UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020
OR

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

Commission File Number: 001-39263

Zentalis Pharmaceuticals, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware	**82-3607803**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
530 Seventh Avenue, Suite 2201 New York, New York	
(Address of principal executive offices)	**10018 (Zip Code)**

Registrant's telephone number, including area code (212) 433-3791

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, $0.001 par value per share	ZNTL	The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, a 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	☒	Small 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, as of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $1.15 billion based on the closing price of $48.02 as reported on the Nasdaq Global Select Market on such date. Solely for the purposes of this disclosure, shares of common stock held by executive officers, directors and certain stockholders of the registrant as of such date have been excluded because such holders may be deemed to be affiliates.

The number of shares of registrant's common stock outstanding as of March 24, 2021 was 41,040,286.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to its 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2020 are incorporated herein by reference in Part III.

TABLE OF CONTENTS

BASIS OF PRESENTATION

Except where the context otherwise requires or where otherwise indicated, the terms "Zentalis," "we," "us," "our," "our company," "Company" and "our business" refer: (1) following the consummation of our statutory conversion to a Delaware corporation on April 2, 2020, or the Corporate Conversion, in connection with our initial public offering, or IPO, to Zentalis Pharmaceuticals, Inc. and (2) prior to the completion of the Corporate Conversion, to Zentalis Pharmaceuticals, LLC.

The consolidated audited financial statements include the accounts of Zentalis Pharmaceuticals, LLC and its subsidiaries. In connection with our IPO, in April 2020, Zentalis Pharmaceuticals, LLC converted into a Delaware corporation pursuant to a statutory conversion, and changed its name to Zentalis Pharmaceuticals, Inc. All holders of units of Zentalis Pharmaceuticals, LLC became holders of shares of common stock of Zentalis Pharmaceuticals, Inc. In this Annual Report on Form 10-K, we refer to all transactions related to our conversion to a corporation as the Corporate Conversion.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this Annual Report on Form 10-K are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "forecast," "predict," "potential" or "continue" or the negative of these terms or other similar expressions, although not all forward-looking statements contain these words. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements regarding our future results of operations and financial position, the anticipated impact of the COVID-19 pandemic on our business, business strategy, prospective products and product candidates, clinical trial timelines and expected timing for the release of data, research and development costs, future revenue, timing and likelihood of success, potential collaboration opportunities and plans and objectives of management.

The forward-looking statements in this Annual Report on Form 10-K are only predictions and are based largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K and are subject to a number of known and unknown risks, uncertainties, assumptions and other important factors, including those described under the sections in this Annual Report on Form 10-K entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Annual Report on Form 10-K.

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

TRADEMARKS AND TRADENAMES

Solely for convenience, trademarks, service marks and tradenames referred to in this Annual Report on Form 10-K may appear without the ®, TM or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, service marks and tradenames. This Annual Report on Form 10-K may also contain trademarks, service marks, tradenames and copyrights of other companies, which are the property of their respective owners.

INDUSTRY AND OTHER DATA

This Annual Report on Form 10-K contains industry, market and competitive position data from our own internal estimates and research as well as industry and general publications and research surveys and studies conducted by third parties. Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. Our internal data and estimates are based upon information obtained from trade and business organizations and other contacts in the markets in which we operate and our management's understanding of industry conditions. While we believe that each of these studies and publications is reliable, we have not independently verified market and industry data from third-party sources. While we believe our internal company

research is reliable and the market definitions are appropriate, neither such research nor definitions have been verified by an independent source.

The industry in which we operate is subject to risks and uncertainties due to a variety of factors, including those described in Part I, Item 1A., “Risk Factors” in this Annual Report on Form 10-K. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

SUMMARY RISK FACTORS

Our business is subject to numerous risks and uncertainties, including those described in Part I, Item 1A., "Risk Factors" in this Annual Report on Form 10-K. You should carefully consider these risks and uncertainties when investing in our common stock. The principal risks and uncertainties affecting our business include the following:

- We have a limited operating history, have not completed any clinical trials and have no products approved for commercial sale, which may make it difficult for you to evaluate our current business and predict our future success and viability.
- We have incurred significant net losses since inception and we expect to continue to incur significant net losses for the foreseeable future.
- We will require substantial additional capital to finance our operations. If we are unable to raise such capital when needed, or on acceptable terms, we may be forced to delay, reduce or eliminate one or more of our research and drug development programs or future commercialization efforts.
- We are substantially dependent on the success of our lead product candidates, ZN-c5 and ZN-c3, which are currently in clinical trials. If we are unable to complete development of, obtain approval for and commercialize ZN-c5 and/or ZN-c3 in a timely manner, our business will be harmed.
- The outcome of preclinical testing and early clinical trials may not be predictive of the success of later clinical trials, and the results of our clinical trials may not satisfy the requirements of the FDA, EMA or other comparable foreign regulatory authorities.
- We may face additional risks associated with the development of ZN-c5, ZN-c3, ZN-d5, ZN-e4 and potentially other product candidates in combination with other therapies.
- The clinical trial and regulatory approval processes are lengthy, time-consuming and inherently unpredictable, and we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.
- The competition for qualified personnel is particularly intense in our industry. If we are unable to retain or hire key personnel, then we may not be able to sustain or grow our business.
- We face significant competition and, if our competitors develop and market technologies or products more rapidly than we do or that are more effective, safer or less expensive than the product candidates we develop, our commercial opportunities will be negatively impacted.
- Our success depends on our ability to protect our intellectual property and our proprietary platform. If we are unable to adequately protect our intellectual property and our proprietary platform, or to obtain and maintain issued patents which are sufficient to protect our product candidates, then others could compete against us more directly, which would negatively impact our business.
- Our existing collaborations are important to our business and future licenses may also be important to us and, if we are unable to maintain any of these collaborations, or if these arrangements are not successful, our business could be adversely affected.
- We rely, and expect to continue to rely, on third parties, including independent clinical investigators and CROs, to conduct certain aspects of our preclinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties, comply with applicable regulatory requirements or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed.
- Our commercial success depends significantly on our ability to operate without infringing the patents and other proprietary rights of third parties. Claims by third parties that we infringe their proprietary rights may result in liability for damages or prevent or delay our developmental and commercialization efforts.
- The COVID-19 pandemic has adversely impacted, and we expect will continue to adversely impact, our business, including our preclinical studies and clinical trials.

PART I

Item 1. Business.

Overview

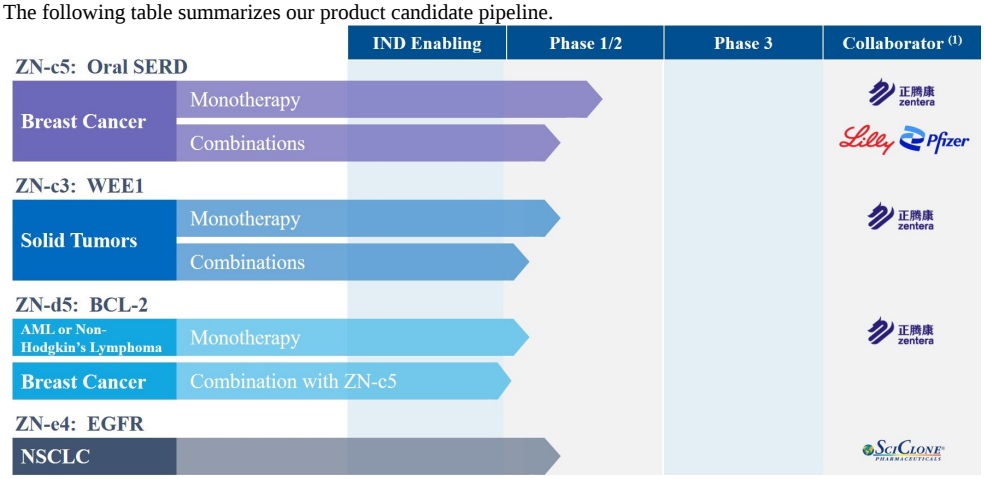
We are a clinical-stage biopharmaceutical company focused on discovering and developing small molecule therapeutics targeting fundamental biological pathways of cancers. We use our highly efficient drug discovery engine, which we refer to as our Integrated Discovery Engine, to identify targets and develop small molecule new chemical entities, or NCEs, with properties that we believe could result in potentially differentiated product profiles. Our discovery engine combines our extensive experience and capabilities across cancer biology and medicinal chemistry. We believe our product candidates are differentiated from current programs targeting similar pathways and, if approved, have the potential to significantly impact clinical outcomes of patients with cancer.

We are developing a broad pipeline of product candidates, with an initial focus on validated oncology targets with the potential to address large patient populations. We currently have two (2) lead product candidates - ZN-c5 and ZN-c3. ZN-c5 is an oral selective estrogen receptor degrader, or SERD, currently in a Phase 1/2 clinical trial for the treatment of advanced estrogen receptor-positive, human epidermal growth factor receptor 2-negative, or ER+/HER2-, advanced or metastatic breast cancer. We have designed ZN-c5 to have high potency and selectivity, as well as favorable tolerability and pharmacokinetic, or PK, properties. We intend to initiate the Phase 2 monotherapy and combination portions of this Phase 1/2 trial in the first half of 2021. ZN-c3, an inhibitor of WEE1, a protein tyrosine kinase, is currently being evaluated in a Phase 1/2 clinical trial for the treatment of advanced solid tumors as a monotherapy and in a Phase 1b clinical trial in combination with chemotherapy in patients with advanced ovarian cancer. We plan to present initial data from the Phase 1 portion of the Phase 1/2 monotherapy trial at the 2021 American Association of Cancer Research (AACR) Annual Meeting. In 2021, we intend to initiate a Phase 2 monotherapy trial for uterine serous carcinoma, or USC, and two (2) additional Phase 1 clinical trials evaluating ZN-c3 in combination with chemotherapy and PARP inhibitor in ovarian cancer and other targeted indications.

Our other clinical product candidates include ZN-d5, a selective inhibitor of B-cell lymphoma 2, or BCL-2, currently in Phase 1 clinical trial for the treatment of non-Hodgkin's lymphoma, or NHL, and acute myelogenous leukemia, or AML, and ZN-e4, an irreversible inhibitor of mutant epidermal growth factor receptor, or EGFR, currently in a Phase 1/2 clinical trial for the treatment of advanced non-small cell lung cancer, or NSCLC.

We plan to explore the combination potential of ZN-c5, our oral SERD, with ZN-d5, our BCL-2 inhibitor, for the treatment of ER+/HER2- breast cancer. We expect to report topline results from the Phase 1 portion of the ongoing trials of each of ZN-c5, ZN-c3 and ZN-e4 in 2021. We currently own worldwide development and commercialization rights to each of our product candidates, other than in select Asian countries (including China) for each of ZN-c5, ZN-c3 and ZN-d5, for which we have out-licensed these rights to our majority-owned joint venture, Zentera Therapeutics (Cayman), Ltd., or Zentera, and for ZN-e4, for which we have out-licensed these rights to SciClone Pharmaceuticals International (Cayman) Development Ltd., or SciClone.

The following table summarizes our product candidate pipeline.



(1) We are currently evaluating ZN-c5 in combination with palbociclib, as part of a clinical research collaboration with Pfizer, and are evaluating ZN-c5 in combination with abemaciclib, as part of a clinical research collaboration with Eli Lilly and Company, or Lilly. We maintain full ownership of ZN-c5 in each such collaboration. SciClone has development and commercial rights to ZN-e4 in Greater China (including Macau and Hong Kong), South Korea, Taiwan and Vietnam. Zentera, our majority-owned joint venture, has development and commercial rights to ZN-c5, ZN-c3 and ZN-d5 in select Asian countries (including China). Zentera submitted an investigational new drug application, or IND, in China for ZN-c5 in December 2020, for ZN-c3 in February 2021, and intends to submit for ZN-d5 in 2021.

We are also currently advancing multiple small molecule programs in preclinical development for other cancer indications, including select solid tumors and hematological malignancies. We are now in lead optimization for our fifth product candidate and plan to submit an IND to the FDA in 2021.

In the six (6) years since our inception, we have successfully cleared four (4) INDs with the FDA, and expect to submit a fifth IND in 2021. Our Integrated Discovery Engine has enabled us to take each of our clinical-stage product candidates from initial discovery to IND submission in less than three (3) years in a capital efficient manner. We begin our process of drug discovery by identifying fundamental biological pathways of cancers based upon a number of factors, including validation of the pathway through prior clinical outcomes and ability to impact large patient populations. We then analyze existing marketed products and compounds in development that target these cancer pathways and assess their limitations, efficacy, safety, tolerability, PK, patient convenience and potential to be used in combination with other therapies. Next, we use our medicinal chemistry expertise and extensive understanding of target-drug structure activity to design proprietary NCEs with properties that we believe can address observed limitations and suboptimal drug characteristics of marketed products or other compounds in development, including potency, solubility, route of administration and PK properties. We believe overcoming these limitations may also allow us to develop these product candidates for use in combination with other therapies, including with our internally-developed product candidates, if approved. Finally, we strive to generate preclinical data to support that such candidates could have a differentiated product profile in our expected lead indications before advancing a compound into clinical development. We have used our Integrated Discovery Engine to generate a pipeline of four (4) product candidates targeting solid tumors and hematological malignancies. Longer term, we believe our discovery engine has the potential to generate product candidates addressing a wide range of additional therapeutic areas.

ZN-c5, one of our lead product candidates, is an oral SERD for the treatment of ER+/HER2- advanced or metastatic breast cancer. ER+/HER2- breast cancer affects approximately 70% of all breast cancer patients in the United States. These tumors depend on the estrogen receptor, or ER, for growth and survival, and are currently treated by a number of approved hormonal therapies. We have designed ZN-c5 to overcome limitations of existing hormonal therapies, including the only FDA-approved SERD, fulvestrant (marketed as Faslodex® by AstraZeneca). Despite its limitations, Faslodex® generated worldwide sales of over $1.0 billion in 2018 (the last year prior to generic competition), reflecting part of the significant potential of the SERD therapeutic class in ER+/HER2- breast cancer.

We believe ZN-c5, which is being developed for convenient oral administration, has the potential to be used as monotherapy and in combinations, and could become the standard of care for hormonal therapy in the treatment of all lines of ER+/HER2- breast cancer, if approved. We are currently evaluating ZN-c5 in a Phase 1/2 clinical trial in patients with ER+/HER2- advanced or metastatic breast cancer, both as monotherapy and in combination with palbociclib (marketed as Ibrance® by Pfizer) as part of a clinical research collaboration with Pfizer. Palbociclib is an inhibitor of cyclin dependent kinases 4 and 6, or CDK4/6, and is FDA approved for ER+/HER2- advanced or metastatic breast cancer patients in combination with hormonal therapies, such as fulvestrant. In addition, we initiated a Phase 1b open label, multi-center trial evaluating ZN-c5 in combination with abemaciclib (marketed as Verzenio® by Lilly) in patients with ER+/HER2- advanced or metastatic breast cancer in November 2020 as part of a clinical research collaboration with Lilly. Abemaciclib is a CDK4/6 inhibitor FDA approved for the treatment of HR+/HER2- advanced or metastatic breast cancer patients in combination with fulvestrant, aromatase inhibitors or as a single agent in certain patients with disease progression following treatment with prior endocrine therapy or chemotherapy regimens.

We believe ZN-c5, if approved, may have a potentially differentiated product profile. Based on results from our ongoing Phase 1/2 clinical trial as of the database cutoff date of June 30, 2020, the PK of ZN-c5, as monotherapy and in combination with palbociclib, was characterized by rapid absorption into the systemic circulation and high drug exposure levels. Six (6) of the 15 patients in the Phase 1, monotherapy dose escalation portion of the trial showed stable disease for 24 weeks, leading to a clinical benefit rate of 40% as of such date. In addition, ZN-c5 has been observed to be well tolerated with no dose-limiting toxicities reported. In preclinical studies, ZN-c5 has shown anti-tumor activity, potency and selectivity. We intend to initiate the Phase 2 monotherapy and combination portions of the Phase 1/2 trial in the first half of 2021. We are also currently dosing ZN-c5 in a Phase 1 Window of Opportunity study in patients with ER+/HER2- breast cancer scheduled to undergo surgical resection of the tumor or start neoadjuvant treatment. We expect to report topline results of the Window of Opportunity study in the first half of 2021. In addition, we intend to initiate, subject to feedback from the FDA, a Phase 2/3 clinical trial evaluating

ZN-c5 in earlier stage breast cancer patients in 2021 and to initiate a Phase 1b clinical trial evaluating ZN-c5 in combination with ZN-d5, our BCL-2 inhibitor product candidate, in patients with ER+/HER2- breast cancer in 2021.

Our other lead product candidate, ZN-c3, is an oral, small molecule inhibitor of WEE1, a DNA damage response protein. The inhibition of WEE1 aims to allow sufficient DNA damage in cancer cells to cause them to undergo programmed cell death, or apoptosis, thereby preventing tumor growth and potentially causing tumor regression. There is currently no FDA-approved WEE1 inhibitor. We believe ZN-c3, if approved, may have broad applicability in a wide range of cancers as monotherapy and in combination, including with chemotherapy agents and other targeted therapies. Based on data from 22 patients dosed in the Phase 1 monotherapy dose escalation portion of our ongoing Phase 1/2 clinical trial as of the database cutoff date of June 19, 2020, ZN-c3 has been observed to be well tolerated with no dose limiting toxicities reported. We are currently conducting a Phase 1/2 clinical trial of ZN-c3 in patients with advanced solid tumors. We plan to report results from the Phase 1 portion of this trial at the AACR Annual Meeting in April 2021. In addition, we initiated a Phase 1b clinical trial evaluating ZN-c3 in combination with chemotherapy in patients with advanced ovarian cancer in October 2020 and plan to initiate a Phase 2 trial evaluating ZN-c3 as monotherapy in patients with uterine serous carcinoma, or USC, in 2021. USC comprises 10%, and has the highest mortality rate, of all endometrial cancers, with approximately 6,000 new cases and 4,500 deaths in the United States per year. We continue to actively evaluate other potential combinations for the future clinical development of ZN-c3, and intend to initiate two (2) additional Phase 1 clinical trials evaluating ZN-c3 in combination with chemotherapy and PARP inhibitor in ovarian cancer and other targeted indications in 2021.

