.1 million increase relating to board fees, $0.1 million of higher licenses and fees costs, and $0.1 million relating to higher IT costs, partially offset by $0.2 million of decreased personnel cost, including stock-based compensation and incentives, and $0.2 million of lower consulting expenses.

*Other Income*

Other income was $0.2 million for the three months ended June 30, 2022, compared to other income of $13 thousand for the three months ended June 30, 2021. The increase was primarily attributable to $0.2 million of investment related interest.

***Comparison of the Six Months Ended June 30, 2022 and 2021***

The following sets forth our results of operations for the six months ended June 30, 2022 and 2021:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| **(in thousands)** | **2022** | **2021** | **Change** |
| Operating expenses: | | | |
| Research and development | $ 13,848 | $ 9,263 | $ 4,585 |
| General and administrative | 9,351 | 8,490 | 861 |
| Total operating expenses | 23,199 | 17,753 | 5,446 |
| Loss from operations | (23,199) | (17,753) | (5,446) |
| Total other income | 259 | 10 | 249 |
| Net loss | $ (22,940) | $ (17,743) | $ (5,197) |

*Research and Development Expenses*

Research and development expenses were $13.8 million for the six months ended June 30, 2022, compared to $9.3 million for the six months ended June 30, 2021. The increase of $4.6 million was primarily attributable to $2.3 million of increased expenses relating to manufacturing contracts, $1.6 million of additional expenses relating to lab supply purchases and equipment, $1.4 million of increased personnel cost, including stock-based compensation and incentives, to support our research, development and manufacturing activities, $0.6 million of increased research fees and $0.5 million of higher facilities expense, partially offset by $0.8 million of lower expense associated with clinical trials, $0.8 million of lower consulting fees and $0.2 million less expense for licensing agreements.

*General and Administrative Expenses*

General and administrative expenses were $9.4 million for the six months ended June 30, 2022, compared to $8.5 million for the six months ended June 30, 2021. The increase of $0.9 million was primarily attributable to $0.6 million of higher licenses and fees costs, $0.5 million increased expense associated with recruitment, $0.3 million of increased public relations expense, $0.2 million of increased directors and officers insurance costs, $0.1 million increase relating to board fees, $0.1 million of higher facilities expense and $0.1 million of higher travel and entertainment expense, partially offset by $0.5 million of lower consulting expenses, $0.4 million of lower expense for legal fees and $0.1 million of decreased expenses for marketing.

*Other Income*

Other income was $0.3 million for the six months ended June 30, 2022, compared to other income of $10 thousand for the six months ended June 30, 2021. The increase was primarily attributable to $0.3 million of higher investment related interest income, offset by $0.1 million of higher interest expense associated with our finance leases.

**Liquidity and Capital Resources**

*Sources of Liquidity*

We have not generated any product revenue and have incurred net losses and negative cash flows from our operations. We have financed our operations through sales of our common stock, convertible preferred stock and convertible debt. Through the date of this report, we have raised an aggregate of $123.4 million of gross proceeds from private placements of our equity and convertible debt securities and net proceeds of $138.5 million from our IPO in February 2021. Our net loss was $22.9 million and $17.7 million for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, we had an accumulated deficit of $172.1 million. Our primary use of cash is to fund operating expenses, which consist primarily of research and development expenditures, and to a lesser extent, general and administrative expenditures.

As of June 30, 2022, we had cash, cash equivalents and marketable securities of $123.7 million. From December 2020 to January 2021, we issued and sold 165,956,208 shares of Series BB convertible preferred stock to a group of investors, in exchange for $34.4 million of new gross proceeds, of which approximately $23.5 million was received in January 2021. In February 2021, we issued an aggregate of 8,030,295 shares of common stock in our IPO at a price to the public of $19.00 per share, for aggregate gross proceeds of $152.6 million. We paid underwriting discounts and commissions of $10.7 million, and we also incurred expenses of $3.4 million in connection with the offering. As a result, the net offering proceeds to us, after deducting underwriting discounts and commissions and offering expenses, were $138.5 million.

***Cash Flows***

The following table summarizes our sources and uses of cash for each of the periods below:

| | Six Months Ended June 30, | |
|---|---|---|
| **(in thousands)** | **2022** | **2021** |
| Net cash used in operating activities | $ (22,649) | $ (16,814) |
| Net cash provided by (used in) investing activities | 25,389 | (148,248) |
| Net cash provided by financing activities | — | 164,065 |
| Net increase (decrease) in cash and cash equivalents | $ 2,740 | $ (997) |

*Operating Activities*

During the six months ended June 30, 2022, our operating activities used $22.6 million of cash, primarily resulting from our $22.9 million net loss and a $4.2 million decrease in our operating assets and liabilities, partially offset by increases in non-cash charges of $4.5 million. During the six months ended June 30, 2021, our operating activities used $16.8 million of cash, primarily resulting from our $17.7 million net loss and a $2.6 million decrease in our operating assets and liabilities, partially offset by increases in non-cash charges of $3.5 million.

*Investing Activities*

During the six months ended June 30, 2022, net cash provided by investing activities was $25.4 million, primarily due to $68.7 million in sales and maturities of short-term investments, partially offset by $43.3 million in purchases of short-term investments. During the six months ended June 30, 2021, net cash used in investing activities was $148.2 million primarily related to $147.1 million for purchases of short-term investments using the net proceeds of our IPO and Series AA and Series BB convertible preferred stock financings and $1.1 million for purchases of property and equipment.

*Financing Activities*

During the six months ended June 30, 2022, net cash provided by financing activities was $0 thousand, primarily from $0.2 million of proceeds from the exercise of stock options and $0.1 million relating to ESPP purchases, offset by $0.3 million of principal payments under our financing leases. During the six months ended June 30, 2021, net cash provided by financing activities was $164.1 million, primarily from the net proceeds from the issuance of common stock as part of our IPO of $140.6 million, as well as proceeds from the issuance of Series BB convertible preferred stock prior to the initial public offering of $23.5 million.

***Material Cash Requirements***

Our material cash requirements will have an impact on our future liquidity. Our material cash requirements represent material expected or contractually committed future payment obligations. We believe that we will be able to fund these obligations through cash from our existing balances of cash, cash equivalents and marketable securities.

*Operating Leases*

We have operating lease arrangements for our corporate offices, lab facilities and an executive residence. As part of its adoption of ASC 842, we recorded operating right-of-use assets and operating lease liabilities for these leases as of January 1, 2022. As of June 30, 2022, we had operating lease payment obligations of $7.2 million, with $0.8 million payable for the remainder of 2022. See Note 7 in our condensed consolidated financial statements included elsewhere in this Form 10-Q for additional information.