ZN-d5 is our oral, small molecule inhibitor of BCL-2, a protein that is designed to inhibit programmed cell death. BCL-2 is a validated target in a wide variety of malignancies and we are initially developing ZN-d5 for the treatment of hematologic malignancies. In the third quarter of 2020, we initiated a Phase 1 clinical trial of ZN-d5 in patients with NHL and AML. We intend to initiate a Phase 1b clinical trial evaluating ZN-d5 in combination with ZN-c5, our oral SERD product candidate, in patients with ER+/HER2- breast cancer in 2021.

ZN-e4 is our oral, small molecule product candidate being developed as an irreversible inhibitor of mutant EGFR. EGFR regulates a number of cellular functions, including cell proliferation and survival, and is a driver of tumor growth in certain cancers, including lung cancer. We have designed ZN-e4 to be highly selective against mutant EGFR. We are conducting a Phase 1/2 clinical trial of ZN-e4 in patients with advanced NSCLC with activating EGFR mutations and are currently evaluating potential combination therapies for future clinical development of ZN-e4. We expect to report topline results from the Phase 1 portion of the trial in 2021.

Pursuant to a collaboration and license agreement entered into in May 2020, we collaborate with Zentera, our majority-owned joint venture, on the development and commercialization of ZN-c5, ZN-c3 and ZN-d5 in select Asian countries (including China). Zentera submitted an IND in China for ZN-c5 in December 2020, for ZN-c3 in February 2021, and intends to submit for ZN-d5 in 2021.

Our History and Team

We began operations in January 2015. We have assembled a management team of biopharmaceutical experts with extensive experience in building and operating organizations that develop and deliver innovative medicines to patients. Our management team has broad expertise and successful track records in drug discovery, clinical development, regulatory affairs, manufacturing and commercialization of cancer therapies, as well as in business and finance, through previous experiences at leading institutions including Aisling Capital, Array Biopharma, Bayer Healthcare, Celgene, CureVac AG, Eisai US, Goldman Sachs, IQVIA, Merck, Morgan Stanley, Novartis, Paratek Pharmaceuticals, Pfizer, PsiOxus Therapeutics and R-Pharm US.

We are guided by our board of directors, scientific advisory board and business advisory board. Our scientific advisory board works with our management team in planning, development and execution of scientific, clinical, and research and development initiatives and strategies, while our business advisory board works with our management team on business and operational initiatives and strategies. Our renowned scientific and business advisory boards are comprised of key scientific and clinical thought leaders in oncology: Stephen Ansell, M.D., Ph.D., Andrew Badley, M.D., Robert Glassman, M.D., Shaji Kumar, M.D., Anthony Letai, M.D., Ph.D., Ross Levine, M.D., Donald McDonnell, Ph.D., Chad Robins, M.B.A. and Kwok-Kin Wong, M.D., Ph.D. These individuals are associated with the following leading institutions: Adaptive Biotechnologies, Credit Suisse, Duke University, Harvard Medical School, Mayo Clinic, Memorial Sloan Kettering Cancer Center and NYU Langone Health.

We believe our experienced and diverse team is well positioned to leverage our highly efficient Integrated Discovery Engine to identify targets and develop small molecule NCEs targeting fundamental biological pathways of cancers that are differentiated from existing marketed therapies by clinical performance, and to address large patient populations.

Strategy

Our goal is to become a leading oncology-focused biopharmaceutical company. Our strategy includes the following key components:

- ***Discover and develop differentiated small molecule NCEs that address large patient populations with cancer*.** We have leveraged our broad industry experience and know-how, and the guidance of our scientific and business advisory boards, to build our Integrated Discovery Engine. This engine integrates our extensive capabilities across cancer biology and medicinal chemistry. We use our Integrated Discovery Engine to identify validated and fundamental targets and develop small molecule NCEs that are differentiated from existing marketed therapies by clinical performance, and, if approved, could offer meaningful benefits for patients. In addition, in April 2020, we entered into a discovery platform agreement with Tavros Therapeutics, Inc., or Tavros, to apply Tavros' functional genomic discovery platform to develop next generation targeted small molecule drug candidates, with an initial goal of expanding our oncology product candidate pipeline. In February 2021, we announced a strategic collaboration to leverage Tempus' patient-derived organoid biological modeling platform to strengthen Zentalis' discovery and research capabilities. Tempus' proprietary platform has the ability to grow and recapitulate tumors both genetically and functionally, some of which can be used for DNA repair profiling and therapeutic sensitivity testing. In harnessing Tempus' cutting-edge approach, the collaboration will initially aim to evaluate Zentalis' WEE1 inhibitor, ZN-c3, and its DNA damage response pathway in genetically distinct patient populations. The platform will also be used to investigate additional novel targets of cancer pathways identified by Zentalis, as well as support the study of Zentalis' current product candidates across various indications. Zentalis retains full ownership of its therapeutic candidates. We will continue to pursue other opportunities for new technologies to enhance the Zentalis approach.
- ***Rapidly advance the development of our lead product candidates, ZN-c5 (oral SERD) and ZN-c3 (WEE1 Inhibitor), toward regulatory approval.*** We have designed ZN-c5 to overcome limitations of existing hormonal therapies including fulvestrant, the only FDA-approved SERD. Based on data observed in our preclinical studies and results from our ongoing Phase 1/2 clinical trial, we believe ZN-c5, if approved, may have a differentiated product profile. We are evaluating ZN-c5 as a treatment of ER+/HER2- advanced or metastatic breast cancer. ER+/HER2- breast cancer affects approximately 70% of all breast cancer patients in the United States. We are currently evaluating ZN-c5 in an ongoing Phase 1/2 clinical trial in patients with ER+/ HER2- advanced or metastatic breast cancer both as monotherapy and in combination with palbociclib and in an ongoing Phase 1 Window of Opportunity study in patients with ER+/HER2- breast cancer scheduled to undergo surgical resection of the tumor or start neoadjuvant treatment. We intend to initiate the Phase 2 monotherapy and combinations portions of the Phase 1/2 trial, and to report topline results of the Window of Opportunity study, in the first half of 2021. In addition, in November 2020, we initiated a Phase 1b open label, multi-center trial evaluating ZN-c5 in combination with abemaciclib in patients with ER+/HER2- advanced or metastatic breast cancer as part of a clinical research collaboration with Lilly. In 2021, we intend to initiate a Phase 1b clinical trial evaluating ZN-c5 in combination with ZN-d5, our BCL-2 inhibitor product candidate, in patients with ER+/HER2- breast cancer, and, subject to feedback from the FDA, a Phase 2/3 clinical trial evaluating ZN-c5 in earlier stage breast cancer patients.We are currently evaluating ZN-c3 in a Phase 1/2 monotherapy clinical trial for the treatment of advanced solid tumors and in a Phase 1b clinical trial in combination with chemotherapy in advanced ovarian cancer. We plan to report initial topline results from the ongoing clinical trials of ZN-c3 at the 2021 American Association of Cancer Research (AACR) Annual Meeting. In 2021, we intend to initiate a Phase 2 clinical trial evaluating ZN-c3 as monotherapy in patients with USC, and two (2) additional Phase 1 clinical trials evaluating ZN-c3 in combination with chemotherapy and PARP inhibitor in ovarian cancer and other targeted indications.
- ***Advance our additional product candidates, ZN-d5 (BCL-2 Inhibitor) and ZN-e4 (EGFR Inhibitor), across multiple cancer indications.*** We are advancing the development of our other small molecule NCEs targeting fundamental biological cancer pathways. These product candidates are designed to be small molecule NCEs with differentiated product profiles. ZN-d5 is currently in a Phase 1 clinical trial in NHL and AML and ZN-e4 is currently in a Phase 1/2 clinical trial for the treatment of advanced NSCLC. We expect to report topline results from the Phase 1 portions of the ongoing clinical trials of ZN-e4 in 2021. We also intend to initiate a Phase 1b clinical trial evaluating ZN-d5 in combination with ZN-c5 in patients with ER+/HER2- breast cancer in 2021.
- ***Continue to evaluate our product candidate pipeline in combination with internally discovered and third-party compounds.*** We believe the future of cancer treatment is to target multiple fundamental biological pathways through combination therapies. In our preclinical studies and clinical trials, our product candidates have shown the potential for combination with other approved and development- stage cancer therapies. For example, we are dosing ZN-c5, our oral SERD, in combination with palbociclib for the treatment of ER+/HER2- advanced or metastatic breast cancer and, in November 2020, we initiated a Phase 1b clinical trial evaluating ZN-c5 in combination with abemaciclib for the treatment of ER+/HER2- advanced or metastatic breast cancer. We also plan

to explore other potential combinations for our product candidates with internally developed compounds. For example, we plan to explore the combination potential of ZN-d5, our BCL-2 inhibitor, with ZN-c5, our oral SERD, for the treatment of breast cancer.

- ***Deploy our highly efficient Integrated Discovery Engine to further expand our product candidate pipeline.*** Our robust product candidate pipeline is enabled by our highly efficient drug discovery engine, which we plan to continue to leverage to discover and develop additional differentiated small molecule NCEs for the treatment of cancer. In the six (6) years since our inception, we have successfully cleared four (4) INDs with the FDA and expect to submit a fifth IND in 2021. Our Integrated Discovery Engine has enabled us to take our clinical-stage product candidates from initial discovery to acceptance of IND in less than three (3) years per program and in a capital efficient manner. We are also currently advancing multiple small molecule programs in preclinical studies for other cancer indications, including select solid tumors and hematological malignancies.
- ***Evaluate strategic opportunities to accelerate development timelines and maximize the value of our product candidate pipeline.*** We currently own the worldwide development and commercial rights to each of our product candidates, other than in select Asian countries (including China) for each of ZN-c5, ZN-c3 and ZN-d5, for which we have outlicensed these rights to Zentera, our majority-owned joint venture, and for ZN-e4, for which we have out-licensed these rights to SciClone. We intend to evaluate additional collaborations that could maximize the value of our product candidate pipeline, either through the evaluation of our product candidates in combination with compounds owned by third-parties or through geographic collaborations outside of the United States that allow us to leverage the existing infrastructure of other companies.

Our Zentalis Approach

We have leveraged our extensive industry experience and know-how, and the guidance of our scientific advisory board, to build our Integrated Discovery Engine that integrates our extensive capabilities across cancer biology and medicinal chemistry. This engine enables us to identify targets for which small molecule NCEs with high potency, high exposure and other optimized drug properties could yield potentially differentiated product profiles. Our approach centers on utilizing our Integrated Discovery Engine to identify such targets and subsequently develop product candidates that address targets with large cancer patient populations. At the core of our Integrated Discovery Engine is our experienced and proven management team, as well as our renowned chemistry team that has over 150 years of combined discovery expertise and who have collectively brought 35 product candidates into clinical development, including 27 oncology product candidates. Due in large part to our Integrated Discovery Engine, we have four (4) active INDs with the FDA, and expect to submit a fifth IND in 2021.

Our Integrated Discovery Engine is executed through the following process:

- ***First***, identify fundamental biological pathways of cancers, considering a number of factors, including prior clinical outcomes, input from our scientific and business advisory boards, large unmet medical need and market opportunity.
- ***Second***, identify and analyze key products or compounds targeting these cancer pathways and assess their limitations, including with respect to efficacy, safety, tolerability, PK, patient convenience and their potential to be used in combination.
- ***Third***, use our medicinal chemistry expertise and deep understanding of target-drug structure activity relationships to create proprietary NCEs that are designed to improve upon and address observed limitations of existing products or compounds.
- ***Fourth***, generate strong preclinical data to support our view that such candidates could have potentially differentiated product profiles in our expected lead indications, if approved, before moving a compound into clinical development.

We have initially chosen to focus on targets that have been validated clinically and, in most cases, commercially. This provides us with a clear understanding of the indications we will target and endpoints that have been required for regulatory approval of products for these indications in the past, as well as the potential for clinical adoption and commercial success. This strategy has enabled us to begin our drug discovery and development process at an advanced state relative to where the process would otherwise begin in focusing on uncharacterized targets. We believe this ability provides us with an efficient path to identifying novel drug compounds and advancing them into clinical development in a capital efficient manner.

Our Product Candidates

ZN-c5, an Oral SERD for the Treatment of ER+/HER2- Breast Cancer

Overview

We are developing ZN-c5, an oral, small molecule product candidate targeting the ER, a key driver of tumor growth and survival in ER+/HER2- breast cancer. These tumors are currently treated by a number of hormonal therapies; however, in contrast to most ER binders that simply block or modulate ER activity, ZN-c5 is also designed to cause degradation of the ER. As such, ZN-c5 is known as a Selective ER Degrader, or SERD. Fulvestrant, marketed as Faslodex® by AstraZeneca, is currently the only FDA-approved SERD. While effective, fulvestrant is limited to its FDA-approved dosing regimen of two (2) painful 5 mL concomitant monthly intramuscular injections, thus restricting the level of ER degradation that can be induced in patients, which we believe limits its efficacy. We have applied our expertise to design ZN-c5 as an oral potent and selective SERD with characteristics which we believe may result in a differentiated product profile. We believe ZN-c5, if approved, has the potential to be used as monotherapy and in combinations and could become the standard of care for hormonal therapy in the treatment of all lines of ER+/HER2- breast cancer.

We are currently conducting a Phase 1/2 clinical trial of ZN-c5 in patients with ER+/HER2- advanced or metastatic breast cancer. ER+/HER2- breast cancer affects approximately 70% of all breast cancer patients in the United States. We continue to enroll patients and collect data for ZN-c5 administered as monotherapy and in combination with palbociclib as part of a clinical research collaboration with Pfizer. Palbociclib, marketed as Ibrance®, is a CDK4/6 inhibitor that is FDA approved for the treatment of ER+/HER2- advanced or metastatic breast cancer in combination with hormonal therapies, such as fulvestrant. In addition, in November 2020, we initiated a Phase 1b open label, multi-center trial evaluating ZN-c5 in combination with abemaciclib (marketed as Verzenio® by Lilly) in patients with ER+/HER2- advanced or metastatic breast cancer as part of a clinical research collaboration with Lilly. Abemaciclib is a CDK4/6 inhibitor FDA approved for the treatment of HR+/HER2- advanced or metastatic breast cancer in combination with fulvestrant, aromatase inhibitors or as a single agent in certain patients with disease progression following treatment with prior endocrine therapy or chemotherapy regimens. We maintain full ownership of ZN-c5 in each collaboration.

We intend to initiate the Phase 2 monotherapy and combination portions of the Phase 1/2 trial in the first half of 2021. We are also currently dosing ZN-c5 in a Phase 1 Window of Opportunity study in patients with ER+/HER2- breast cancer scheduled to undergo surgical resection of the tumor or start neoadjuvant treatment. We expect to report topline results of the Window of Opportunity study in the first half of 2021. In addition, we intend to initiate, subject to feedback from the FDA, a Phase 2/3 clinical trial evaluating ZN-c5 in earlier stage breast cancer patients in 2021 and to initiate a Phase 1b clinical trial evaluating ZN-c5 in combination with ZN-d5, our BCL-2 inhibitor product candidate, in patients with ER+/HER2- breast cancer in 2021.

Background on Breast Cancer and Current Treatments

Breast cancer is the most prevalent cancer in women, accounting for 30% of all female cancers and 13% of cancer-related deaths in the United States. The National Cancer Institute estimated that approximately 275,000 new cases of breast cancer would be diagnosed in the United States in 2020, and approximately 42,000 breast cancer patients would die of the disease.

Most breast cancer tumor growth is dependent on two (2) main protein receptors: estrogen receptor and human epidermal growth factor receptor 2. Approximately 70% of breast cancers in the United States are ER+/HER2-, meaning that they express ER and not HER2, and therefore depend on estrogen signaling for tumor growth and survival. These ER+ tumors are sometimes referred to as hormone receptor positive, or HR+ tumors, and are currently treated using several approaches:

- by blocking receptor function with selective ER modulators, or SERMs;
- by blocking the synthesis of these hormones with aromatase inhibitors, or AIs; or
- by degrading, and thus potentially eliminating ER receptors with a drug in the SERD class.

AIs have demonstrated superior clinical benefit to SERMs, including tamoxifen, and SERDs have demonstrated superior clinical benefit to AIs.