*Finance Leases*

We lease research equipment, furniture and a vehicle under finance leases. As part of its adoption of ASC 842, we recorded financing right-of-use assets and financing lease liabilities for these leases as of January 1, 2022. As of June 30, 2022, we had finance lease payment obligations of $2.7 million, with $0.4 million payable for the remainder of 2022. See Note 7 in our financial statements included elsewhere in this Form 10-Q for additional information.

***Funding Requirements***

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the research and development of, or initiate clinical trials of, and potentially seek marketing approval for, our product candidates. In addition, we expect to continue to incur significant costs associated with operating as a newly public company, including significant legal, accounting, investor relations and other expenses that we did not incur as a private company. The timing and amount of our operating expenditures will depend largely on:

- the initiation, progress, timing, costs and results of current and future preclinical studies and clinical trials for our current and future product candidates;
- the cost and timing of the manufacture of additional clinical trial material as well as any costs related to the scale-up of manufacturing activities;
- the costs to seek regulatory approvals for any product candidates that successfully complete clinical trials;
- the extent to which we or any third-party service providers on whom we rely experience delays or interruptions to preclinical studies and clinical trials, or to our supply chain due to the COVID-19 pandemic;
- the need to hire additional clinical, quality assurance, quality control and other scientific personnel;
- the number and characteristics of product candidates that we develop or may in-license;
- the outcome, timing and cost of meeting and maintaining compliance with regulatory requirements;
- the cost of filing, prosecuting, defending and enforcing our patent claims and other intellectual property rights;
- the terms of any collaboration agreements we may choose to enter into, including the achievement of milestones or occurrence of other developments that trigger payments under any license or collaboration agreements we might have at such time;
- the cost associated with the expansion of our operational, financial and management systems and increased personnel, including personnel to support our operations as a public company; and
- the cost of establishing sales, marketing and distribution capabilities for any product candidates for which we may receive regulatory approval in regions where we choose to commercialize our products, if approved, on our own.

We expect our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements at least into the first quarter of 2025. We have based this estimate on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the scope, progress, results and costs of product discovery, preclinical studies and clinical trials;
- the scope, prioritization and number of our research and development programs;
- the costs, timing and outcome of regulatory review of our product candidates;
- our ability to establish and maintain collaborations on favorable terms, if at all;
- the extent to which we are obligated to reimburse, or entitled to reimbursement of, clinical trial costs under collaboration agreements, if any;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- the extent to which we acquire or in-license other product candidates and technologies;
- the costs of securing manufacturing arrangements for commercial production;

- the costs of establishing or contracting for sales and marketing capabilities if we obtain regulatory approvals to market our product candidates; and
- the impact of the COVID-19 pandemic and the corresponding responses of businesses and governments.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our operations through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or 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 may be materially diluted, and the terms of such securities could include liquidation or other preferences that adversely affect your rights as a common stockholder. Debt financing and preferred equity financing, if available, may involve agreements that include restrictive covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. In addition, debt financing would result in fixed payment obligations.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate our research, 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.

**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 U.S. Securities and Exchange Commission.

**Critical Accounting Policies and Significant Judgements and Estimates**

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our financial statements, which are prepared in accordance with US GAAP. The preparation of our financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, costs and expenses. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates.

We define our critical accounting policies as those accounting principles that require us to make subjective estimates and judgments about matters that are uncertain and are likely to have a material impact on our financial condition and results of operations, as well as the specific manner in which we apply those principles. During the six months ended June 30, 2022, there were no significant changes to our critical accounting policies disclosed in our audited financial statements for the year ended December 31, 2021, which are included in our Annual Report on Form 10-K, as filed with the SEC on March 15, 2022.

**Recent Accounting Pronouncements**

See Note 2 in our condensed consolidated financial statements included elsewhere in this Form 10-Q for a description of recent accounting pronouncements applicable to our financial statements. Other than as disclosed in our financial statements, we do not expect that any recently issued accounting standards will have a material impact on our financial statements or will otherwise apply to our operations.

**Emerging Growth Company and Smaller Reporting Company Status**

We qualify as an EGC, as defined in the JOBS Act. As an EGC, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies, including reduced disclosure about our executive compensation arrangements, exemption from the requirements to hold non-binding advisory votes on executive compensation and golden parachute payments and exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

We may take advantage of these exemptions until the last day of the fiscal year following the fifth anniversary of our initial public offering or such earlier time that we are no longer an emerging growth company. We would cease to be an EGC earlier if we have more than $1.07 billion in annual revenue, we have more than $700.0 million in market value of our stock held by non-affiliates (and we have been a public company for at least 12 months and have filed one annual report on Form 10-K) or we issue more than

$1.0 billion of non-convertible debt securities over a three-year period. For so long as we remain an EGC, we are permitted, and intend, to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not EGCs. We may choose to take advantage of some, but not all, of the available exemptions.

In addition, the JOBS Act provides that an EGC can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an EGC to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected not to "opt out" of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we will adopt the new or revised standard at the time private companies adopt the new or revised standard and will do so until such time that we either (i) irrevocably elect to "opt out" of such extended transition period or (ii) no longer qualify as an EGC. Therefore, the reported results of operations contained in our consolidated financial statements may not be directly comparable to those of other public companies.

We are also a "smaller reporting company," meaning that the market value of our stock held by non-affiliates is less than $700 million and our annual revenue was less than $100 million during the most recently completed fiscal year. We may continue to be a smaller reporting company if either (i) the market value of our stock held by non-affiliates is less than $250 million or (ii) our annual revenue is less than $100 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than $700 million.

If we are a smaller reporting company at the time we cease to be an EGC, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and, similar to EGCs, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

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

We are a smaller reporting company as defined by Item 10 of Regulation S-K and are not required to provide the information otherwise required under this item.

**Item 4. Controls and Procedures.**

*Disclosure Controls and Procedures*

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a control system, misstatements due to error or fraud may occur and not be detected.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2022. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2022.

*Changes in Internal Control over Financial Reporting:*

There were no material changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended June 30, 2022 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

We are not currently a party to any material legal proceedings. From time to time, we may become involved in other litigation or legal proceedings relating to claims arising from the ordinary course of business.

### Item 1A. Risk Factors.

Our business is subject to risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. Such risks may be amplified by the COVID-19 pandemic and its potential impact on our business and the global economy. In addition to the other information set forth in this quarterly report on Form 10-Q, you should carefully consider the factors in "Part I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the Securities and Exchange Commission on March 15, 2022. There have been no material changes to the risk factors described in that report.

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

**(a) Recent Sales of Unregistered Equity Securities**

None.

**(b) Use of Proceeds from Initial Public Offering of Common Stock**

On February 3, 2021, our Registration Statement on Form S-1, as amended (File No. 333-252704) was declared effective in connection with our IPO, pursuant to which we sold 8,030,295 shares of our common stock, including the partial exercise of the underwriters' option to purchase additional shares, at a price to the public of $19.00 per share. The initial closing of our IPO occurred on February 8, 2021. We received net proceeds from the IPO of $138.5 million (after deducting underwriters' discounts and commissions and additional offering related costs of $14.1 million). Citigroup, Piper Sandler & Co. and Berenberg acted as joint book-running managers for the IPO. Oppenheimer & Co. acted as the lead manager for the IPO.

No expenses incurred by us in connection with our initial public offering were paid directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities, or (iii) any of our affiliates, other than payments in the ordinary course of business to officers for salaries and to non-employee directors as compensation for board or board committee service.

There has been no material change in the planned use of proceeds from our initial public offering from those disclosed in the final prospectus for our IPO dated as of February 3, 2021, and filed with the SEC on February 4, 2021 pursuant to Rule 424(b)(4).

**(c) Issuer Purchases of Equity Securities**

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

None.

**Item 6. Exhibits, Financial Statement Schedules.**

(3) Exhibits

| Exhibit Number | Description |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-39980), filed with the SEC on February 11, 2021). |
| 3.2 | Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-39980), filed with the SEC on February 11, 2021). |
| 10.1*^ | Employment Agreement, dated May 5, 2022, by and between the Registrant and Patrick Gallagher. |
| 31.1* | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following financial information from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2022, formatted in Inline Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Convertible Preferred Stock, Common Stock and Stockholders' Equity (Deficit), (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements (filed herewith) |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* Filed herewith.

** This certification is being furnished solely to accompany this quarterly report on Form 10-Q pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

^ Indicates management contract or compensatory plan.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized**.**

Sensei Biotherapeutics, Inc.

Date: August 9, 2022

By: /s/ John Celebi

**John Celebi**
**President and Chief Executive Officer**
**Principal Executive Officer**

By: /s/ Erin Colgan

**Erin Colgan**
**Chief Financial Officer**
**Principal Financial and Accounting Officer**

**Exhibit 10.1**

# EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (the "***Agreement***"), is entered into effective as of June 1, 2022 (the "***Effective Date***"), by and between Sensei Biotherapeutics, Inc. (the "***Company***") and Patrick Gallagher (the "***Executive***"). This Agreement supersedes in its entirety the offer letter and term sheet between the Company and Executive dated May 5, 2022 (the "***Term Sheet***").

The Company desires to employ Executive as Chief Business Officer ("***CBO***") pursuant to the terms of this Agreement and, in connection therewith, to compensate Executive for Executive's personal services to the Company; and

Executive wishes to be employed by the Company and provide personal services to the Company in return for certain compensation.

Accordingly, in consideration of the mutual promises and covenants contained herein, the parties agree to the following:

## 1. EMPLOYMENT BY THE COMPANY.

**1.1 At-Will Employment**. Executive shall be employed by the Company on an "at-will" basis, meaning, except as provided for herein, either the Company or Executive may terminate Executive's employment at any time, with or without cause or advanced notice. Any contrary representations that may have been made to Executive shall be superseded by this Agreement. This Agreement shall constitute the full and complete agreement between Executive and the Company on the "at-will" nature of Executive's employment with the Company, which may be changed only in an express written agreement signed by Executive and a duly authorized officer of the Company. Executive's rights to any compensation following a termination shall be only as set forth in Section 6.

**1.2 Position**. Subject to the terms set forth herein, the Company agrees to employ Executive in the position of CBO, and Executive hereby accepts such employment. Except as expressly provided in Section 4 herein, during the term of Executive's employment with the Company, Executive will devote Executive's best efforts and substantially all of Executive's business time and attention to the business of the Company.

**1.3 Duties**. Executive will report to the Company's President and Chief Executive Officer, performing such duties as are normally associated with Executive's position and such duties as are assigned to Executive from time to time, subject to the oversight and direction of the President and Chief Executive Officer. In general, and without limitation, Executive will oversee, conduct, and lead Company's business development efforts, including all transactions related to Company's product pipeline and capabilities. In addition, Executive will work with the CEO and other members of the Company's executive management team to on matters related to mergers and acquisitions, new product planning, strategic planning, business direction and performance, and corporate priorities and action plans. Executive shall perform Executive's duties under this Agreement principally out of the Company's office in the Boston, Massachusetts area or such other agreed upon location as assigned. In addition, Executive shall

make such business trips to such places as may be necessary or advisable for the efficient operations of the Company.

**1.4 Company Policies and Benefits**. The employment relationship between the parties shall be subject to the Company's personnel policies and procedures as they may be interpreted, adopted, revised or deleted from time to time in the Company's sole discretion. Executive will be eligible to participate on the same basis as similarly-situated employees in the Company's benefit plans in effect from time to time during Executive's employment. All matters of eligibility for coverage or benefits under any benefit plan shall be determined in accordance with the provisions of such plan. The Company reserves the right to change, alter, or terminate any benefit plan in its sole discretion. Notwithstanding the foregoing, in the event that the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control.

**2. COMPENSATION.**

**2.1 Salary**. Executive shall receive for Executive's services to be rendered hereunder an initial annualized base salary of $400,000, subject to review and adjustment from time to time by the Company in its sole discretion ("***Base Salary***"). The Base Salary is payable subject to standard federal and state payroll withholding requirements in accordance with the Company's standard payroll practices.

**2.2 Annual Bonus**. Executive shall be eligible to receive an annual performance bonus of up to 40% (the "***Target Percentage***") of Executive's then-current Base Salary ("***Annual Bonus***"). The Annual Bonus will be based upon the Company's assessment of Executive's performance, the Company's attainment of targeted goals as set by the Company's Board of Directors (the "***Board***") in its sole discretion, overall economic conditions and forecasts, and related financial factors, all as determined by the Company in its sole discretion. The Annual Bonus, if any, will be subject to applicable payroll deductions and withholdings. Following the close of each calendar year, the Company will determine whether Executive has earned the Annual Bonus, and the amount of any Annual Bonus (which can be less than the Target Percentage), based on the set criteria. The Annual Bonus, if any, shall be paid to Executive as soon as administratively practicable following such determination, and in no event later than March 15th of the calendar year immediately following the calendar year on which the Annual Bonus was based. No amount of the Annual Bonus is guaranteed, and Executive must be an employee in good standing on the Annual Bonus payment date to be eligible to receive an Annual Bonus; no partial or prorated bonuses will be provided, provided that, in the event that Executive's employment hereunder commences on or before June 1, 2022, Executive's annual bonus for calendar year 2022 shall not be subject to pro-ration based on the duration of employment during calendar year 2022. Executive's eligibility for an Annual Bonus is subject to change in the discretion of the Board (or any authorized committee thereof).