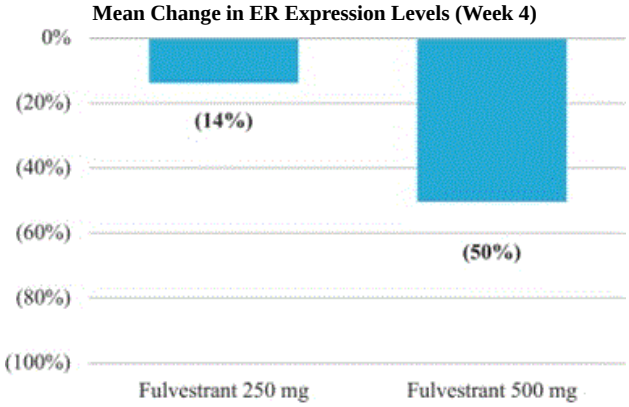
FDA-Approved SERD, Fulvestrant, and its Limitations

Currently, fulvestrant is the only FDA-approved SERD. Fulvestrant is FDA-approved for first and second-line treatment for women with HR+/HER2- advanced breast cancer both as monotherapy and as combination therapy with a number of other drug classes. Fulvestrant has demonstrated improved efficacy relative to AIs. In a randomized double-blind, placebo-controlled trial in treatment of naïve advanced and metastatic breast cancer patients, treatment with 500 mg of fulvestrant resulted in median progression free survival, or PFS, of 16.6 months versus 13.8 months for anastrozole, an FDA-approved oral AI marketed as Arimidex® by ANI Pharmaceuticals. However, fulvestrant has a number of pharmacological characteristics that

require it to be delivered via two (2) painful 5 mL concomitant monthly intramuscular injections, which we believe may limit its efficacy and tolerability. Despite these limitations, AstraZeneca reported worldwide sales of Faslodex® of over $1.0 billion in 2018, the last year prior to generic competition.

We believe the following limitations associated with fulvestrant create an opportunity to develop a SERD with a superior product profile:

- ***Route of administration***. Fulvestrant is highly insoluble and must be given via painful intramuscular injection. Fulvestrant is dosed monthly following two (2) initial loading doses administered two (2) weeks apart, and can only be delivered via two (2) painful 5 mL concomitant monthly intramuscular injections.
- ***Capped efficacy in humans.*** Results of third-party clinical trials have shown that higher doses of fulvestrant increased ER degradation and efficacy. In a randomized Phase 2 clinical trial evaluating fulvestrant in 211 postmenopausal women with ER+ locally advanced or metastatic breast cancer, 250 mg and 500 mg of fulvestrant achieved a mean change of 14% and 50% of ER degradation, respectively, in each case measured at week 4 from dosing. In addition, in a Phase 3 clinical trial, the 500 mg dose arm achieved a median overall survival of 26.4 months as compared to 22.3 months achieved in the 250 mg dose arm.



In preclinical mouse models, administration of 200 mg/kg of fulvestrant showed meaningful anti-tumor activity. However, based on recent published scientific literature, the human equivalent of the 200 mg/ kg dose of fulvestrant results in exposure that is an estimated eight-fold higher than what is clinically achievable with the highest FDA-approved human dose (500 mg) of fulvestrant. Based on these clinical and preclinical data, we believe the overall efficacy that can be achieved with the administration of fulvestrant may be capped by the current FDA-approved dose.

- ***Convenience and resource utilization***. The administration of fulvestrant as an intramuscular injection requires once monthly visits by patients to their health care providers, resulting in patient inconvenience and burden, such as time away from work. These injections also result in injection site pain, as well as bleeding complications in those patients with bleeding tendencies or anticoagulant use. In addition, significant injection related events such as sciatica, neuralgia, neuropathic pain, and peripheral neuropathy have been reported. Furthermore, we believe the combination of monthly intramuscular injections with a daily oral therapy, such as a CDK4/6 inhibitor, does not achieve optimal patient compliance.

SERD Use in Combination

Fulvestrant is FDA approved as a combination therapy with a number of other drug classes:

- ***CDK4/6 inhibitors***. One common mechanism of resistance to fulvestrant is the activation of the CDK4/6 pathway. Fulvestrant administered in combination with oral CDK4/6 inhibitors has demonstrated improved clinical efficacy when compared with fulvestrant as monotherapy. In a randomized, double-blind clinical trial, treatment of HR+/HER2- advanced breast cancer patients with a combination of fulvestrant and palbociclib demonstrated a median PFS of 9.5 months compared to 4.6 months for those patients dosed with fulvestrant as a single agent. These

patients had previously progressed on or after prior endocrine therapy. Worldwide sales of currently marketed CDK4/6 inhibitors, which are indicated for the treatment of breast cancer, were $6.0 billion in 2019, and are expected to grow to $14.4 billion in 2026. Worldwide sales of Ibrance® were $5.0 billion in 2019 and are expected to grow to $9.7 billion in 2026.

- ***Phosphoinositide 3-kinase, or PI3K, inhibitors***. Another common mechanism of resistance to fulvestrant is the activation of the PI3K pathway, an important intracellular pathway that regulates cell growth and metabolism. Approximately one third of HR+ breast cancer tumors resistant to endocrine therapy harbor activating mutations of the catalytic subunit of PI3K, referred to as PIK3CA. Fulvestrant used in combination with alpelisib, an oral PI3K inhibitor marketed as Piqray® by Novartis approved by the FDA in May 2019, has demonstrated improved clinical efficacy in patients whose tumors had a PIK3CA mutation. In a randomized, double-blind clinical trial, treatment of HR+/HER2- advanced breast cancer patients with a PIK3CA mutation with a combination of fulvestrant and alpelisib led to a median PFS of 11.0 months compared to 5.7 months for those patients treated with fulvestrant as monotherapy. These patients had previously progressed on or after prior endocrine therapy. Worldwide sales of Piqray®, currently only FDA-approved for the treatment of breast cancer, were approximately $116.0 million in 2019 and are expected to grow to $1.4 billion in 2026.

Clinical data has also shown promising results from the use of fulvestrant with other targeted therapies:

- ***Mammalian target of rapamycin, or mTOR, inhibitors***. Similar to CDK4/6 and PI3K, the mTOR pathway has also been identified as a mechanism of resistance to endocrine therapy. Everolimus is an mTOR inhibitor that is currently approved by the FDA for the treatment of HR+/HER2- advanced breast cancer in combination with exemestane, an AI. Everolimus has also shown clinical benefit in combination with fulvestrant. In a randomized, double-blind clinical trial, treatment of HR+/HER2- advanced breast cancer patients with a combination of fulvestrant and everolimus demonstrated a median PFS of 10.3 months compared to 5.1 months for those patients dosed with fulvestrant as monotherapy. These patients had previously progressed on or after prior AI therapy. Worldwide sales in breast cancer of everolimus, marketed as Afinitor® by Novartis and a leading mTOR inhibitor, were approximately $831.0 million in 2019.

Our SERD Solution: ZN-c5

We believe a conveniently administered oral SERD with superior efficacy could be indicated for monotherapy or in combinations and could become the standard of care for hormonal therapy in the treatment of all lines of ER+/HER2- breast cancer.

ZN-c5 is our oral SERD product candidate, which we believe has the potential to overcome limitations of existing hormonal therapies in the treatment of ER+/HER2- breast cancer due to the following observed preclinical and clinical results:

- ***Potency and selectivity.*** In our *in vitro* preclinical studies, we observed the potency of ZN-c5 as measured by proliferation inhibition and degradation of ERα, and that the combination of ZN-c5 and palbociclib was associated with meaningful shrinkage in MCF-7 tumors. In addition, ZN-c5 has exhibited no agonist activity in animal models which, if present, may compromise its anti-tumor activity.
- ***Preclinical anti-tumor activity***. In preclinical studies, ZN-c5 demonstrated anti-tumor activity in multiple breast cancer cell lines, both as monotherapy and in combination with CDK4/6 inhibitors and PI3Ka inhibitors, as well as superior tumor growth inhibition when compared to fulvestrant. In addition, in preclinical studies ZN-c5 demonstrated increased anti-tumor activity when administered in combination with BCL-2 inhibitors, including our BCL-2 inhibitor product candidate, ZN-d5, as compared to ZN-c5 as monotherapy.
- ***Preliminary Clinical Activity*** As of the database cutoff date of June 30, 2020, one patient in the Phase 1, monotherapy dose expansion portion of the Phase 1/2 trial at the 150 mg/day dose level had met the definition of a confirmed partial response, or PR, per RECISTv1.1 criteria after four (4) cycles of ZN-c5. In addition, as of such date, six (6) of the 15 patients in the Phase 1, monotherapy dose escalation portion of the trial showed stable disease, or SD, for at least 24 weeks leading to a clinical benefit rate, or CBR, of 40%.
- ***PK characteristics***. In preclinical and clinical studies to date, oral dosing of ZN-c5 has shown high exposure levels.
- ***Tolerability profile***. In preclinical studies, ZN-c5 was well tolerated in one-month repeat dose toxicology studies. In addition, based on results from our Phase 1/2 clinical trial as of the database cutoff date of June 30, 2020, no dose-limiting toxicities have been reported.

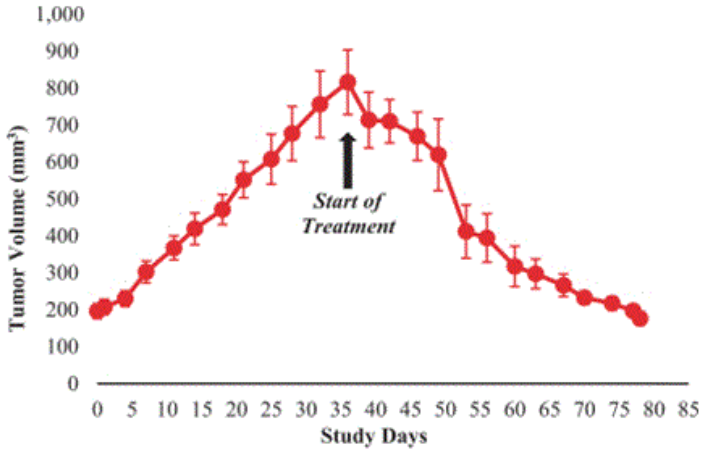
- ***Safety profile***. In clinical studies to date, ZN-c5 has demonstrated a favorable tolerability profile, which we believe may be an important differentiating factor for patients who require longer term dosing, particularly patients with earlier stage disease.
- ***Convenience of administration.*** ZN-c5 was designed to be a once-daily oral drug. If approved, we believe this would provide patient convenience and the potential for an all oral dosing regimen as monotherapy and in combination with CDK4/6 inhibitors and other oral targeted therapies.

In our Phase 1/2 clinical trial, we are evaluating the potential of ZN-c5 as monotherapy and in combination with palbociclib, a CDK4/6 inhibitor, as part of a clinical development collaboration with Pfizer. In addition, we initiated a Phase 1b clinical trial evaluating ZN-c5 in combination with abemaciclib as part of a clinical collaboration with Lilly in November 2020, and we plan to initiate a Phase 2/3 clinical trial evaluating ZN-c5 in earlier stage breast cancer patients in 2021. We also intend to initiate a Phase 1b clinical trial evaluating ZN-c5 in combination with ZN-d5, our BCL-2 inhibitor product candidate, in patients with ER+/HER2- breast cancer in 2021.

Preclinical Results

Potency of ZN-c5 in Combination Therapy in MCF-7 Breast Cancer Xenograft Model

We have assessed the potency of the combination of ZN-c5 and palbociclib in mice with MCF-7 tumors. In this study, the tumors were initially grown to a large size of over 800 mm3, at which point treatment began on day 36. We observed that the combination of ZN-c5 and palbociclib, both dosed orally, led to the meaningful shrinkage of these tumors to a mean size of less than 200 mm3 by day 78, as shown in the graph below.



ER Degradation in MCF-7 Models

We assessed the potency of ZN-c5 and third-party hormonal therapies, fulvestrant and RAD1901, in repeat preclinical studies using MCF-7 breast cancer cells. RAD1901 is a SERM/SERD being evaluated by a third party in an ongoing Phase 3 clinical trial. As shown in the table below, ZN-c5 was observed to have good anti-proliferative activity and ERa degradation activity.

COMPOUND	PROLIFERATION INHIBITION IC50[1][2] MCF-7 (nM)	ERα DEGRADATION EC50[2][3] MCF-7 (nM)
Fulvestrant[4]	0.73	0.2
RAD1901[4]	0.35	97
ZN-c5	**0.45**	**0.19**

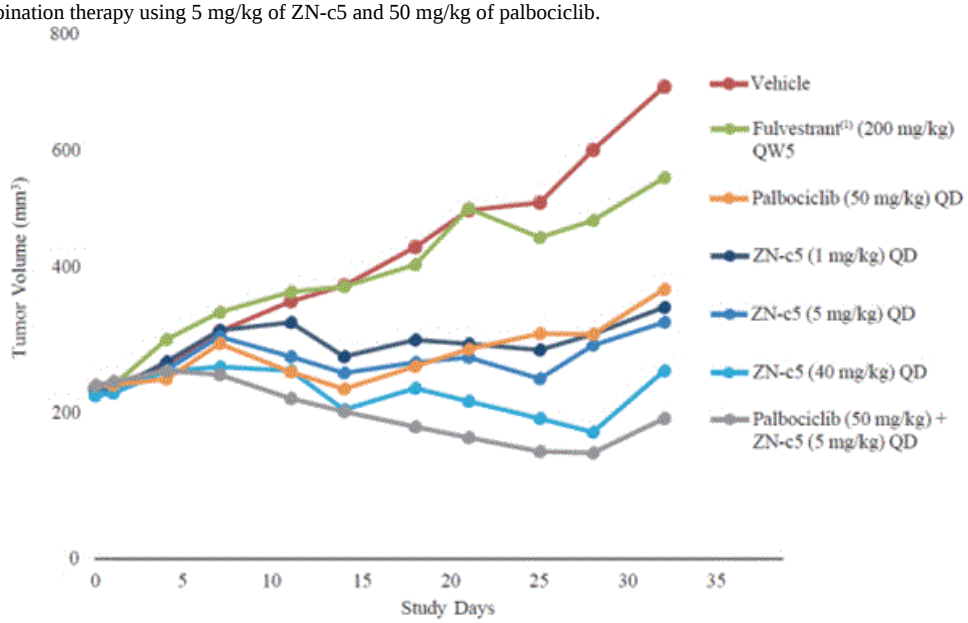
(1) IC_{50}: the concentration of an inhibitor where the response or binding is reduced by half.
(2) Data based on a series of repeat preclinical studies using standard *in vitro* assay and uniform controls.
(3) EC_{50}: the concentration of a drug that gives half-maximal response.
(4) Data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than obtained from the pharmaceutical company commercializing or developing the respective hormonal therapy.

Assessment of Agonist Activity

In preclinical studies, we observed no difference in agonist activity of ZN-c5 when compared to vehicle in a standard Uterine Wet Weight (UWW) animal model which, if present, may otherwise compromise anti-tumor activity.

Anti-tumor Activity in MCF-7 Breast Cancer Xenograft Models

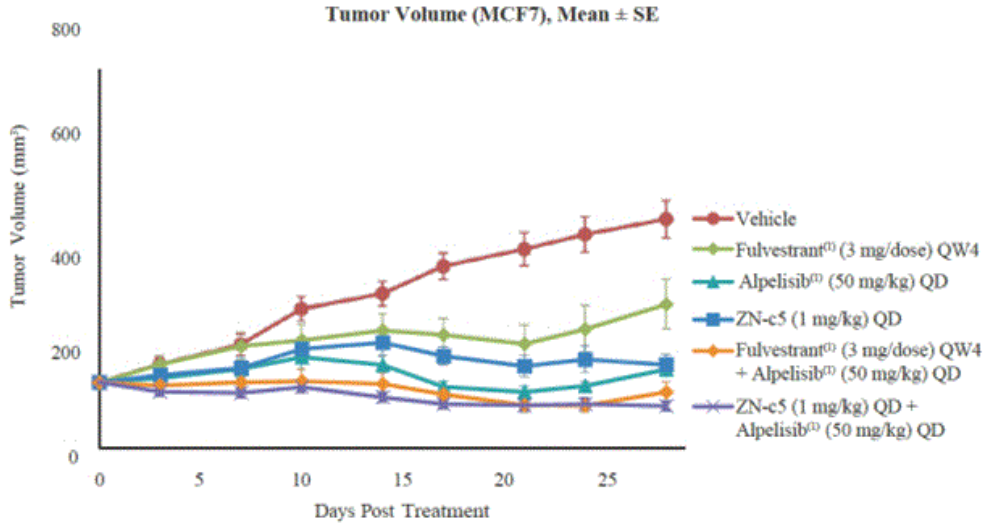
In a preclinical study, we assessed the anti-tumor activity of ZN-c5, alongside fulvestrant and palbociclib, in each case as monotherapy, in multiple breast cancer cell lines. ZN-c5 was also assessed in combination with palbociclib. As shown in the graph below, in a xenograft model using human MCF-7 breast cancer cells, we observed that ZN-c5 dosed at 1 mg/kg had more potent anti-tumor activity than 200 mg/kg of fulvestrant. Even greater anti-tumor activity was observed by either increasing the dose of ZN-c5 to 40 mg/kg or by combination therapy using 5 mg/kg of ZN-c5 and 50 mg/kg of palbociclib.



(1) Fulvestrant data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than the pharmaceutical company commercializing the compound.