**2.3 Equity Awards**. Subject to approval of the Board or an appropriate committee thereof, and the terms of the Sensei Biotherapeutics, Inc. 2021 Equity Incentive Plan, as may be amended from time to time (the "***Plan***"), Executive shall be eligible for the following equity awards:

**(a)** *Initial Option Grant*. Subject to the terms and conditions of this Section

2.3, upon Executive's start date with the Company hereunder (the "***Start Date***") or as soon as practicable thereafter, an option to purchase one hundred and fifty thousand (150,000) shares of common stock of the Company (the "***Initial Option***"). The Initial Option shall be granted at a per share exercise price equal to the Fair Market Value (as defined in the Plan) of the Company's common stock on the date of grant (the "***Initial Option Grant Date***"), and shall be, to the maximum extent permissible, treated as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "***Code***"). Twenty-five percent (25%) of the shares subject to the Initial Option shall vest upon the first (1st) anniversary of the Initial Option Grant Date, and the remaining seventy-five percent (75%) of the shares subject to the Initial Option shall vest in equal monthly installments on the last day of each calendar month for a three (3) year period thereafter, such that all of the shares subject to the Initial Option shall be fully vested on the fourth (4th) anniversary of the Initial Option Grant Date, provided that Executive remains employed by the Company on each vesting date, except as otherwise set forth herein or in the Plan.

**(b)** *First Milestone Agreement Grant.* Subject to the terms and conditions of this Section 2.3:

**(1)** Upon the Start Date or as soon as practicable thereafter, an option to purchase fifty thousand (50,000) shares of common stock of the Company (the "***First Milestone Agreement Option***"). The First Milestone Agreement Option shall be granted at a per share exercise price equal to the Fair Market Value (as defined in the Plan) of the Company's common stock on the date of grant (the "***First Milestone Agreement Option Grant Date***"), and shall be, to the maximum extent permissible, treated as an "incentive stock option" within the meaning of Section 422 of the Code. The shares subject to the First Milestone Agreement Option shall vest on the next business day following the Board's determination that the Company's first Milestone Agreement (defined below) has been duly executed by all required parties (the "***First Milestone Agreement Vesting Date***"), provided that Executive remains employed by the Company on such vesting date, except as otherwise set forth herein or in the Plan. Furthermore, the Board shall make such determination that the Company's first Milestone Agreement has been duly executed by all required parties within 30 days of the execution of the definitive documents or agreement for such transaction.

**(2)** Upon the Start Date or as soon as practicable thereafter, a grant of twenty five thousand (25,000) restricted stock units ("***RSUs***") in the Company (the "***First Milestone Agreement RSUs***"). All of the First Milestone Agreement RSUs shall vest on the next business day following the First Milestone Agreement Vesting Date, provided that Executive remains employed by the Company on the vesting date, except as otherwise set forth herein or in the Plan.

**(c)** *Second Milestone Agreement Grant.* Subject to the terms and conditions of this Section 2.3:

**(1)** Upon the Start Date or as soon as practicable thereafter, an additional option to purchase fifty thousand (50,000) shares of common stock of the Company (the "***Second Milestone Agreement Option***"). The Second Milestone Agreement

Option shall be granted at a per share exercise price equal to the Fair Market Value (as defined in the Plan) of the Company's common stock on the date of grant (the "***Second Milestone Agreement Option Grant Date***"), and shall be, to the maximum extent permissible, treated as an "incentive stock option" within the meaning of Section 422 of the Code. The shares subject to the Second Milestone Agreement Option shall vest on the next business day following the Board's determination that the Company's second Milestone Agreement (defined below) has been duly executed by all required parties (the "***Second Milestone Agreement Vesting Date***"), provided that Executive remains employed by the Company on such vesting date, except as otherwise set forth herein or in the Plan. Furthermore, the Board shall make such determination that the Company's second Milestone Agreement has been duly executed by all required parties within 30 days of the execution of the definitive documents or agreement for such transaction.

**(2)** Upon the Start Date or as soon as practicable thereafter, an additional grant of twenty five thousand (25,000) RSUs in the Company (the "***Second Milestone Agreement RSUs***"). All of the Second Milestone Agreement RSUs shall vest on the next business day following the Second Milestone Agreement Vesting Date, provided that Executive remains employed by the Company on the vesting date, except as otherwise set forth herein or in the Plan.

**(d)** *Definition of Milestone Agreement; Board Discretion to Determine Same.* As used herein, the term "***Milestone Agreement***" is defined as a definitive agreement for a partnership, collaboration, or equity transaction between the Company and a pharmaceutical company: **(i)** that involves, in whole or in part, at least one of the Company's current or future drug development programs or technology platforms or the in-license/acquisition/R&D agreement/option of a pipeline asset from a pharmaceutical company, and **(ii)** that is fully executed within three (3) years of the Start Date. The determination of whether a Milestone Agreement has been fully executed shall be made by the Board, in its sole discretion, within 30 days of the execution of the definitive document(s) or agreement(s) for such transaction(s). For purposes of clarity, the Second Milestone Agreement must be a separate transaction, i.e., a partnership, collaboration, option, or equity agreement will not qualify as the Second Milestone Agreement if it is part of the same transaction as the First Milestone Agreement.

**(e)** *Terms and Conditions of Plan and Award Agreement.* The Initial Option, First Milestone Agreement Option, First Milestone Agreement RSUs, Second Milestone Agreement Option, and Second Milestone Agreement RSUs, each shall be evidenced in writing by, and subject to the terms and conditions of, the Plan and the Company's standard form of stock option agreement or restricted stock unit agreement, as applicable, which agreement(s) shall expire ten (10) years from the date of grant, except as otherwise provided in the Plan or applicable agreement.

**2.4** **Expense Reimbursement**. The Company will reimburse Executive for all reasonable, documented business expenses incurred in connection with Executive's services hereunder, in accordance with the Company's business expense reimbursement policies and procedures as may be in effect from time to time. For the avoidance of doubt, to the extent that any reimbursements payable to Executive are subject to the provisions of Section 409A (as defined below): (i) any such reimbursements will be paid no later than December 31 of the year following

the year in which the expense was incurred, (ii) the amount of expenses reimbursed in one year will not affect the amount eligible for reimbursement in any subsequent year, and (iii) the right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

**3. CONFIDENTIAL INFORMATION, INVENTIONS, NON-SOLICITATION, AND NON-COMPETITION OBLIGATIONS.** As a condition of employment and in consideration of the benefits that Executive is eligible to receive under this Agreement, Executive agrees to sign and abide by the Employee Confidential Information And Invention Assignment Agreement (the "***Confidential Information Agreement***") attached hereto as **Exhibit A**. The Confidential Information Agreement may be amended by the parties from time to time without regard to this Agreement. The Confidential Information Agreement contains provisions that are intended by the parties to survive and do survive termination or expiration of this Agreement.

**4. OUTSIDE ACTIVITIES.** Except with the prior written consent of the Board, Executive will not, while employed by the Company, undertake or engage in any other employment, occupation or business enterprise that would interfere with Executive's responsibilities and the performance of Executive's duties hereunder. Subject to the foregoing, Executive may engage in the following activities: (i) reasonable time devoted to volunteer services for or on behalf of such religious, educational, non-profit and/or other charitable organization as Executive may wish to serve; (ii) reasonable time devoted to activities in the non-profit and business communities consistent with Executive's duties; (iii) Executive's participation in the outside professional and academic activities listed in Appendix A.1.; (iv) Executive's engagement in specified consulting engagements to be provided in writing to the Chief Executive Officer and/or Board on or before the Start Date, provided that Executive winds down and completes such consulting engagements on or before December 31, 2022 and that such engagements (including wind down activities) does not comprise more than ten percent (10%) of Executive's working time; and (v) such other activities as may be specifically approved by the Chief Executive Officer and/or Board. This restriction shall not, however, preclude Executive from managing personal investments or owning less than one percent (1%) of the total outstanding shares of a publicly- traded company.

**5. NO CONFLICT WITH EXISTING OBLIGATIONS.** Executive represents that Executive's performance of all the terms of this Agreement and as an employee of the Company do not and will not breach any agreement or obligation of any kind made prior to Executive's employment by the Company, including agreements or obligations Executive may have with prior employers or entities for which Executive has provided services. Executive has not entered into, and Executive agrees that Executive will not enter into, any agreement or obligation, either written or oral, in conflict herewith.

**6. TERMINATION OF EMPLOYMENT.** The parties acknowledge that Executive's employment relationship with the Company will be at-will. Either Executive or the Company may terminate the employment relationship at any time, with or without "Cause" (as defined in Section 6.3(a) below). The provisions in this Section 6 govern the amount of compensation, if any, to be provided to Executive upon termination of employment and do not alter this at-will status.

**6.1 Termination by the Company Without Cause or Resignation by Executive for Good Reason (not in Connection with a Change in Control)**.

**(a)** The Company shall have the right to terminate Executive's employment with the Company pursuant to this Section 6.1 at any time without "Cause" by giving notice as described in Section 6.7 of this Agreement. A termination pursuant to Section 6.5 or 6.6 below is not a termination without "Cause" for purposes of receiving the Non-CIC Severance Benefits described in (and as defined in) this Section 6.1 or the CIC Severance Benefits described in (and as defined in) Section 6.2 below.

**(b)** If the Company terminates Executive's employment at any time without Cause or Executive terminates Executive's employment with the Company for "Good Reason" (as defined in Section 6.1(g) below), in either case, at any time except during the Change in Control Measurement Period (both "Change in Control" and "Change in Control Measurement Period" as defined in Section 6.2 below), then Executive shall be entitled to receive the Accrued Obligations (defined in Section 6.1(d) below). If such termination without Cause or for Good Reason not occurring during the Change in Control Measurement Period constitutes a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "***Separation from Service***"), and Executive complies with the obligations in Section 6.1(c) below, Executive shall also be eligible to receive the following "***Non- CIC Severance Benefits***:"

**(i)** The Company will pay Executive an amount equal to Executive's then current Base Salary for nine (9) months, less all applicable withholdings and deductions, paid in equal installments beginning on the Company's first regularly scheduled payroll date following the Release Effective Date (as defined in Section 6.1(c) below), with the remaining installments occurring on the Company's regularly scheduled payroll dates thereafter; and

**(ii)** Provided Executive or Executive's covered dependents, as the case may be, timely elects continued coverage under COBRA, or state continuation coverage (as applicable), under the Company's group health plans following such termination, the Company will pay the portion of the COBRA, or state continuation coverage, premiums which is equal to the cost of the coverage that the Company was paying as of the date of termination, to continue Executive's (and Executive's covered dependents, as applicable) health insurance coverage in effect on the termination date until the earliest of: (1) nine (9) months following the termination date; (2) the date when Executive becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment; or (3) the date Executive ceases to be eligible for COBRA or state law continuation coverage for any reason, including plan termination (such period from the termination date through the earlier of (1)-(3), (the "***Non-CIC COBRA Payment Period***")). Notwithstanding the foregoing, if at any time the Company determines that its payment of COBRA, or state continuation coverage, premiums on Executive's behalf would result in a violation of applicable law (including, but not limited to, the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of paying such premiums pursuant to this Section 6.1(b)(ii), the Company shall pay Executive on the last day of each remaining month of the Non-CIC COBRA Payment Period, a fully taxable cash payment equal to the COBRA or state continuation coverage

premium for such month, subject to applicable tax withholding, for the remainder of the Non-CIC COBRA Payment Period. Nothing in this Agreement shall deprive Executive of Executive's rights under COBRA or ERISA for benefits under plans and policies arising under Executive's employment by the Company.

**(c)** Executive will be paid all of the Accrued Obligations on the Company's first payroll date after Executive's date of termination from employment or earlier if required by law. Executive shall receive the Non-CIC Severance Benefits pursuant to Section 6.1(b) or the CIC Severance Benefits pursuant to Section 6.2(a) of this Agreement if: (i) by the sixtieth (60th) day following the date of Executive's Separation from Service, Executive has signed and delivered to the Company a separation agreement containing an effective, general release of claims in favor of the Company and its affiliates and representatives, in the form presented by the Company (the "***Release***"), which will include a non-competition clause, which cannot be revoked in whole or part by such date (the date that the Release can no longer be revoked is referred to as the "***Release Effective Date***"); and (ii) if Executive holds any other positions with the Company or any Affiliate, including a position on the Board, Executive resigns such position(s) to be effective no later than the date of Executive's termination date (or such other date as requested by the Board); (iii) Executive returns all Company property; (iv) Executive complies with all post-termination obligations under this Agreement and the Confidential Information Agreement; and (v) Executive complies with the terms of the Release, including without limitation any non-disparagement and confidentiality provisions contained in the Release.

**(d)** For purposes of this Agreement, "***Accrued Obligations***" are (i) Executive's accrued but unpaid salary through the date of termination, (ii) any unreimbursed business expenses incurred by Executive payable in accordance with the Company's standard expense reimbursement policies, and (iii) benefits owed to Executive under any qualified retirement plan or health and welfare benefit plan in which Executive was a participant in accordance with applicable law and the provisions of such plan.