Notes:
QW5: Once per week (5 doses in 5 weeks)
QD: Once daily

We also assessed the anti-tumor activity of ZN-c5, alongside fulvestrant and alpelisib, in each case as monotherapy, in preclinical models. ZN-c5 and fulvestrant were also assessed in combination with alpelisib. As shown in the graph below, in a xenograft model using human MCF-7 breast cancer cells, we observed that ZN-c5 dosed once daily at 1 mg/kg had more potent anti-tumor activity than 3 mg/dose of fulvestrant administered once per week over four (4) weeks. Even greater anti-tumor activity was observed with the combination of 1 mg/kg of ZN-c5 and 50 mg/kg of alpelisib. We also observed that the combination of ZN-c5 and alpelisib had more potent anti-tumor activity than the combination therapy using 3 mg/dose of fulvestrant and 50 mg/kg of alpelisib. In addition, the combination of ZN-c5 and alpelisib was associated with a body weight loss at the end of the study of 20.5% relative to baseline, compared to a body weight loss of 19% for alpelisib as monotherapy relative to baseline. The body weight loss at the end of the study for ZN-c5 as monotherapy was 7% relative to baseline.

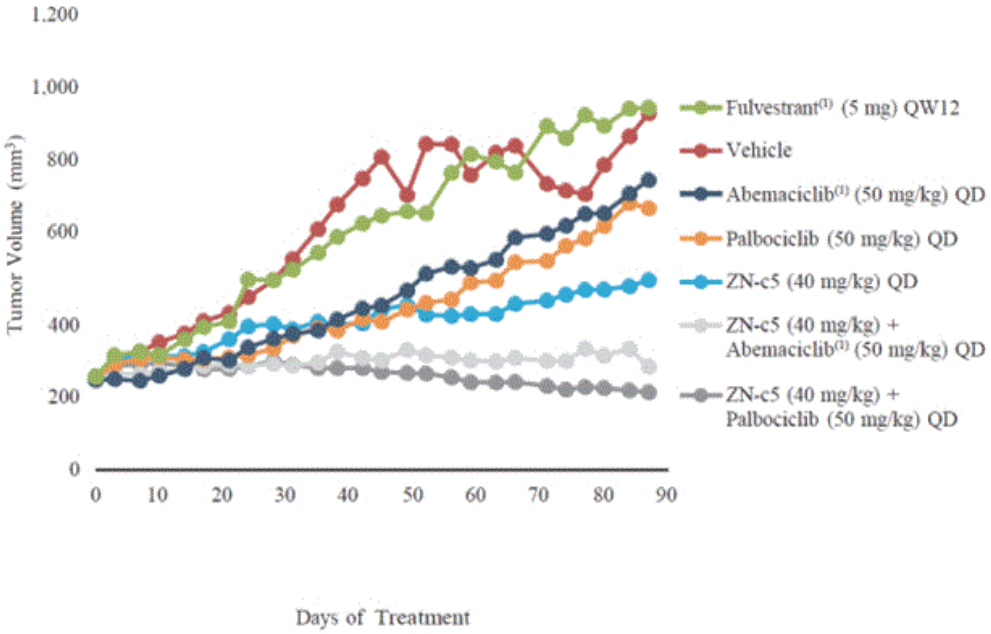


(1) Data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than the pharmaceutical company commercializing the compound.

Notes:
QW4: once per week (4 doses in 4 weeks)
QD: once daily

Anti-Tumor Activity in Breast Cancer Resistance Model (ESR1)

In a preclinical study, we assessed anti-tumor activity of ZN-c5 as monotherapy and in combinations with palbociclib and abemaciclib in animal models using patient-derived tumors, referred to as PDX models. We also assessed the anti-tumor activity of palbociclib, abemaciclib and fulvestrant each as monotherapy in the same PDX models. In the WHIM20 model, tumors were established in mice from a tumor isolated from a patient with metastatic breast cancer. This tumor contained a mutation in the ESR1, the gene encoding the ER. These mutations are a common mechanism that drives resistance to therapy, with a prevalence of resistance that ranges from 11% to 39%. As shown in the graph below, ZN-c5 was observed to have anti-tumor activity at a concentration of 40 mg/kg as a single agent in this model. As monotherapy, ZN-c5 demonstrated improved anti-tumor activity compared with the fulvestrant dose that results in exposure that is an estimated eight-fold higher than what is clinically achievable with the highest FDA-approved human dose of fulvestrant. Further, tumor shrinkage was observed with doses of 40 mg/kg ZN-c5 in combination with 50 mg/kg palbociclib and in combination with 50 mg/kg abemaciclib.



(1) Data based on evaluation of comparable proxy chemical compounds purchased from commercial sources rather than the pharmaceutical companies commercializing the compound.

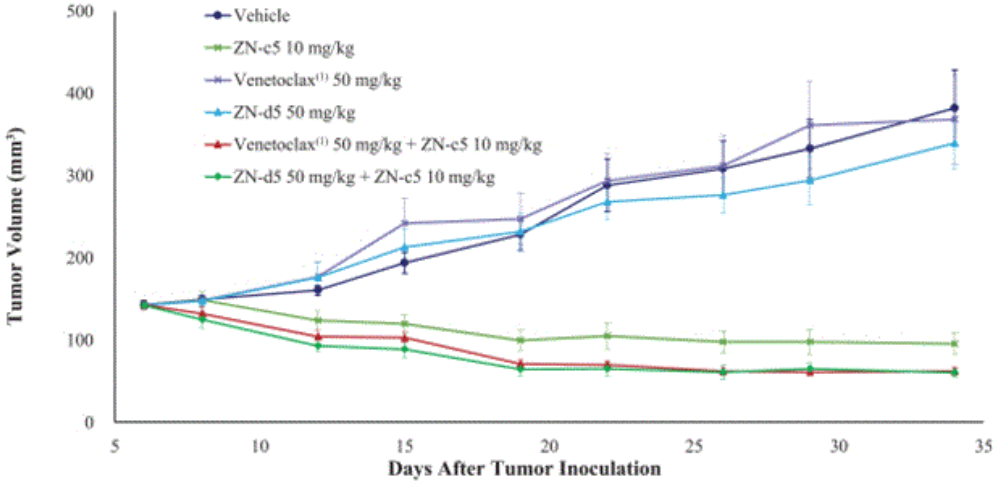
Notes:

QD: once daily

QW12: once per week (12 doses in 12 weeks)

Anti-Tumor Activity of ZN-c5 in Combination with BCL-2 Inhibitor in MCF-7 Breast Cancer Models

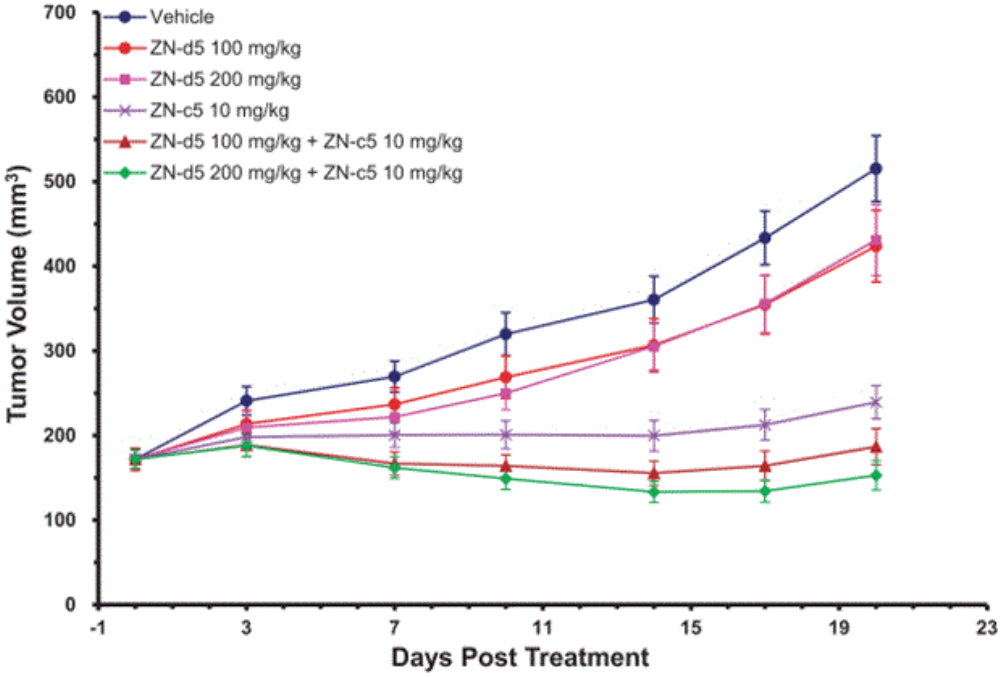
In preclinical studies, we assessed the anti-tumor activity of ZN-c5, both as monotherapy and in combination with ZN-d5, our BCL-2 inhibitor, as well as in combination with venetoclax. As shown in the graphs below, in MCF-7 breast cancer models, we observed that the combinations of ZN-c5 dosed at 10 mg/kg with venetoclax, dosed at 50 mg/kg, and ZN-d5, dosed at each of 50 mg/kg, 100 mg/kg and 200 mg/kg, had greater anti-tumor activity than 10 mg/kg of ZN-c5 as monotherapy.



(1) Venetoclax data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than the pharmaceutical company commercializing the compound.

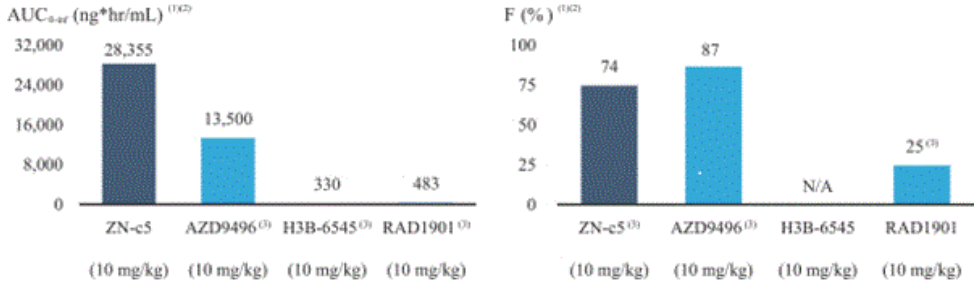
Notes:

QD: once daily



PK Data Comparison in Mouse Model

We assessed the PK properties of ZN-c5 and select third-party hormonal therapies in clinical development in repeat preclinical mouse studies, as shown in the table below. Oral dosing of ZN-c5 resulted in peak concentrations, or Cmax, of 5,017 ng/mL. As shown below, ZN-c5 also had high overall drug exposure, or AUC, as measured by ng*hr/mL, and good oral bioavailability (F), which is the fraction of an oral administered drug that reaches systemic circulation



(1) Based on oral administration.
(2) Data based on a series of repeat preclinical studies using standard *in vitro* assay and uniform controls.
(3) Other than H3B-6545, data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than obtained from the pharmaceutical company commercializing or developing the respective hormonal therapy. H3b-6545 data based on proxy chemical compound engineered based on published routes.

Toxicology Results

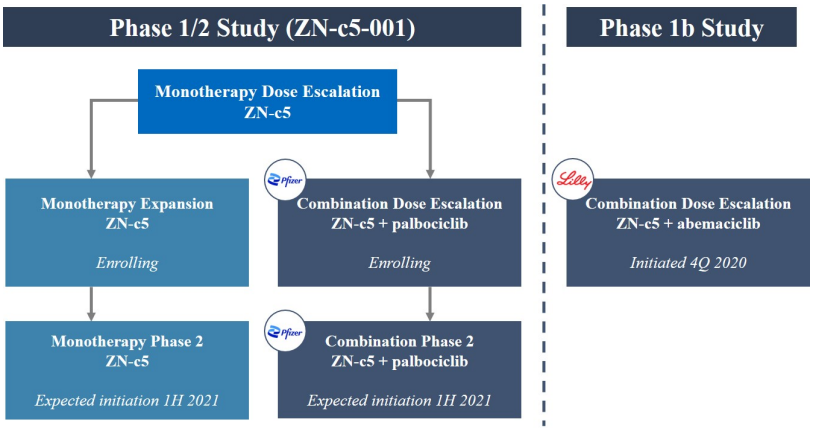
ZN-c5 was well tolerated in up to 28-day repeat dose toxicology studies and produced no evidence of diarrhea.

Phase 1/2 Clinical Trial of ZN-c5

Trial Design

In December 2018, we initiated enrollment in our Phase 1/2 open label, multi-center trial of ZN-c5 in patients with ER+/HER2- advanced or metastatic breast cancer, which we refer to as our ZN-c5-001 Trial, to assess the safety, tolerability, PK, pharmacodynamics and anti-tumor activity of ZN-c5 as monotherapy and in combination with palbociclib. We plan to enroll a total of approximately 250 patients in the trial, which will be conducted at multiple sites in the United States and Europe.

The Phase 1 portion of our ZN-c5-001 Trial consists of: a monotherapy dose escalation study, a monotherapy expansion study and a combination dose escalation study evaluating ZN-c5 in combination with palbociclib. The Phase 2 portion will evaluate preliminary anti-tumor efficacy of ZN-c5 as monotherapy and in combination with palbociclib.



Phase 1, Monotherapy Dose Escalation

The primary objective of the Phase 1, monotherapy dose escalation portion of this trial is to determine the maximum tolerated dose, or MTD, and recommended Phase 2 dose, or RP2D. The secondary objectives include, among others, to assess the PK, safety and tolerability as well as preliminary efficacy of ZN-c5. In addition, biomarkers will be assessed based on availability of patients' biopsies.

In the Phase 1, monotherapy dose escalation portion of this trial, ZN-c5 is being evaluated in up to 36 adult patients with ER+/HER2- advanced or metastatic breast cancer who are refractory to or intolerant of established cancer therapies, and who may have received up to two (2) prior chemotherapy regimens for advanced/metastatic breast cancer. ZN-c5 is being orally administered, either once or twice daily continuously at sequentially escalating doses starting with 50 mg/day and up to 1,200 mg/day, using a 28-day cycle.

Phase 1, Monotherapy Expansion

During the Phase 1, monotherapy dose escalation portion of the trial, up to 45 additional patients with ER+/ HER2- advanced or metastatic breast cancer who have received up to two (2) prior lines of endocrine therapy, and who have may have received at most one prior chemotherapy regimen for advanced/metastatic breast cancer, are expected to be enrolled onto one or more dose levels for the Phase 1, monotherapy expansion portion of this trial.

The primary objective of the Phase 1, monotherapy expansion portion of the trial will be to assess the safety and tolerability of ZN-c5 administered as monotherapy. Secondary objectives of the monotherapy expansion portion of this trial will include, among others, to assess the preliminary anti-tumor efficacy and characterize the PK of ZN-c5.

Phase 1, Combination Dose Escalation

We are also evaluating ZN-c5 in combination with palbociclib in the Phase 1, combination dose escalation portion of this trial in up to 40 adult patients with ER+/HER2- advanced or metastatic breast cancer who are refractory to or intolerant of established therapies known to provide clinical benefit for their malignancy, and who may have received at most one prior chemotherapy regimen for advanced metastatic breast cancer.

The primary objective of the Phase 1, combination dose escalation portion of the trial is to determine the MTD or RP2D for ZN-c5 when administered in combination with palbociclib. Secondary objectives include, among others, to assess the safety and tolerability of ZN-c5 in combination with palbociclib, to assess preliminary efficacy of ZN-c5 in combination with palbociclib and to characterize the individual PK of ZN-c5 and palbociclib when administered in combination.

The dose and schedule of palbociclib in the Phase 1, combination dose escalation portion of this trial will be the FDA-approved dose (125 mg/day), orally administered, once daily for 21 consecutive days, followed by seven (7) days off treatment.

Phase 2

Once the MTD or RP2D have been determined for ZN-c5 as monotherapy and in combination with palbociclib, we plan to initiate enrollment in the Phase 2 portion of the trial to assess preliminary anti-tumor efficacy for ZN-c5 as monotherapy and in combination with palbociclib. We expect to initiate the Phase 2 monotherapy and combination portions of this Phase 1/2 trial in the first half of 2021.

The Phase 2 monotherapy portion of this trial will assess ZN-c5 at the RP2D in up to 75 adult patients with ER+/HER2- advanced breast cancer who have received one or two (2) prior lines of endocrine therapy, and no prior chemotherapy for advanced metastatic breast cancer.

The Phase 2 combination portion of this trial will evaluate ZN-c5 in combination with palbociclib in up to 112 adult patients with ER+/HER2- advanced or metastatic breast cancer and who have received up to one prior line of endocrine therapy, and at most one prior chemotherapy regimen for advanced metastatic breast cancer.

The primary objective of the Phase 2 portion of this trial will be to determine preliminary anti-tumor efficacy for ZN-c5 when administered as monotherapy and in combination with palbociclib. The secondary objectives will include, among others, to assess the safety and tolerability of ZN-c5 as monotherapy and in combination with palbociclib, and to characterize the PK of ZN-c5 as monotherapy and to characterize the individual PK of ZN-c5 and palbociclib when given in combination.

Clinical Results

As of June 30, 2020, we had enrolled 15 patients in the Phase 1, monotherapy dose escalation portion of this trial, three patients each at the dose levels of 50 mg, 75 mg, 100 mg, 150 mg and 300 mg. All patients were female, with a median age of 57 years (range 51 to 89 years) and an Eastern Cooperative Oncology Group, or ECOG, performance status, a measurement of a patient's level of functioning in terms of their ability to care for themself, daily activity, and physical ability, of 0 (n = 9) or 1 (n = 6).

The median number of prior therapies for advanced disease was four (4) (range two (2) to eight (8)). Twelve of the 15 patients received prior treatment with fulvestrant. Of these 15 patients, one is still on treatment and 14 discontinued due to disease progression (n = 13) or physician decision (n = 1). Enrollment in the Phase 1, monotherapy dose escalation portion of this trial has been completed.