**(e)** The Non-CIC Severance Benefits provided to Executive pursuant to Section 6.1 are in lieu of, and not in addition to, any benefits to which Executive may otherwise be entitled under any Company severance plan, policy, program, or prior agreement with the Company. For avoidance of doubt, Executive shall not be eligible for both CIC Severance Benefits and Non-CIC Severance Benefits.

**(f)** Any damages caused by the termination of Executive's employment without Cause not in connection with a Change in Control would be difficult to ascertain; therefore, the Non-CIC Severance Benefits for which Executive is eligible pursuant to Section 6.1(b) above in exchange for the Release is agreed to by the parties as liquidated damages, to serve as full compensation, and not a penalty.

**(g)** For purposes of this Agreement, "***Good Reason***" shall mean the occurrence of any of the following events without Executive's consent: (i) a material reduction in Executive's Base Salary of at least 10%, other than pursuant to a reduction proportionately affecting all of the Company's other senior level executive employees; (ii) a material reduction in

Executive's duties, authority and responsibilities relative to Executive's duties, authority, and responsibilities in effect immediately prior to such reduction; (iii) the relocation of Executive's principal place of employment, without Executive's consent, in a manner that lengthens Executive's one-way driving commute distance by fifty (50) or more miles from Executive's then- current principal place of employment immediately prior to such relocation; or (iv) any material breach of this Agreement by the Company; *provided, however,* that, any such termination by Executive shall only be deemed for Good Reason pursuant to this definition if: (1) Executive gives the Company written notice of Executive's intent to terminate for Good Reason within thirty (30) days following the first occurrence of the condition(s) that Executive believes constitute(s) Good Reason, which notice shall describe such condition(s); (2) the Company fails to remedy such condition(s) within thirty (30) days following receipt of the written notice (the "***Cure Period***"); (3) the Company has not, prior to receiving such notice from Executive, already informed Executive that Executive's employment with the Company is being terminated; and (4) Executive voluntarily terminates Executive's employment within thirty (30) days following the end of the Cure Period.

**6.2 Termination by the Company without Cause or Resignation by Executive for Good Reason (in connection with a Change in Control)**.

**(a)** In the event that Executive's employment is terminated without Cause or Executive resigns for Good Reason within twelve (12) months following the effective date of a Change in Control ("***Change in Control Measurement Period***") of the Company, then Executive shall be entitled to the Accrued Obligations and, subject to Executive's full compliance with Section 6.1(c) above, including but not limited to the Release requirement and Executive's continued compliance with obligations to the Company under Executive's Confidential Information Agreement, then Executive will be eligible for the following "***CIC Severance Benefits***:"

**(i)** The Company will pay Executive an amount equal to Executive's then current Base Salary for twelve (12) months, less all applicable withholdings and deductions, paid in equal installments beginning on the Company's first regularly scheduled payroll date following the Release Effective Date, with the remaining installments occurring on the Company's regularly scheduled payroll dates thereafter;

**(ii)** Provided Executive or Executive's covered dependents, as the case may be, timely elects continued coverage under COBRA, or state continuation coverage (as applicable), under the Company's group health plans following such termination, the Company will pay the portion of the COBRA, or state continuation coverage, premiums which is equal to the cost of the coverage that the Company was paying as of the date of termination, to continue Executive's (and Executive's covered dependents, as applicable) health insurance coverage in effect on the termination date until the earliest of: (1) twelve (12) months following the termination date; (2) the date when Executive becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment; or (3) the date Executive ceases to be eligible for COBRA or state law continuation coverage for any reason, including plan termination (such period from the termination date through the earlier of (1)-(3), (the "***CIC COBRA Payment Period***")). Notwithstanding the foregoing, if at any time the Company determines that its payment of COBRA, or state continuation coverage, premiums on Executive's behalf would result in a violation of applicable law (including, but not limited to, the 2010 Patient

Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of paying such premiums pursuant to this Section, the Company shall pay Executive on the last day of each remaining month of the CIC COBRA Payment Period, a fully taxable cash payment equal to the COBRA or state continuation coverage premium for such month, subject to applicable tax withholding, for the remainder of the CIC COBRA Payment Period. Nothing in this Agreement shall deprive Executive of Executive's rights under COBRA or ERISA for benefits under plans and policies arising under Executive's employment by the Company;

**(iii)** The Company will make a lump sum cash payment to Executive in an amount equal to one (1) times the Target Percentage for the year in which the termination occurs, subject to standard deductions and withholdings, which will be paid in a lump sum on the sixtieth (60th) day following Executive's date of Separation from Service; and

**(iv)** Effective on the Release Effective Date, as of Executive's termination date, the vesting and exercisability of all outstanding equity awards held by Executive immediately prior to the termination date (if any) shall be accelerated in full.

**(b)** For purposes of this Agreement, a "***Change in Control***" shall have the meaning set forth in the Plan.

**(c)** The CIC Severance Benefits provided to Executive pursuant to Section 6.2 are in lieu of, and not in addition to, any benefits to which Executive may otherwise be entitled under any Company severance plan, policy or program.

**(d)** Any damages caused by the termination of Executive's employment without Cause during the Change in Control Measurement Period would be difficult to ascertain; therefore, the CIC Severance Benefits for which Executive is eligible pursuant to Section 6.2(a) above in exchange for the Release are agreed to by the parties as liquidated damages, to serve as full compensation, and not a penalty.

**6.3 Termination by the Company for Cause**.

Subject to Section 6.3(b) below, the Company shall have the right to terminate Executive's employment with the Company at any time for Cause by giving notice as described in Section 6.7 of this Agreement.

**(a)** "***Cause***" for termination shall mean that the Company has determined in its sole discretion that Executive has engaged in any of the following: (i) a material breach of any covenant or condition under this Agreement or any other agreement between the parties; (ii) any act constituting dishonesty, fraud, immoral or disreputable conduct; (iii) any conduct which constitutes a felony under applicable law; (iv) material violation of any Company policy or any act of misconduct; (v) refusal to follow or implement a clear and reasonable directive of the Company; (vi) negligence or incompetence in the performance of Executive's duties after the expiration of ten (10) days without cure after written notice of such failure; or (vii) breach of fiduciary duty.

**(b)** In the event Executive's employment is terminated at any time for Cause, Executive will not receive the Non-CIC Severance Benefits, the CIC Severance Benefits, or any other severance compensation or benefit, except that, consistent with the Company's standard payroll policies, the Company shall provide to Executive the Accrued Obligations.

**6.4 Resignation by Executive (other than for Good Reason)**.

**(a)** Executive may resign for any reason from Executive's employment with the Company at any time by giving notice as described in Section 6.7.

**(b)** In the event Executive resigns from Executive's employment with the Company (other than for Good Reason), Executive will not receive the Non-CIC Severance Benefits, the CIC Severance Benefits, or any other severance compensation or benefit, except that, consistent with the Company's standard payroll policies, the Company shall provide to Executive the Accrued Obligations.

**6.5 Termination by Virtue of Death or Disability of Executive**.

**(a)** In the event of Executive's death while employed pursuant to this Agreement, all obligations of the parties hereunder shall terminate immediately, and the Company shall, pursuant to the Company's standard payroll policies, provide to Executive's legal representatives Executive's Accrued Obligations, but neither Executive nor Executive's legal representatives will be eligible for the Non-CIC Severance Benefits, the CIC Severance Benefits, or any other severance compensation or benefit.

**(b)** Subject to applicable state and federal law, the Company shall at all times have the right, upon written notice to the Executive, to terminate this Agreement based on Executive's Disability (as defined below). Termination by the Company of Executive's employment based on "***Disability***" shall mean termination because Executive is unable due to a physical or mental condition to perform the essential functions of Executive's position with or without reasonable accommodation for six (6) months in the aggregate during any twelve (12) month period or based on the written certification by two licensed physicians of the likely continuation of such condition for such period. This definition shall be interpreted and applied consistent with the Americans with Disabilities Act, the Family and Medical Leave Act, and other applicable law. In the event Executive's employment is terminated based on Executive's Disability, Executive will not receive the Non-CIC Severance Benefits, the CIC Severance Benefits, or any other severance compensation or benefit, except that, pursuant to the Company's standard payroll policies, the Company shall provide to Executive the Accrued Obligations.

**6.6 Termination Due to Discontinuance of Business**. Anything in this Agreement to the contrary notwithstanding, in the event the Company's business is discontinued because rendered impracticable by substantial financial losses, lack of funding, legal decisions, administrative rulings, declaration of war, dissolution, national or local economic depression or crisis or any reasons beyond the control of the Company, then this Agreement shall terminate as of the day the Company determines to cease operation with the same force and effect as if such day of the month were originally set as the termination date hereof. In the event this Agreement is terminated pursuant to this Section 6.6, Executive will not receive the Non-CIC Severance

Benefits, the CIC Severance Benefits, or any other severance compensation or benefit, except that, pursuant to the Company's standard payroll policies, the Company shall provide to Executive the Accrued Obligations.

**6.7 Notice; Effective Date of Termination**.

**(a)** Termination of Executive's employment (the "***Separation Date***") pursuant to this Agreement shall be effective on the earliest of:

**(i)** immediately after the Company gives notice to Executive of Executive's termination, with or without Cause, unless pursuant to Section 6.3(a)(vi) in which case ten (10) days after notice if not cured, or unless the Company specifies a later date, in which case, termination shall be effective as of such later date;

**(ii)** immediately upon Executive's death;

**(iii)** immediately after the Company gives notice to Executive of Executive's termination on account of Executive's Disability, unless the Company specifies a later Separation Date, in which case, termination shall be effective as of such later Separation Date, *provided* that Executive has not returned to the full-time performance of Executive's duties prior to such date;

**(iv)** except as addressed by Section 6.7(a)(v), forty-five (45) days (or such shorter period agreed to by the President and Chief Executive Officer and Executive in writing) after Executive gives written notice to the Company of Executive's resignation for any reason, *provided* that the Company may set a Separation Date at any time between the date of notice and the date of resignation, in which case Executive's resignation shall be effective as of such other date. Executive will receive compensation through any required notice period; or

**(v)** for a termination for Good Reason, immediately upon Executive's full satisfaction of the requirements of Section 6.1(g).

**(b)** In the event notice of a termination under Section 6.7(a)(i) is given orally, at the other party's request, the party giving notice must provide written confirmation of such notice within five (5) business days of the request in compliance with the requirement of Section 7.1 below. In the event of a termination for Cause or a resignation for Good Reason, written confirmation shall specify the subsection(s) of the definition of Cause or the definition of Good Reason relied on to support the decision to terminate.

**6.8 Cooperation With Company After Termination of Employment**. Following termination of Executive's employment for any reason, Executive shall reasonably cooperate with the Company in all matters relating to the winding up of Executive's pending work including, but not limited to, any litigation in which the Company is involved, and the orderly transfer of any such pending work to such other employees as may be designated by the Company..

**6.9 Effect of Termination**. Executive agrees that should Executive's employment be terminated for any reason, Executive shall be deemed to have resigned from any and all positions with the Company and its subsidiaries.

**6.10 Application of Section 409A**.

**(a)** It is intended that all of the compensation payable under this Agreement, to the greatest extent possible, either complies with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "***Code***") and the regulations and other guidance thereunder and any state law of similar effect (collectively, "***Section 409A***") or satisfies one or more of the exemptions from the application of Section 409A, and this Agreement will be construed in a manner consistent with such intention, incorporating by reference all required definitions and payment terms.

**(b)** No severance payments will be made under this Agreement unless Executive's termination of employment constitutes a Separation from Service. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulations Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement (whether severance payments or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment.

**(c)** To the extent that any severance payments are deferred compensation under Section 409A, and are not otherwise exempt from the application of Section 409A, then, to the extent required to comply with Section 409A, if the period during which Executive may consider and sign the Release spans two calendar years, the severance payments will not begin until the second calendar year. If the Company determines that the severance benefits provided under this Agreement constitutes "deferred compensation" under Section 409A and if Executive is a "specified employee" of the Company, as such term is defined in Section 409A(a)(2)(B)(i) of the Code at the time of Executive's Separation from Service, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the severance will be delayed as follows: on the earlier to occur of
(a) the date that is six months and one day after Executive's Separation from Service, and (b) the date of Executive's death, the Company will: (i) pay to Executive a lump sum amount equal to the sum of the severance benefits that Executive would otherwise have received if the commencement of the payment of the severance benefits had not been delayed pursuant to this Section 6.10(c); and (ii) commence paying the balance of the severance benefits in accordance with the applicable payment schedule set forth in Sections 6.1 and 6.2. No interest shall be due on any amounts deferred pursuant to this Section 6.10(c).

**(d)** To the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Executive) during any one year may not effect amounts reimbursable or provided in any subsequent year.