As of June 30, 2020, 14 patients were enrolled in the Phase 1, monotherapy expansion portion of this trial, 12 patients at the 150 mg dose and two (2) patients at the 300 mg dose. All patients were female, with a median age of 57 years (range 38 to 73) and an ECOG performance status of 0 (n = 3) or 1 (n = 11). The median number of prior therapies for advanced disease was one (range zero (0) to three (3)). Six (6) of the 14 patients received prior treatment with fulvestrant. Of these 14 patients, five (5) are still on treatment and nine (9) discontinued due to disease progression. Enrollment in the Phase 1, monotherapy expansion portion of this trial has been completed.

As of June 30, 2020, we had enrolled 15 patients in the Phase 1, combination dose escalation portion of this trial, three patients each at the ZN-c5 dose levels of 50 mg and150 mg, and nine (9) patients at 100 mg. 14 patients were female and one was male, with a median age of 65 years (range 51 to 79 years) and an ECOG performance status of 0 (n = 7), 1 (n = 7) or 2 (n = 1). The median number of prior therapies for advanced disease was one (range zero (0) to six (6)). Three (3) of the 15 patients received prior treatments with fulvestrant. Of these 15 patients, nine (9) are still on treatment and six (6) discontinued due to disease progression (n = 5) and physician decision (n = 1). Enrollment in the Phase 1, combination dose escalation portion of this trial is ongoing and a total of up to 40 patients may be enrolled.

Safety Results

Phase 1, Monotherapy Dose Escalation and Monotherapy Dose Expansion

Based on the results as of the database cutoff date of June 30, 2020 for the Phase 1, monotherapy dose escalation and monotherapy dose expansion portions of this trial, ZN-c5 has been observed to be well tolerated with no dose-limiting toxicities reported.

In the Phase 1 monotherapy dose escalation and monotherapy dose expansion portions of this trial, a total of 29 patients were enrolled and dosed, with data available in the electronic data capture system as of the June 30, 2020 database cutoff. Treatment-emergent adverse events, or TEAEs, occurred in 27 of the 29 patients. Nausea was observed in nine (9) patients; hyperglycemia in eight (8) patients; anemia, fatigue, hypertension and vomiting in six (6) patients each; headache in five (5) patients; cough, hot flush, hypokalemia, hypophosphatemia and lymphocyte count decreased in four (4) patients each; alanine aminotransferase, or ALT, increased, arthralgia, back pain, diarrhea, dyspnea, musculoskeletal pain and pyrexia in three patients each and all other adverse events were observed in only one or two (2) patients each. In addition, there have been no reports of bradycardia or any other cardiac abnormalities. TEAEs of Grade 3 severity were single cases of hypertension, hypercalcemia, back pain, arthralgia, pyrexia, COVID-19, device related infection, musculoskeletal chest pain, and pain in extremity. None of the Grade 3 TEAEs were deemed related to ZN-c5. All other TEAEs were of Grade 1 or Grade 2 in severity. The Grade 3 TEAEs of arthralgia, device related infection and COVID-19 were also reported as serious adverse events, all deemed unrelated to treatment. There were three serious adverse events reported; all deemed unrelated to treatment. There were no deaths reported.

Investigator assessed treatment-related adverse events occurred in 16 of 29 patients. These treatment-related adverse events included nausea, hot flush and fatigue (n = 3), ALT increased (n = 2) and other single adverse events. All were of Grade 1 or Grade 2 in severity.

Diarrhea, an adverse event of special interest, has been observed in three patients: one Grade 1 adverse event at 50 mg, which was deemed treatment-related; and one Grade 1 and one Grade 2 adverse event, each at 150 mg, neither of which was deemed treatment-related.

The first patient with ALT increased had the first dose of 50 mg of ZN-c5 on December 19, 2018. The patient entered the study with a Grade 1 ALT increased, which subsequently worsened to a Grade 2 ALT increased on February 13, 2019, 56 days after the first dose. On March 27, 2019, the patient was taken off treatment for disease progression, and at that time the Grade 2 ALT increased was still ongoing. The event was deemed related to ZN-c5. The second patient with ALT increased had the first dose of 300 mg of ZN-c5 on October 15, 2019. The patient developed Grade 1 ALT increased and Grade 1 aspartate aminotransferase, or AST, increased 84 days after the first dose, on January 6, 2020. Dosing was interrupted and the Grade 1 AST increased resolved on Day 91, and the Grade 1 ALT increased resolved on Day 98. The events were not deemed to be related to ZN-c5. The third patient with ALT increased had the first dose of 150 mg of ZN-c5 on December 18, 2019. The patient entered the study with Grade 1 ALT increased and AST increased, but AST increased normalized on Day 8 and ALT increased normalized on Day 15. The patient again developed Grade 1 ALT increased and Grade 1 AST increased 58 days after the first dose, on February 13, 2020. Dosing was not interrupted. The AST increased normalized on Day 83, but fluctuated again to Grade 1 on Day 162. On June 3, 2020, the patient was taken off treatment for disease progression, and at that time both the Grade 1 ALT increased and AST increased were still ongoing. The event was deemed to be related to ZN-c5.

Overall, in the Phase 1, monotherapy dose escalation and monotherapy dose expansion portions of the trial, there was no observed increase in severity of adverse events with increasing dosing levels.

Phase 1, Combination Dose Escalation

As of the June 30, 2020 database cutoff date, ZN-c5 in combination with palbociclib was observed to be well tolerated with no dose-limiting toxicities reported. Based on these safety results, we are continuing to enroll patients ZN-c5 in combination with palbociclib.

TEAEs occurred in 14 of the 15 patients dosed. Adverse events occurring in three or more patients included: white blood cell count decreased (n = 11); neutrophil count decreased (n = 9); anemia (n = 5), hyperglycemia, hypophosphatemia and nausea (n = 4); arthralgia, dizziness, fatigue, headache and platelet count decreased (n = 3). All other adverse events were observed in one or two (2) patients each. TEAEs of Grade 3 severity were neutrophil count decreased (n = 5), white blood cell count decreased (n = 3), arthralgia (n = 2) and single cases of each of hypophosphatemia, pneumothorax and pain in extremity. There was one serious adverse events of Grade 3 pneumothorax reported, deemed not related to ZN-c5 nor palbociclib.

Investigator assessed treatment-related adverse events to either ZN-c5 or palbociclib occurred in 13 of 15 patients. These investigator assessed treatment-related adverse events included: white blood cell count decreased (n = 11), neutrophil count decreased (n = 9), anemia (n = 5), fatigue (n = 3), platelet count decreased (n = 3), lymphocyte count decreased (n = 2) and

other single adverse events. Events of Grade 3 severity were neutrophil count decreased (n = 3), and white blood cell count decreased (n = 5). Of note, there has been no evidence of any TEAEs of diarrhea bradycardia or visual disturbances. There were no deaths reported.

Overall, as of the June 30, 2020 database cutoff date, there was no increase in severity of adverse events observed with increasing dosing levels.

Efficacy Results

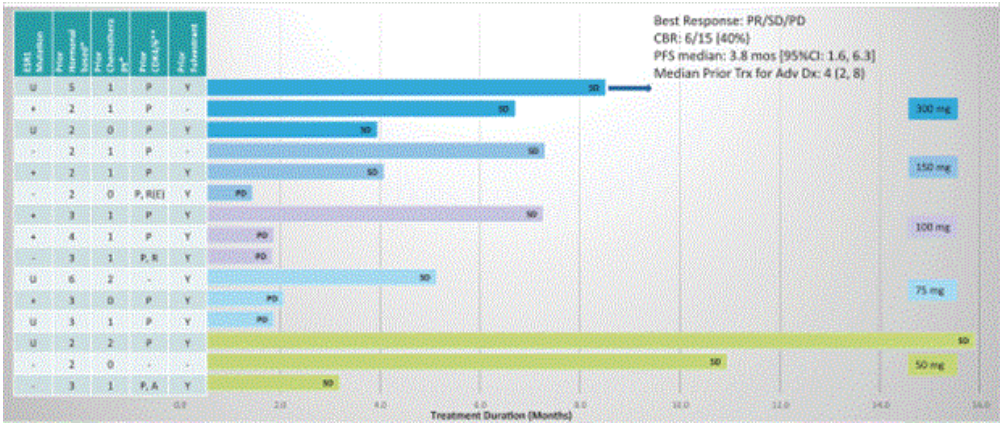
Clinical activity in the Phase 1 trial is determined by the CBR, which is the total number or percentage of patients who achieved a complete response, or CR, partial response, or PR, or stable disease, or SD, for 24 weeks or longer per RECIST v1.1 criteria.

While it is anticipated, based on the mechanism of action of ZN-c5 and advanced state of disease of the patients enrolled, that tumor regressions may not occur in this study phase, as of June 30, 2020, six (6) of the 15 patients in the Phase 1, monotherapy dose escalation portion of this trial showed SD for at least 24 weeks, leading to a CBR, of 40%. Two (2) of these patients were dosed at the low dose of 50 mg and showed SD for approximately 12 months.

Most patients in the combination dose escalation portion of the trial have been on treatment for less than 24 weeks, an insufficient amount of time to establish the CBR.

As of the database cutoff date of June 30, 2020, one patient in the Phase 1, monotherapy dose expansion portion of this trial at the 150 mg/day level has met the definition of a confirmed PR (reduction of 64%) per RECISTv1.1 criteria, starting after four (4) cycles of ZN-c5. Treatment of the patient is ongoing.

The following table illustrates treatment duration and best overall response for the Phase 1, monotherapy dose escalation portion of the trial as of the database cutoff date of June 30, 2020.



* Number of treatments reflect advanced or metastatic setting, not neo/adjuvant; also reflects combinations with targeted therapies CDK4/6, mTOR, PI3ka)
** P-palbociclib, A-abemaciclib, R-ribociclib; (E-experimental treatment)
SD: Stable Disease
PD: Progressive Disease
U: Unknown

ZN-c5 Pharmacokinetics Results

As of the database cutoff date of June 30, 2020, the PK of ZN-c5 observed in the first 15 patients in the Phase 1, monotherapy dose escalation portion of our ZN-c5-001 Trial was characterized by fast absorption into the systemic circulation, as evidenced by median time to maximum concentration, or Tmax, of one to two hours. As shown in the table below, the exposures have generally increased with increased doses and was 124,000 ng*hr/ml at the 300 mg dose. Additionally, we have not observed drug accumulation of ZN-c5 at steady state (Day 15). The estimated mean elimination half-life ranged between 11 and 18 hours.

Preliminary Pharmacokinetic Data for ZN-c5 Monotherapy

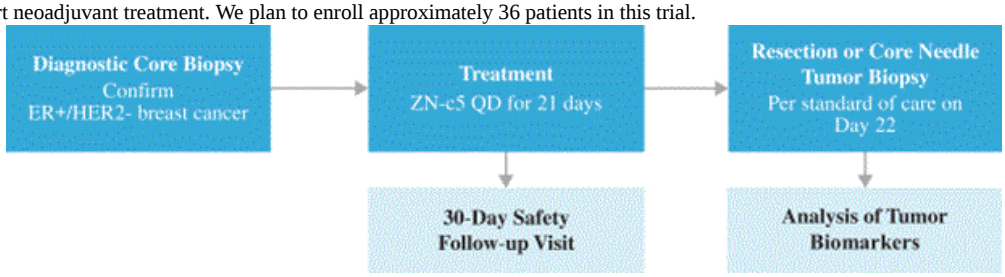
Dose (mg) # of pts		Day 1 C_{max} (ng/mL)	Day 1 T_{max} (hr)	Day 1 AUC_{0-24hr} (ng*h/mL)	Day 15 C_{max} (ng/mL)	Day 15 T_{max} (hr)	Day 15 AUC_{0-24hr} (ng*h/mL)	Day 15/Day 1 AUC Ratio
50	**Mean**	**5,730**	**2**	**65,700**	**5,810**	**1**	**61,300**	**0.94**
(n=3)	**SD**	1,330	(1-2)	7,350	405	(1-2)	10,400	0.20
	CV (%)	**23.3**		**11.2**	**6.97**		**17.0**	**21.4**
75	**Mean**	**6,700**	**2**	**77,300**	**6,700**	**2**	**64,400**	**1.1**
(n=3)	**SD**	4,080	(1-4)	47,800	1,040	(1-2)	16,000	0.66
	CV (%)	**60.8**		**61.9**	**15.6**		**24.8**	**59.8**
100	**Mean**	**7,120**	**4**	**103,000**	**9,250**	**2**	**106,000**	**0.97**
(n=3)	**SD**	2,550	(2-6)	42,100	5,350	(1-2)	74,500	0.30
	CV (%)	**35.9**		**40.7**	**57.8**		**70.2**	**31.6**
150	**Mean**	**8,120**	**2**	**115,000**	**9,210**	**2**	**94,800**	**0.83**
(n=3)	**SD**	1,780	(2-4)	42,200	2,820	(1-2)	41,600	0.20
	CV (%)	**21.9**		**36.7**	**30.6**		**43.9**	**24.8**
300	**Mean**	**10,700**	**6**	**168,000**	**10,000**	**2**	**124,000**	**0.74**
(n=3)	**SD**	1,390	(2-6)	21,400	1,170	(2-6)	21,300	0.07
	CV (%)	13.0		12.7	11.7		17.2	9.15

Median (range) are listed for T_{max}
SD: standard deviation

ZN-c5 human drug exposure at all dose levels, ranging from 50 mg to 300 mg, exceeds the ZN-c5 effective concentration, 100%, or EC100, observed in our preclinical mouse studies at 10 mg/kg/day, the dose level associated with a 100% tumor growth inhibition in an MCF-7 mouse model. Based on the activity observed in mouse models, the exposures observed in human patients may translate into once daily, oral dosing.

Phase 1 Trial of ZN-c5 (Window of Opportunity study)

In January 2020, we dosed the first patient in our Phase 1 open label, multi-center, dose escalation trial of ZN-c5, which we refer to as our ZN-c5-002 Trial. The ZN-c5-002 Trial will be conducted at several sites in the United States, Europe and Asia-Pacific (Australia), in patients with ER+/HER2- breast cancer scheduled to undergo surgical resection of the tumor or start neoadjuvant treatment. We plan to enroll approximately 36 patients in this trial.



This is a Window of Opportunity study, the objective of which is to assess the ER degradation ability of ZN-c5 as a monotherapy over a 21-day treatment period measured using paired biopsies. We intend to evaluate various tissue and functional imaging biomarkers in response to ZN-c5 exposure. These biomarkers will assess ER degradation, progesterone receptor degradation and Ki67, a proliferation marker, using paired biopsies. In addition, tumor tissue and plasma concentration of ZN-c5 will be assessed.

ZN-c5 will be evaluated at escalating doses starting at 50 mg, orally administered, once daily. Subsequent dose levels will be determined based on PK profile, safety and any additional biomarker data observed in our ZN-c5-001 Trial.

At June 30, 2020, eight patients had been enrolled and treated: three patients at 50 mg/day, four (4) patients at 150 mg/day and one (1) patient at 300 mg/day.

We believe this trial will assist in determining the precise RP2D of ZN-c5 as a monotherapy, in conjunction with the safety, PK and pharmacodynamics, or PD, data from the ZN-c5-001 Trial. We expect to report topline results from this trial in the first half of 2021.

Phase 1b Trial of ZN-c5 in combination with abemaciclib

In November 2020, we dosed the first patient in our Phase 1b open label, multi-center trial of ZN-c5 in combination with abemaciclib in patients with ER+/HER2- advanced or metastatic breast cancer, which we refer to as our ZN-c5-003 Trial. This trial aims to assess the safety, tolerability, PK, pharmacodynamics, and anti-tumor activity of ZN-c5 in combination with abemaciclib. The ZN-c5-003 Trial will be conducted at several sites in the United States and Europe. We plan to enroll approximately 18 patients in this trial.

ZN-c3, an Inhibitor of WEE1 for the Treatment of Solid Tumors and Other Cancers

Overview

We are developing ZN-c3, an oral, small molecule DNA damage response product candidate, targeting WEE1 in cancer. The inhibition of WEE1, a protein tyrosine kinase, aims to generate sufficient DNA damage in cancer cells to undergo apoptosis, thereby preventing tumor growth and potentially causing tumor regression. There is currently no FDA-approved WEE1 inhibitor, and AstraZeneca's AZD1775 is currently one of few other WEE1 inhibitors in clinical development of which we are aware. Despite the observed efficacy of AZD1775 in clinical trials, we believe its narrow therapeutic window is a potential limitation affecting its dosing in monotherapy and in combination. We have applied our expertise to design ZN-c3 to have such solubility, selectivity and PK properties that we believe may provide a broad therapeutic window and which, if ZN-c3 is approved, may constitute a differentiated product profile. We believe ZN-c3, if approved, may have broad applicability in a wide range of cancers both as monotherapy and in combination, including with chemotherapy agents, PARP inhibitors and other targeted therapies.

We have initiated a Phase 1/2 clinical trial of ZN-c3 in patients with advanced solid tumors. We plan to report results from the Phase 1, monotherapy dose escalation portion of the trial at the AACR Annual Meeting in April 2021. In addition, we initiated a Phase 1b clinical trial evaluating ZN-c3 in combination with chemotherapy in patients with advanced ovarian cancer in October 2020, and plan to initiate a Phase 2 trial evaluating ZN-c3 as monotherapy in patients with USC in 2021. We continue to actively evaluate other potential combinations for the future clinical development of ZN-c3, and intend to initiate two (2) additional Phase 1 clinical trials evaluating ZN-c3 in combination with chemotherapy and PARP inhibitor in ovarian cancer and other targeted indications in 2021.

Background on DNA Damage Repair and WEE1 Inhibitors

The underlying principle behind a number of cancer therapies is to generate sufficient DNA damage in cancer cells, many of which already have deficiencies in DNA damage response, to cause them to undergo apoptosis. Examples of these therapies include alkylating agents, DNA-binding drugs and the use of radiation. However, cancer cells have developed multiple mechanisms of resistance to these therapies, thereby potentially limiting their therapeutic efficacy.

The regulation of DNA damage response mechanisms in cancer cells may therefore play a crucial role in the induction of apoptosis and the ultimate efficacy of DNA damaging cancer therapies. This is particularly true in cancers with specific mutations in DNA repair proteins that prevent efficient DNA damage response and repair, rendering them particularly vulnerable to any agent that further inhibits the ability of cells to repair DNA damage.

Examples of such cancers are those with mutations in BRCA1 and BRCA2. Inhibitors of PARP, an independent DNA repair protein, work to prevent DNA damage repair, and are FDA approved for the treatment of multiple cancers, such as breast and ovarian cancers associated with BRCA1 and BCRA2 mutations. Sales of FDA-approved PARP inhibitors were approximately $1.6 billion in 2019 and are expected to grow to $6.9 billion in 2026.

Similar to PARP, WEE1 plays a role in cellular regulation and repair, allowing cells with DNA damage to repair and survive. WEE1 is a protein tyrosine kinase that mediates cell cycle arrest by regulating the phosphorylation of cyclin-dependent

kinase 1, or CDK1. Inhibition of WEE1 causes dysregulation of DNA replication and inability of DNA response processes to act, leading to an increase in double-strand DNA breaks and subsequently inducing apoptosis. Based on these similar mechanisms of action, we believe the use of WEE1 and PARP, both DNA damage response agents, in combination can have a synergistic effect. In third-party preclinical studies, the combination of PARP and WEE1 has been observed to result in improved anti-tumor activity as compared to the use of each as monotherapy. However, both of these compounds have been associated with bone marrow toxicity, which may limit their concomitant administration.

WEE1 Inhibitor in Clinical Development and Limitations

One of few other WEE1 inhibitors currently in clinical development of which we are aware is AZD1775. AZD1775 has been the subject of many publications in the scientific literature and has been explored in numerous clinical trials across multiple tumor types. AZD1775 is currently being evaluated by third parties in Phase 1 and 2 clinical trials in ovarian cancer and a variety of other solid tumors, both as monotherapy and in combination with other cancer therapies. In earlier third-party clinical trials, multiple patients with advanced or metastatic tumors for whom no standard therapy was available achieved partial responses when dosed with AZD1775 in combination with chemotherapy agents. For example, in a Phase 2 clinical trial in 24 patients (21 of such patients were evaluable for efficacy) with relapsed ovarian cancer, the combination of AZD1775 and carboplatin, an FDA-approved chemotherapy, demonstrated an overall response rate of 43% and one patient exhibited a complete response lasting over 42 months.

In addition, in a recent Phase 2 clinical trial in patients with recurrent USC, an aggressive subtype of endometrial carcinoma characterized by TP53 mutations, AZD1775 administered as monotherapy demonstrated an overall response rate of 30%.

Further, in a recent Phase 1 clinical trial in patients with locally advanced pancreatic cancer, AZD1775 in combination with gemcitabine, an FDA-approved chemotherapy, and radiation resulted in a median overall survival of 21.7 months. This overall survival was substantially longer than the 11.9 to 13.6 months observed in a prior clinical trial with a similar population of patients combining gemcitabine with or without erlotinib with radiation.

Although AZD1775 has demonstrated promising efficacy in clinical trials, we believe AZD1775 has a narrow therapeutic window, a potential limitation affecting its dosing as monotherapy and in combination. Furthermore, the use of AZD1775 in combination with PARP inhibitors in preclinical studies has demonstrated increased bone marrow toxicities, thereby potentially limiting its use in continuous dosing. We believe AZD1775 has a number of characteristics that could be improved upon, including selectivity, solubility, PK properties and tumor concentration.

Our WEE1 Solution: ZN-c3

ZN-c3 is our oral WEE1 inhibitor product candidate that we are currently evaluating for the treatment of advanced solid tumors in an ongoing Phase 1/2 clinical trial. We believe ZN-c3 has the potential to provide a wide therapeutic window due to the following observed clinical and preclinical results:

- ***Potency, selectivity and solubility***. In our preclinical studies, ZN-c3 produced favorable absorption, distribution, metabolism and excretion, or ADME, results. In our *in vitro* preclinical studies, we observed ZN-c3's potency in inhibiting tumor growth and inducing apoptosis through DNA damage, and ZN-c3 has shown high selectivity for WEE1. In addition, in a series of repeat preclinical studies assessing the solubility of ZN-c3 and AZD1775 utilizing a standard *in vitro* assay and uniform controls, ZN-c3 demonstrated solubility of 2,132,000 nM, approximately 35 times greater than that of AZD1775, which we believe could reduce inter-patient drug exposure variability and limit the toxicity observed in clinical trials of AZD1775.
- ***Preclinical anti-tumor activity***. In head-to-head preclinical studies, ZN-c3 showed anti-tumor activity across a number of cell lines, as well as superior tumor growth inhibition, DNA damage and apoptosis when compared to AZD1775. Anti-tumor activity was observed in both continuous and intermittent dosing, as well as in the shorter of the dosing periods evaluated.
- ***PK properties***. In our preclinical studies, ZN-c3 showed PK properties that resulted in high drug exposure in animal models. We believe this level of drug exposure may contribute to the observed sustained and lengthy tumor growth inhibition, which may necessitate lower dose intensity thereby potentially affording a wide therapeutic window. In addition, we observed that ZN-c3 had favorable drug accumulation in tumors.
- ***Well tolerated in preclinical studies and clinical trials.*** In preclinical studies and clinical trials to date, ZN-c3 was observed to be well tolerated across varying dosage levels.

In addition to having a potentially wide therapeutic window, we believe the characteristics of ZN-c3 may allow patients with aggressive solid tumors to be treated with sequential therapy using mechanism of action synergistic multiple agents, including PARP inhibitors. In a third-party preclinical combination study with PARP inhibitors, sequential dosing resulted in favorable tolerability as compared to continuous dosing, while maintaining strong anti-tumor activity.

We have completed the dose escalation part of our Phase 1 monotherapy study, and we plan to report data from the dose escalation portion of the trial at the AACR Annual Meeting in April 2021.

Preclinical Results

Potency Across Variety of Solid Tumor Cell Lines

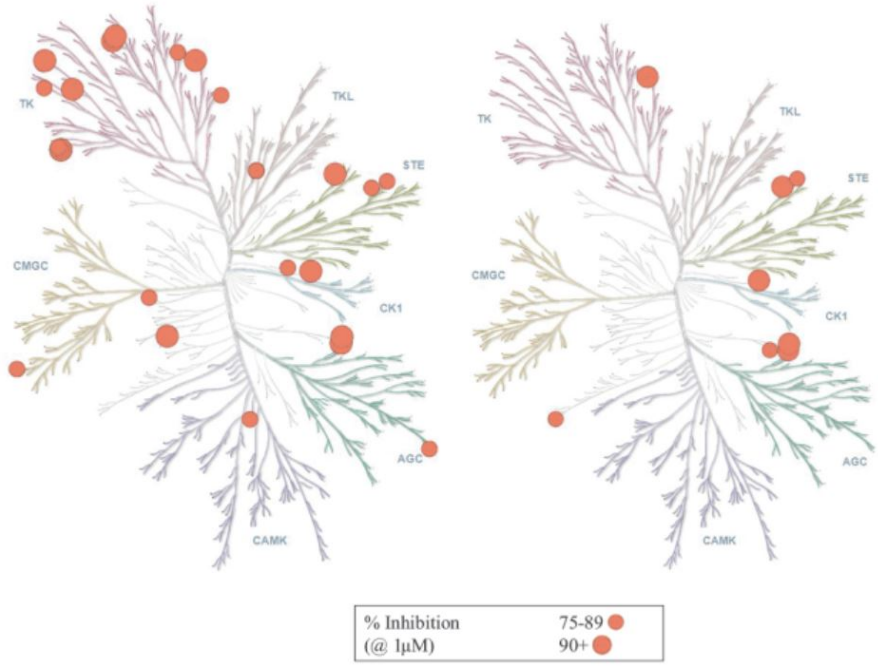
We assessed the potency of ZN-c3 and AZD1775 in repeat *in vitro* preclinical studies across a variety of solid tumor cell lines, as shown in the table below. We observed ZN-c3's potency in inhibiting tumor growth and inducing DNA damage and apoptosis in each of the solid tumor cell lines studied.

	CTG IC_{50} (nM)[1]								
	Non-Small Cell Lung Cancer		Small Cell Lung Cancer		Triple Negative Breast Cancer		Ovarian Cancer		Squamous Cell Carcinoma
COMPOUND	**A-427**	**NCI-H23**	**DMS-53**	**NCI-H1048**	**MDA-MB-231**	**HCC1806**	**UWB.1.289**	**OVCAR3**	**SK-MES-1**
AZD1775[2]	94	108	130	97	233	94	57	124	150
ZN-c3	**88**	**124**	**118**	**92**	**190**	**95**	**54**	**69**	**83**

(1) Data based on a series of repeat preclinical studies using standard *in vitro* assay and uniform controls.
(2) Data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than the pharmaceutical company developing the compound.

Selectivity of ZN-c3 in Kinase Screening Panel

In our head-to-head *in vitro* preclinical studies, we assessed the selectivity of ZN-c3, alongside AZD1775. The selectivity profile of each of ZN-c3 (right) and AZD1775 (left) was characterized against a broad kinase panel for WEE1 consisting of 485 mammalian serine/threonine and tyrosine, as depicted by the respective kinase dendograms below. ZN-c3 and AZD1775 were tested at a single concentration to determine the percentage inhibition at 1 μM. ZN-c3 was observed to have higher selectivity relative to that of AZD1775 as depicted by the overall fewer kinases being affected in the ZN-c3 dendogram.



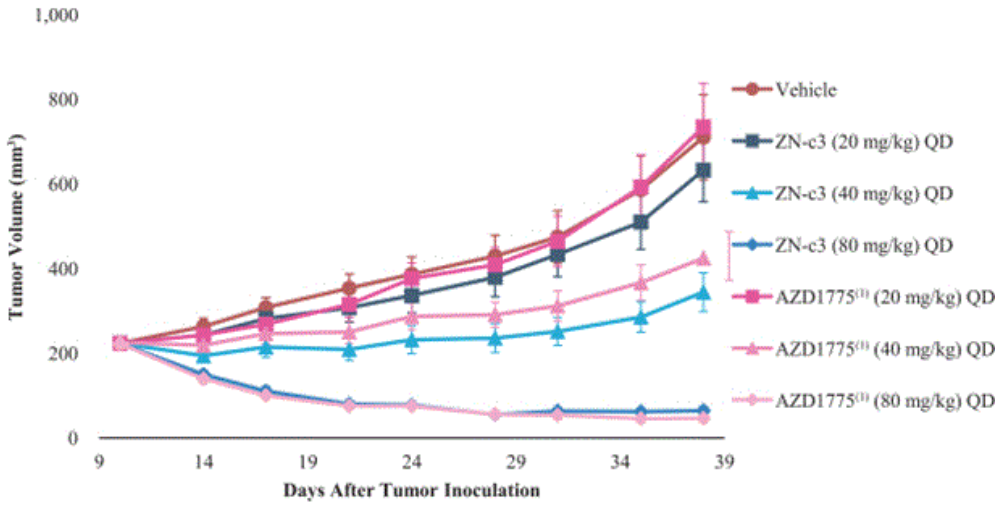
Notes:
Illustration reproduced courtesy of Cell Signaling Technology, Inc. Each branch of the dendogram represents an individual human kinase. AZD1775 data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than the pharmaceutical company developing the compound.

Solubility of ZN-c3

We assessed the relative ADME properties and solubility of ZN-c3 and a proxy chemical compound of AZD1775 in a series of repeat preclinical studies. ZN-c3 showed targeted ADME properties, and demonstrated solubility of 2,132 μM, approximately 35 times greater than the 60 μM observed with AZD1775 in repeat preclinical studies. We believe greater solubility may reduce interpatient variability, and in turn limit toxicities for ZN-c3.

Anti-Tumor Activity in Human Lung Cancer Model

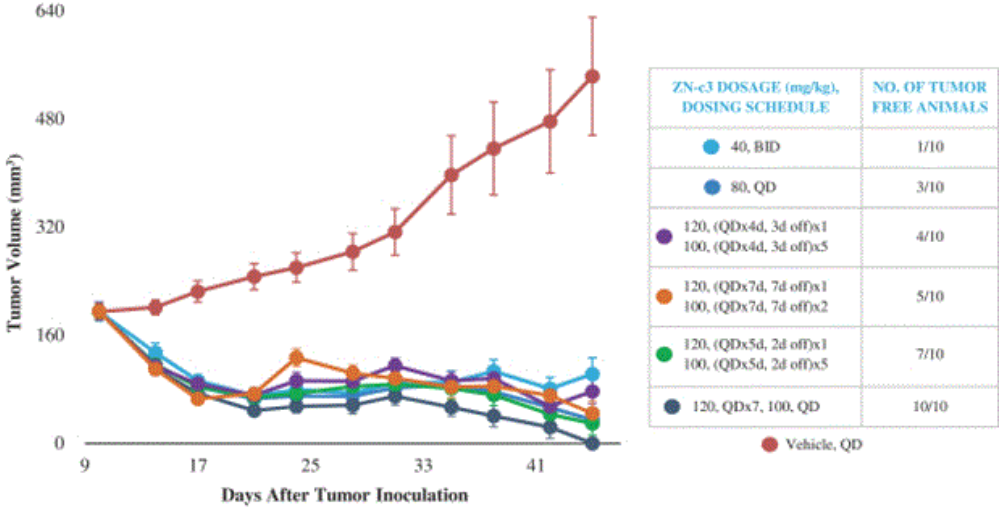
In a preclinical study, we assessed the anti-tumor potential of ZN-c3 alongside AZD1775, each as a monotherapy, in a lung cancer model using human A-427 cells that contained a KRAS mutation. In this model, doses of 40 mg/kg or 80 mg/kg of ZN-c3 demonstrated tumor shrinkage that was evident at the first post-treatment observation at four (4) days and continued through the end of the experiment. Across dose levels there was no statistical difference between ZN-c3 and AZD1775 and each compound produced tumor regression. ZN-c3 was observed to be well tolerated across all doses.



(1) AZD1775 data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than the pharmaceutical company developing the compound.
Notes:
QD: once daily

Anti-Tumor Activity in Lung Cancer Model Across Varying Dosage Levels and Intermittent Dosing Regimen

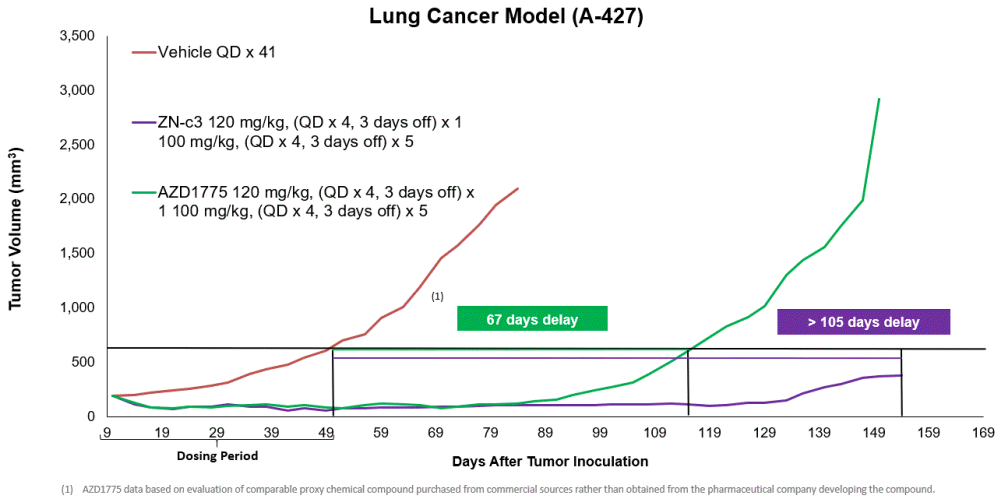
We have explored various dosing regimens of ZN-c3 in preclinical studies. A loading dose of 120 mg/kg daily for seven (7) days followed by once-daily dosing of 100 mg/kg resulted in ten (10) out of ten (10) treated mice being tumor free after five (5) weeks. We also explored the potential of shorter dosing periods or intermittent dosing of ZN-c3 in preclinical studies. A loading dose of 120 mg/kg for five (5) days followed by two (2) days off drug followed by five (5) weeks of 100 mg/kg given five (5) days on, two (2) days off resulted in seven (7) out of ten (10) mice being tumor free as shown in the graph below. A loading dose of 120 mg/kg for seven (7) days followed by seven (7) days off drug followed by two cycles of seven (7) days on 100 mg/kg drug and seven (7) days off drug resulted in five (5) out of ten (10) mice being tumor free as shown in the graph below.



Notes:
QD: Once daily
BID: Twice daily

We also assessed the potential of utilizing an intermittent dosing regimen with ZN-c3 alongside that of AZD1775 in a preclinical study. Dosing of ZN-c3 by using a loading dose of 120 mg/kg for four (4) days followed by three days off drug

followed by five (5) weeks of 100 mg/kg given four (4) days on, three (3) days off resulted in more prolonged tumor growth delay than that observed with AZD1775 at the same dosing regimen.



(1) AZD1775 data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than obtained from the pharmaceutical company developing the compound.

PK Data Comparison in Animal Models

We assessed the PK properties of ZN-c3 and AZD1775 in repeat preclinical animal models, as shown in the table below. For each of the preclinical studies, we observed the respective Cmax, Tmax, AUC and tumor concentration of each compound at doses of 20, 40 and 80 mg/kg/day. Administration of ZN-c3 was observed to result in high drug exposure in animal models and the selective accumulation of ZN-c3 to high levels in tumors. We believe this increased drug exposure may cause the inhibition of WEE1 at low doses, potentially affording a wide therapeutic window.

STUDY(1)	ZN-c3			AZD1775(2)		
Dose (mg/kg/day)	20	40	80	20	40	80
C_{max} (ng/mL)	1,167	1,997	5,100	635	2,460	4,703
T_{max} (hr)	1	1	1	1	1	1
$AUC_{0\text{-}24hr}$ (ng*hr/mL)	4,863	17,088	39,722	1,494	6,313	13,408
Tumor Concentration (ng/mL)	**10.5**	**48.0**	**811**	**BQL**	**BQL**	**6.95**

(1) Data based on a series of repeat preclinical studies using standard assay and uniform controls.
(2) Data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than obtained from the pharmaceutical company developing the compound.
Note:
BQL: Below Quantifiable Level

Toxicology Results

ZN-c3 was evaluated in 28-day repeat dose toxicology studies. Results of these studies showed many of the toxicities associated with other WEE1 inhibitors in development, including those reported for AZD1775.

Phase 1/2 Clinical Trial of ZN-c3

In November 2019, we initiated a Phase 1/2 open label, multi-center trial of ZN-c3 in patients with advanced solid tumors, which we refer to as our ZN-c3-001 Trial, to assess the safety, tolerability, efficacy, PK properties and pharmacodynamics of ZN-c3 as a single agent and in combination with a number of potential therapies, including PARP inhibitor. We plan to enroll up to 360 patients in this trial, which is being conducted at several sites in the United States. Our ZN-c3-001 Trial currently consists of a monotherapy dose escalation portion of the trial and a dose expansion portion to evaluate ZN-c3 as monotherapy and in combination with relevant combination therapies.

The primary objective of the Phase 1, monotherapy dose escalation portion of the trial is to assess the safety and tolerability of ZN-c3 as a single agent and to determine the MTD or RP2D. The secondary objectives are to assess the PK properties and obtain preliminary assessments of anti-tumor efficacy of ZN-c3 as a single agent, as well as exploratory PD characteristics.

We plan to enroll up to 70 patients in the Phase 1, monotherapy trial and the patient population will be limited to patients with solid tumors with advanced or metastatic disease who are refractory or ineligible to receive standard therapies, or for whom no standard therapy is available. We expect to report topline results from the Phase 1, monotherapy dose escalation portion of this trial in 2021.

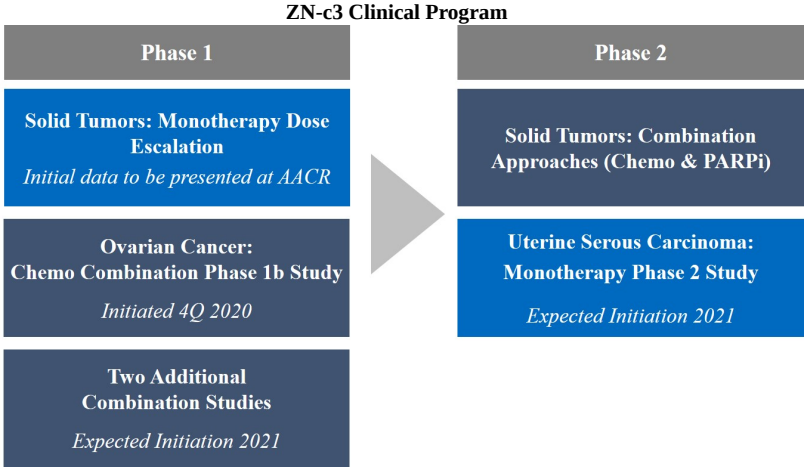
The primary objective of the dose expansion portion of the trial will be to assess the anti-tumor efficacy of ZN-c3 by objective response rate at the RP2D. The secondary objectives of the dose expansion portion will be to assess the anti-tumor efficacy of ZN-c3 by duration of response, clinical benefit rate and PFS as monotherapy, and to assess the PK parameters of ZN-c3.

Phase 1b Clinical Trial of ZN-c3

We initiated a Phase 1b, combination dose escalation clinical trial evaluating ZN-c3 in combination with chemotherapy in patients with advanced ovarian cancer in October 2020.

The primary objective of this Phase 1b, combination dose escalation trial is to determine the MTD or RP2D for ZN-c3 when administered in combination with chemotherapy.

ZN-c3 Clinical Program



Interim Clinical Results

Interim data is subject to change as more data on these patients and additional patients become available and are subject to audit and verification procedures that could result in material changes in the final data.

Safety Results

As of the June 19, 2020 database cutoff, in the Phase 1, monotherapy dose escalation portion of the ongoing ZN-c3-001 trial, a total of 22 patients were enrolled and dosed and had data available in the electronic data capture system: two (2) patients each at the dose levels of 25 mg, 50 mg, 200 mg and 300 mg, four (4) patients at 100 mg and ten (10) patients at 75 mg/day. Enrollment in the Phase 1, monotherapy dose escalation portion of this trial is ongoing, and a total of up to 50 patients may be enrolled.

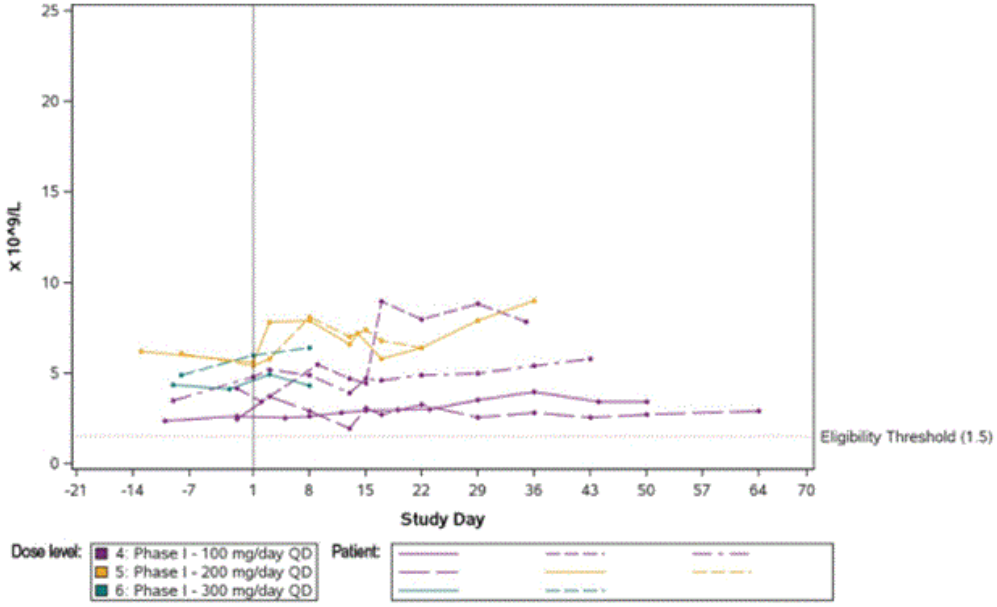
As of the June 19, 2020 database cutoff, no dose limiting toxicities were observed. TEAEs occurred in 21 of the 22 patients. Nausea was observed in seven (7) patients; diarrhea in six (6) patients; fatigue in five (5) patients; anemia in four (4) patients; and abdominal distention, decreased appetite, dyspnea, gamma-glutamyltransferase increased, pyrexia and vomiting in three patients each. All other adverse events were observed in one or two (2) patients each. A single TEAE of Grade 4 severity (ALT increased) was observed. TEAEs of Grade 3 severity included two (2) cases of gamma-glutamyltransferase increased, and single cases of anemia, hepatic enzyme increased, blood bilirubin increased, hypertension, sepsis, and AST increased. All other TEAEs were of Grade 1 or Grade 2 in severity. The Grade 3 TEAEs of sepsis, anemia (n = 2) and hepatic enzyme increase also accounted for four (4) of the six (6) serious adverse events reported. The other two serious adverse events included Grade 2 transient ischemic attack and large intestinal obstruction. No serious adverse event was deemed related to ZN-c3. There were no deaths reported.

Investigator assessed treatment-related adverse events occurred in 14 of 22 patients. These treatment-related adverse events included diarrhea and nausea in three patients each, fatigue and vomiting in two (2) patients each, and other single adverse events. A single treatment-related adverse event of Grade 4 severity (ALT increased) was observed. Grade 3 treatment-related adverse events reported included AST increased and hepatic enzyme increased. All others were of Grade 1 or Grade 2 in severity. None of the liver function test abnormalities were indicative of drug-induced liver injury. Of the two (2) patients with treatment-related hepatic enzyme increased, one had a history of ethanol use.

Overall, as of the June 19, 2020 database cutoff date, there was no increase in incidence or in severity of adverse events observed with increasing dosing levels.

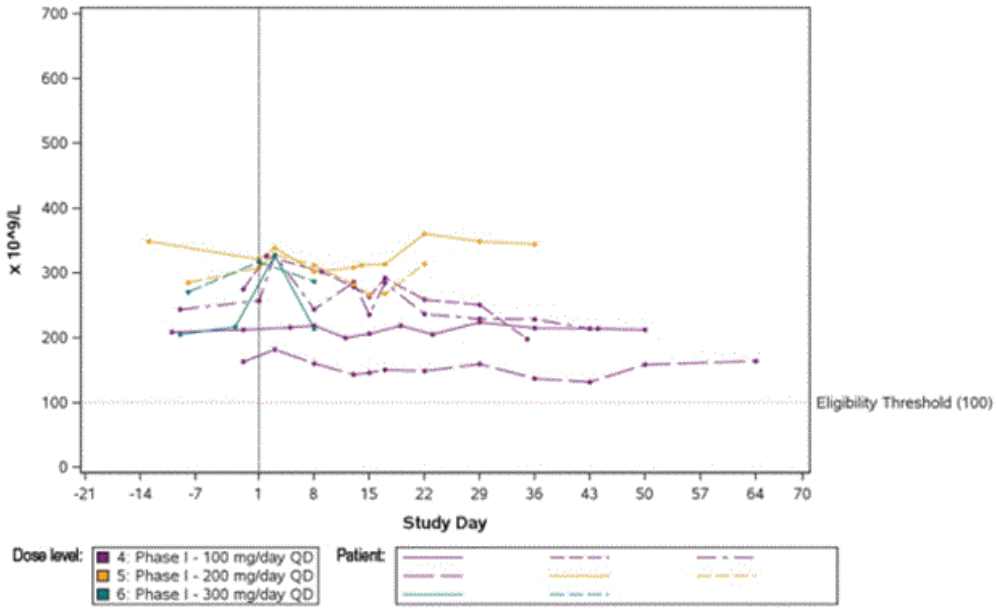
The following graphs show hematological parameters (neutrophilis, platelets or hemoglobin) on study for individual patients in each of the higher dose groups (100 mg/day, 200 mg/day and 300 mg/day). As of the June 19, 2020 database cutoff date, we have observed higher exposures with escalating doses of ZN-c3. Of note, these exposures have not led to a negative effect on hematological parameters (neutrophilis, platelets or hemoglobin).

ZN-c3-001 – Hematology – Neutrophils



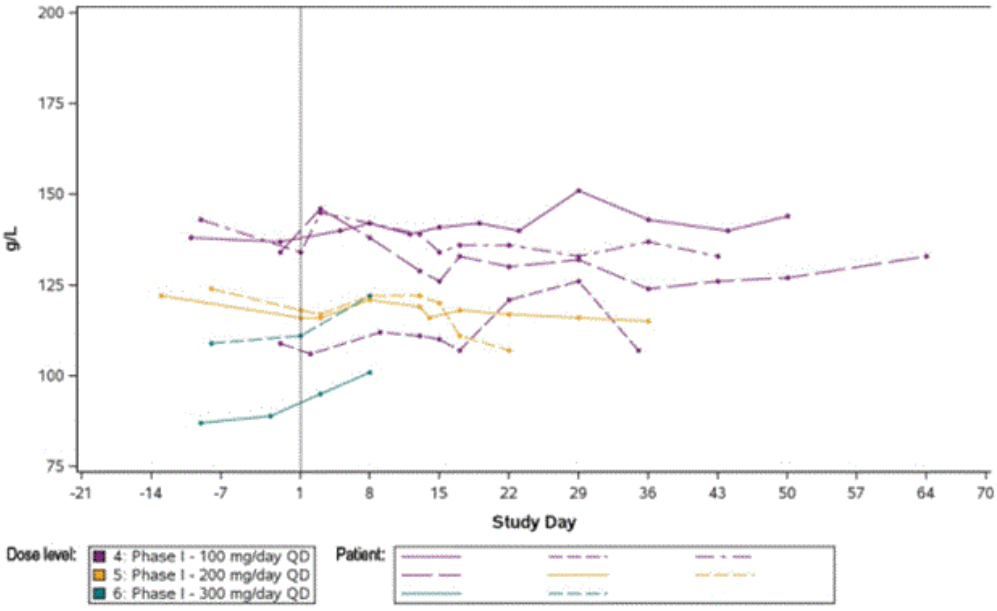
Notes:
QD: once daily

ZN-c3-001 – Hematology – Platelets



Notes:
QD: once daily

ZN-c3-001 – Hematology – Hemoglobin



Notes:
QD: once daily

ZN-c3 Pharmacokinetics Results

As of the June 19, 2020 database cutoff date, upon oral dosing at the dose levels of 25 mg to 200 mg, ZN-c3 was absorbed into the systemic circulation with the median T_{max} of one (1) to four (4) hours and the typical half-life was six (6) to nine (9) hours. As shown in the table below, C_{max} and AUC values of ZN-c3 increased in an approximately dose proportional manner on Day 1 and greater than dose proportionally on Day 15. Based on AUC, there was low to no ZN-c3 accumulation on Day 15 compared to Day 1, with accumulation ratios ranging between 0.72- and 2.38-fold.

Preliminary Pharmacokinetic Data for ZN-c3

		Day 1			Day 15			
Dose (mg)		**C_{max} (ng/mL)**	**T_{max} (hr)**	**AUC_{0-24hr} (ng*h/mL)**	**C_{max} (ng/mL)**	**T_{max} (hr)**	**AUC_{0-24hr} (ng*h/mL)**	**Accumulation by AUC_{last}**
25	**Mean**	**14.3**	**2**	**87.2**	**9.14**	**2**	**62.7**	**~0.72**
50	**Mean**	**54.6**	**2.5**	**533**	**47.8**	**4**	**594**	**1.12**
75	**Mean**	**122**	**2**	**1,100**	**152**	**1**	**1,330**	**1.67**
	SD	98.7	(1-4)	1,000	70.5	(0-24)	378	0.75
	CV	80.8		90.6	46.3		28.5	44.8
100	**Mean**	**124**	**1**	**1,120**	**199**	**3**	**1,620**	**1.56**
	SD	118	(1-24)	827	285	(1-24)	1,750	0.78
	CV	95.2		74.0	144		108	50.0
200	**Mean**	**353**	**2.0**	**2,870**	**712**	**2**	**6,160**	**2.38**
	SD	327	(1-4)	1,950	464	(1-2)	3,250	0.53
	CV	92.6		68.1	65.2		52.8	22.4

Notes:
Median (range) are listed for T_{max}
25 and 50 mg: n = 2; 75 mg: n =10 on Day 1 and n = 8 on Day 15; 100 mg: n = 4; 200 mg: n = 3

Data regarding clinical activity are premature at this point. Pharmacodynamic data will be collected in subsequent patients and will be reported in the future.

ZN-d5, an Inhibitor of BCL-2 for the Treatment of Hematologic Cancers

Overview

We are developing ZN-d5, an oral selective inhibitor of BCL-2, an intracellular protein that suppresses apoptosis for the treatment of cancers, with an initial focus on hematologic malignancies. We have applied our expertise to design ZN-d5 as an oral BCL-2 inhibitor and to have optimized potency, selectivity and PK.

We began enrolling subjects in a Phase 1 clinical trial evaluating ZN-d5 in patients with relapsed or refractory NHL and AML, in October 2020. This trial is initially enrolling subjects with NHL and we expect to open enrollment to subjects with AML in 2021. This dose-escalation study is designed to assess the safety, efficacy and PK of ZN-d5, and to determine the MTD and RP2D in NHL and AML. In 2021, we intend to initiate a Phase 1/2 clinical trial evaluating ZN-d5 as monotherapy and Phase 1b clinical trial in combination with ZN-c5, our oral SERD product candidate, in patients with ER+/HER2- breast cancer.

Role of BCL-2 in Hematological Cancers

The BCL-2 family of protein is most notable for its critical role in the regulation of apoptosis at the mitochondrion. Based upon their functions, BCL-2 family proteins are classified into pro-apoptotic and anti-apoptotic members. The anti-apoptotic BCL-2 proteins include BCL-2, B-cell lymphoma extra-large, or BCL-xL, myeloid cell leukemia-1, or MCL-1, and BCL-2 related protein Al.

The overexpression of BCL-2 and/or BCL-xL proteins is frequently detected in many different types of cancers, including chronic lymphatic leukemia, or CLL, SLL, AML, NHL (including follicular lymphoma, or FL, mantle-cell lymphoma, or MCL, diffuse large B-cell lymphoma, or DLBCL),Waldenström's macroglobulinemia, multiple myeloma, or MM, and small cell lung cancer, or SCLC. These overexpressed proteins prevent apoptosis of cancer cells. We believe the use of small molecule inhibitors to block the protein-protein interactions of BCL-2 and/or BCL-xL with their pro-apoptotic partners will restore the normal apoptosis process in cancer cells. This new cancer therapeutic strategy has been validated through the recent approval of Venetoclax as described below.

There have been many attempts to develop a new class of anticancer therapies that target BCL-2 and/or BCL-xL proteins. The intracellular localization of the BCL-2 family proteins on the mitochondrial membrane prevents the use of antibodies and other large molecules to target these anti-apoptotic BCL-2 family proteins. The large surface area involved in BCL-2 PPIs also makes BCL-2 family proteins difficult targets for small molecule drugs. Currently, venetoclax is the only FDA-approved BCL-2 inhibitor and, to our knowledge, there are only a small number of additional agents in active clinical development.

FDA-Approved BCL-2 Inhibitor, Venetoclax

Venetoclax, the only FDA-approved BCL-2 inhibitor (marketed by AbbVie and Genentech as Venclexta®), was initially developed to overcome unfavorable side effects of previously tested BCL-2 inhibitors resulting from BCL-xL inhibition, which is known to cause thrombocytopenia. Venetoclax has demonstrated clinical efficacy across a range of hematological malignancies and is now FDA-approved for the treatment of adult patients with CLL and SCC, and in combination with azacitidine, or decitabine, or low-dose cytarabine for the treatment of newly diagnosed AML in adults 75 years of age or older, or who have comorbidities that preclude use of intensive induction chemotherapy. Common adverse reactions for Venclexta in CLL/SLL include neutropenia, thrombocytopenia, anemia, diarrhea, nausea, upper respiratory tract infection, cough, musculoskeletal pain, fatigue, and edema, and in AML include nausea, diarrhea, thrombocytopenia, constipation, neutropenia, febrile neutropenia, fatigue, vomiting, edema, pyrexia, pneumonia, dyspnea, hemorrhage, anemia, rash, abdominal pain, sepsis, musculoskeletal pain, dizziness, cough, oropharyngeal pain, and hypotension (source: Venclexta prescribing information, February 18, 2021).

Promising results for venetoclax have been reported in a variety of other hematologic malignancies as monotherapy and in combination with other targeted agents as well as traditional cytotoxic chemotherapy. Worldwide sales of Venclexta® were approximately $1.3 billion in 2020, an increase of 69% from 2019.

Emerging Role of BCL-2 in Solid Tumors

Although the development of venetoclax has to date been primarily limited to hematologic cancers, a study in a panel of cell lines derived from a variety of tumors demonstrated that BCL-2 expression and venetoclax sensitivity has been observed in multiple solid tumors. These include SCLC, bone, breast, and nervous system tumors. A clinical trial of venetoclax in combination with tamoxifen in patients with ER+/BCL-2+ metastatic breast cancer showed a 54% response rate and clinical benefit rate of 75%, providing clinical evidence that BCL-2 inhibition is a viable target in solid tumors (source: Lok et al., Cancer Discovery 2019; 9:354-369. https://doi.org/10.1158/2159-8290.CD-18-1151).

Additionally, the efficacy of venetoclax used in combination with fulvestrant versus fulvestrant administered as monotherapy is being evaluated in an ongoing third-party Phase 2 clinical trial in patients with ER+/HER2- breast cancer.

Our BCL-2 Inhibitor: ZN-d5

ZN-d5 is our oral, small molecule BCL-2 inhibitor product candidate for the treatment of cancers, with the initial focus on hematologic malignancies. We have designed ZN-d5 to have the following characteristics:

- ***Potency***. In our preclinical studies, ZN-d5 was observed to be potent in cell lines and xenograft models across a variety of hematological malignancies.
- ***Selectivity***. In our *in vitro* studies, ZN-d5 showed more than 600 times greater selectivity for BCL-2 than BCL-xL. The inhibition of BCL-xL is a known cause of thrombocytopenia, a commonly reported toxicity in patients treated with venetoclax. We believe ZN-d5's greater selectivity for BCL-2 over BCL-xL observed in preclinical studies may support the use of ZN-d5 in combination with other drugs that are associated with a high rate of thrombocytopenia.
- ***Tolerability profile***. In our animal toxicity studies, ZN-d5 was observed to be well tolerated across various dosage levels.

We believe the observed properties of ZN-d5 make it an attractive candidate for evaluation as monotherapy and in combination with other therapies, initially for the treatment of hematological malignancies. As noted above, ZN-d5 entered clinical trials in the third quarter of 2020 in a Phase 1 dose escalation study that is currently enrolling NHL patients. Our plans for 2021 for ZN-d5 include opening enrollment in the ongoing study to patients with AML and launching a Phase 1b trial in combination with ZN-c5, our oral SERD product candidate, in patients with ER+/HER2- breast cancer in 2021.

Preclinical Results

Potency and Selectivity Across Hematological Malignancies

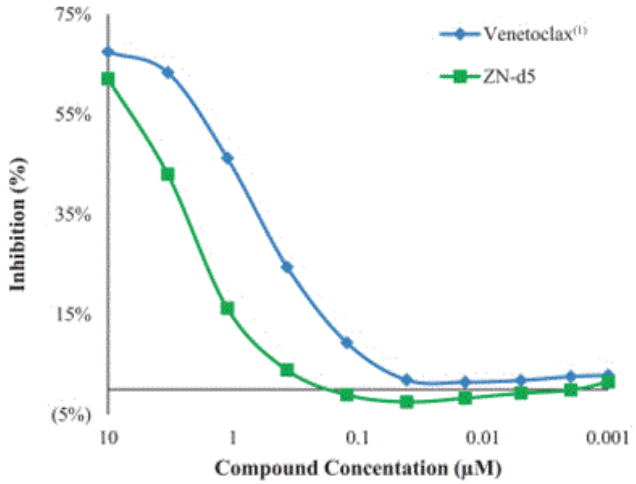
In an *in vitro* preclinical study, we assessed the selectivity and potency of ZN-d5 alongside venetoclax. As shown in the table below, we assessed the affinity of each agent as measured in nM in a biochemical assay. Based on these measurements, ZN-d5 showed 600 times greater selectivity for BCL-2 than BCL-xL, and we believe such selectivity may limit the incidence of thrombocytopenia observed in third-party clinical trials as a result of BCL-xL inhibition. We also observed that ZN-d5 was potent across hematological malignancy cell lines as measured by CellTiter-Glo, or CTG, a cell viability assay, shown in the table below.

	CTG IC_{50} (nM)								
	AFFINITY (nM)		ALL	MCL	DLBCL		AML		
COMPOUND	BCL-2 Kd	BCL-XL Kd	RS4;11	GRANTA-519	DOHH-2	TOLEDO	HL-60	MOLM-13	MV4-11
Venetoclax[1]	0.41	28	2.9	161	43	191	26	18	3.8
ZN-d5	0.29	190	5.1	89	50	92	21	39	5.1

(1) Data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than the pharmaceutical company commercializing the compound.

In a preclinical study, we also assessed the platelet toxicity of ZN-d5 against venetoclax, as measured by mM in a platelet viability assay. In each assay, ZN-d5 was observed to be less toxic to platelets than venetoclax, which we believe may limit the incidence of thrombocytopenia.

ZN-d5 Toxicity Compared to Venetoclax In *In Vitro* Assay



	CTG IC_{50} (µM)
Venetoclax[1]	0.6
ZN-d5	2.4

(1) Data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than the pharmaceutical company commercializing the compound.

Potency for BCL-2 Mutations

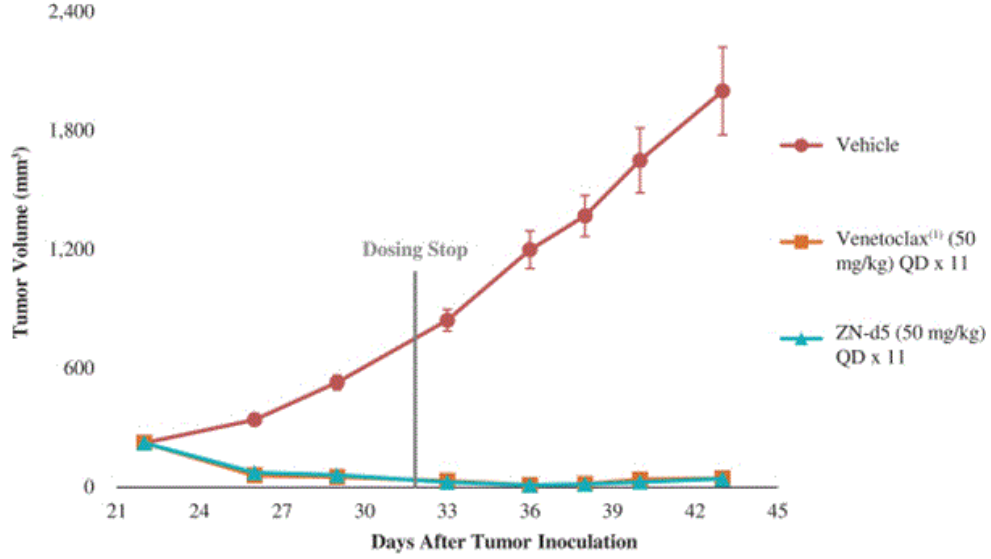
We believe genetic mutations in the BCL-2 gene may be responsible for a developed resistance to venetoclax observed in some CLL patients. In a third-party clinical trial, 16 of 29 patients acquired mutations in members of the BCL-2 family of proteins, 14 of which were a mutation in BCL-2. In nine (9) of those 14 patients, the BCL-2 mutation was detected after 24 months on venetoclax. In an *in vitro* preclinical study, we assessed the affinity of ZN-d5 alongside venetoclax, to bind to such BCL-2 mutations, as measured in nM. In each assay, ZN-d5 was observed to bind with higher affinity to such BCL-2 mutants as compared to venetoclax.

	IC_{50} (nM) BCL-2 Type			
COMPOUND	WT	G101V	F104L	D103Y
Venetoclax[1]	1.3	7.3	8.4	18.3
ZN-d5	1.4	3.7	1.4	5.0

(1) Data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than the pharmaceutical company commercializing the compound.

Anti-Tumor Activity of ZN-d5 in Xenograft Leukemia Model

In a preclinical study, we assessed the anti-tumor activity of ZN-d5, alongside venetoclax. In a RS4;11 xenograft leukemia mouse model, ZN-d5, dosed at 50 mg/kg daily for a period of 11 days, showed potent anti-tumor activity with tumors shrinking upon treatment and yielding durable complete responses after cessation of dosing to the end of the study, as shown in the graphic below. We observed similar results with venetoclax in this model.



(1) Venetoclax data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than the pharmaceutical company commercializing the compound.

Notes:
QD: Once daily

Toxicology

The IND enabling toxicology studies are currently ongoing.

ZN-e4, an Inhibitor of EGFR for the Treatment of NSCLC

Overview

We are developing ZN-e4, an irreversible inhibitor of EGFR, a regulator of a number of cellular functions, including proliferation and survival, and a driver of tumorigenesis in certain cancers, including lung cancer. We have designed ZN-e4 to be highly selective against mutant EGFR, and in animal studies, the metabolites of ZN-e4 do not include any compounds known to bind potently to the wild-type EGFR. We believe the presence of such, the production of which is believed to be responsible for the development of a number of toxicities, including skin rash. We believe that eliminating the formation of such a metabolite will allow for a wide therapeutic window. In addition, we believe a more tolerable EGFR inhibitor would, if approved, allow for use in combination while limiting the toxicity associated with use in combination.

We are conducting a Phase 1/2 clinical trial of ZN-e4 in patients with advanced NSCLC with activating EGFR mutations, which we refer to as our ZN-e4-001 Trial. We are actively evaluating potential combination therapies for future clinical development of ZN-e4. We will evaluate whether to initiate the Phase 2 portion of this trial upon the completion of the Phase 1 portion and after considering trial design, patient population and combination strategies. We expect to report topline results from the Phase 1 portion of the trial in 2021.

Role of EGFR Inhibition in NSCLC

Lung cancer is the leading cause of cancer death for both men and women, accounting for approximately 18% of all cancer deaths globally. There are an estimated 228,000 new cases of lung cancer diagnosed and 143,000 deaths in the United States annually. More than half of the people with lung cancer die within one year of being diagnosed. Non-small cell lung cancer, or NSCLC, accounts for approximately 80-85% of lung cancer cases. EGFR mutations are detected in approximately 10% to 15% and 30% to 40% of Caucasian and Asian patients, respectively, with NSCLC.

EGFR mutations lead to activation of EGFR signaling and oncogenic transformation both *in vitro* and *in vivo*. Cancers with EGFR mutations depend on EGFR signaling for growth and survival and are often sensitive to treatment with EGFR inhibitors. Two (2) inhibitors of EGFR were approved in the early 2000s to treat patients with advanced NSCLC based on antitumor responses in a subset of patients. These first-generation drugs, erlotinib and gefitinib, were reversible EGFR inhibitors. Although most NSCLC patients with EGFR mutations displayed an initial pronounced response to these first-generation EGFR inhibitors, they acquired resistance to the drugs after approximately nine (9) to 14 months of treatment. The T790M mutation of EGFR was the most common mechanism of such an acquired resistance, having been detected in over 50% of patients treated with EGFR inhibitors.

A second-generation of EGFR inhibitors was developed to address this treatment resistance and to improve upon the efficacy of the first-generation therapies. The second-generation of EGFR inhibitors, including afatinib, marketed as Gilotrif® by Boehringer Ingelheim, and dacomitib, marketed as Vizimpro® by Pfizer, are irreversible inhibitors which covalently bind to EGFR. As such, they are more potent, but are associated with increased toxicity. Further, T790M-mediated acquired resistance occurred at a similar frequency in patients receiving a second-generation therapy as those receiving first generation therapy. Third-generation therapies, such as osimertinib, specifically targeting the T790M mutation have been clinically shown to be a useful strategy in the treatment of NSCLC.

FDA-Approved Third-Generation EGFR Inhibitor, Osimertinib

Osimertinib, which represents the third-generation of EGFR inhibitors, targets EGFR mutations and acquired resistance EGFR mutations such as T790M in order to improve upon the efficacy of previous generations of EGFR inhibitors. In a randomized Phase 3 clinical trial in patients with EGFR-mutated metastatic NSCLC, osimertinib demonstrated a median PFS period of 18.9 months versus 10.2 months for the control arm in which patients received gefitinib or erlotinib. Based on these results, osimertinib was approved by the FDA in November 2015. AstraZeneca reported sales of Tagrisso® of $4.3 billion in 2020, an increase of 36% from 2019 and are expected to grow to $9.5 billion in 2026.

Osimertinib was also designed to have reduced potency against non-mutated, or wild-type, EGFR found in healthy cells, thereby minimizing the toxicities associated with first and second-generation EGFR inhibitors. Despite its observed success in addressing the T790M-mediated acquired resistance and improved efficacy, osimertinib has a similar adverse event profile to first and second-generation EGFR inhibitors. As demonstrated by third-party clinical data, approximately 60% of patients dosed with osimertinib reported rashes compared to 80% of those dosed with gefitinib or erlotinib and a range of 70% to 90% for the second-generation EGFR inhibitor, afatinib. In addition, similar levels of gastrointestinal disorders such as diarrhea were observed in each of the patient populations. Osimertinib also has warnings and precautions regarding interstitial lung disease, QT prolongation, a surrogate marker for the risk of developing tachycardias, cardiomyopathy, keratitis and Stevens-Johnson Syndrome.

We believe one of the major metabolites of osimertinib, AZ5104, which accounts for approximately 9% to 10% of the total drug concentration at clinical doses, may be contributing to these toxicities. In addition, the off-target toxicities are exacerbated by the long half-life of osimertinib.

Our EGFR Solution: ZN-e4

ZN-e4 is our irreversible EGFR inhibitor product candidate which we have designed to potently inhibit mutant EGFR, including the T790M resistance mutation. We have designed ZN-e4 to be highly selective against mutant EGFR and have observed in preclinical studies that the administration of ZN-e4 does not produce a metabolite potent for wild-type EGFR. We

have also designed ZN-e4 with improved physical-chemical characteristics, including improved solubility. In a head-to-head preclinical study, ZN-e4 showed greater than 450-fold solubility within 48 hours when compared to osimertinib.

We are evaluating ZN-e4 in our Phase 1/2 clinical trial in patients with advanced NSCLC. We believe ZN-e4, if approved, has the potential to be used as monotherapy and in combination with a number of therapies, including ZN-c3, our WEE1 inhibitor product candidate, if approved, tyrosine-protein kinase Met, or c-Met, inhibitors, mitogen-activated protein kinase, or MEK, inhibitors, and c-ros oncogene1 receptor tyrosine kinase, or ROS1, inhibitors. Results of various third-party preclinical studies and clinical trials support such combinations across a number of oncology indications and we continue to actively evaluate the potential of combinations for future clinical development with ZN-e4.

Preclinical Results

Selectivity Across EGFR Cell Lines