**(e)** Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties,

interest, or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

**6.11 Excise Tax Adjustment**.

**(a)** If any payment or benefit Executive will or may receive from the Company or otherwise (a "***280G Payment***") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this Section, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then any such 280G Payment provided pursuant to this Agreement (a "***Payment***") shall be equal to the Reduced Amount. The "***Reduced Amount***" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax, or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state, and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "***Reduction Method***") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "***Pro Rata Reduction Method***").

**(b)** Notwithstanding any provision of this Section 6.11 to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for Executive as determined on an after-tax basis;
(B) as a second priority, Payments that are contingent on future events (*e.g.*, being terminated without Cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

**(c)** Unless Executive and the Company agree on an alternative accounting firm or law firm, the accounting firm engaged by the Company for general tax compliance purposes as of the day prior to the effective date of the Change in Control transaction shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity, or group effecting the Change in Control transaction, the Company shall appoint a nationally-recognized accounting or law firm to make the determinations required by this Section 6.11. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. The Company shall use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to Executive and the Company within fifteen (15) calendar days after the date on

which Executive's right to a 280G Payment becomes reasonably likely to occur (if requested at that time by Executive or the Company) or such other time as requested by Executive or the Company.

**(d)** If Executive receives a Payment for which the Reduced Amount was determined pursuant to clause (x) of Section 6.11(a) and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, Executive agrees to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of Section 6.11(a)) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 6.11(a), Executive shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

## 7. GENERAL PROVISIONS.

**7.1 Notices**. Any notices required hereunder to be in writing shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by electronic mail, telex or confirmed facsimile if sent during normal business hours of the recipient, and if not, 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 to the Company at its primary office location and to Executive at Executive's address as listed on the Company payroll or Executive's Company-provided email address, or at such other address as the Company or Executive may designate by ten (10) days' advance written notice to the other.

**7.2 Severability**. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

**7.3 Waiver**. If either party should waive any breach of any provisions of this Agreement, Executive or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

**7.4 Complete Agreement**. This Agreement constitutes the entire agreement between Executive and the Company with regard to the subject matter hereof. This Agreement is the complete, final, and exclusive embodiment of their agreement with regard to this subject matter and supersedes any prior oral discussions or written communications and agreements, including the Term Sheet. This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified or amended except in writing signed by Executive and an authorized officer of the Company. The parties have entered into or are entering into a separate Confidential Information Agreement in connection herewith and have or may enter into separate agreements related to equity awards. These separate

agreements govern other aspects of the relationship between the parties, have or may have provisions that survive termination of Executive's employment under this Agreement, may be amended or superseded by the parties without regard to this Agreement and are enforceable according to their terms without regard to the enforcement provision of this Agreement.

**7.5** **Counterparts**. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same agreement. This Agreement may be signed by facsimile, PDF, DocuSign and/or other similar electronic means and such signature shall have full force and effect as a wet, original signature.

**7.6** **Headings**. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

**7.7** **Successors and Assigns**. The Company shall assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any Company or other entity with or into which the Company may hereafter merge or consolidate or to which the Company may transfer all or substantially all of its assets, if in any such case said Company or other entity shall by operation of law or expressly in writing assume all obligations of the Company hereunder as fully as if it had been originally made a party hereto, but may not otherwise assign this Agreement or its rights and obligations hereunder. Executive may not assign or transfer this Agreement or any rights or obligations hereunder, other than to Executive's estate upon Executive's death.

**7.8** **Choice of Law**. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the law of the Commonwealth of Massachusetts.

**7.9** **Resolution of Disputes**. To ensure the timely and economical resolution of disputes that may arise in connection with Executive's employment with the Company, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, Confidential Information Agreement, or Executive's employment, or the termination of Executive's employment, including but not limited to all statutory claims, will be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. §1-16, and to the fullest extent permitted by law, by final, binding and confidential arbitration by a single arbitrator conducted in ***Boston, Massachusetts*** by Judicial Arbitration and Mediation Services Inc. ("***JAMS***") under the then applicable JAMS rules (at the following web address: https://www.jamsadr.com/rules- employment-arbitration/); provided, however, this arbitration provision shall not apply to sexual harassment claims to the extent prohibited by applicable law. A hard copy of the rules will be provided to Executive upon request. **By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding**. In addition, all claims, disputes, or causes of action under this Section, whether by Executive or the Company, must be brought in an individual capacity, and shall not be brought as a plaintiff (or claimant) or class member in any purported class or representative proceeding, nor joined or consolidated with the claims of any other person or entity. The arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. To the extent that the preceding

sentences regarding class claims or proceedings are found to violate applicable law or are otherwise found unenforceable, any claim(s) alleged or brought on behalf of a class shall proceed in a court of law rather than by arbitration. The Company acknowledges that Executive will have the right to be represented by legal counsel at any arbitration proceeding. Questions of whether a claim is subject to arbitration under this Agreement shall be decided by the arbitrator. Likewise, procedural questions which grow out of the dispute and bear on the final disposition are also matters for the arbitrator. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law;
(b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award; and (c) be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Executive and the Company shall equally share all JAMS' arbitration fees. Except as modified in the Confidential Information Agreement, each party is responsible for its own attorneys' fees. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in a court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction. To the extent applicable law prohibits mandatory arbitration of sexual harassment claims, in the event Executive intends to bring multiple claims, including a sexual harassment claim, the sexual harassment claim may be publicly-filed with a court, while any other claims will remain subject to mandatory arbitration.

**[SIGNATURES TO FOLLOW ON NEXT PAGE]**

**In Witness Whereof**, the parties have executed this Employment Agreement on the day and year first written above.

**Sensei Biotherapeutics, Inc.**

By: /s/ John Celebi
Name: John Celebi
Title: CEO

Executive: /s/ Patrick Gallagher
Name: Patrick Gallagher

## Appendix A.1.

## Outside Professional and Academic Activities

**Exhibit A**

**EMPLOYEE CONFIDENTIAL INFORMATION AND INVENTIONS ASSIGNMENT AGREEMENT**

**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Celebi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 of Sensei Biotherapeutics, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2022

By: /s/ John Celebi
John Celebi
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Erin Colgan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 of Sensei Biotherapeutics, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2022

By: /s/ Erin Colgan

Erin Colgan
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

**CERTIFICATIONS OF**
**PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER**
**PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), John Celebi, President and Chief Executive Officer of Sensei Biotherapeutics, Inc. (the "Company"), and Erin Colgan, Chief Financial Officer of the Company, each hereby certifies that, to the best of his or her knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, to which this Certification is attached as Exhibit 32.1 (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

**IN WITNESS WHEREOF**, the undersigned have set their hands hereto as of the 9th day of August 2022.

/s/ John Celebi
John Celebi
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Erin Colgan
Erin Colgan
Chief Financial Officer
(Principal Financial Officer)

* This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing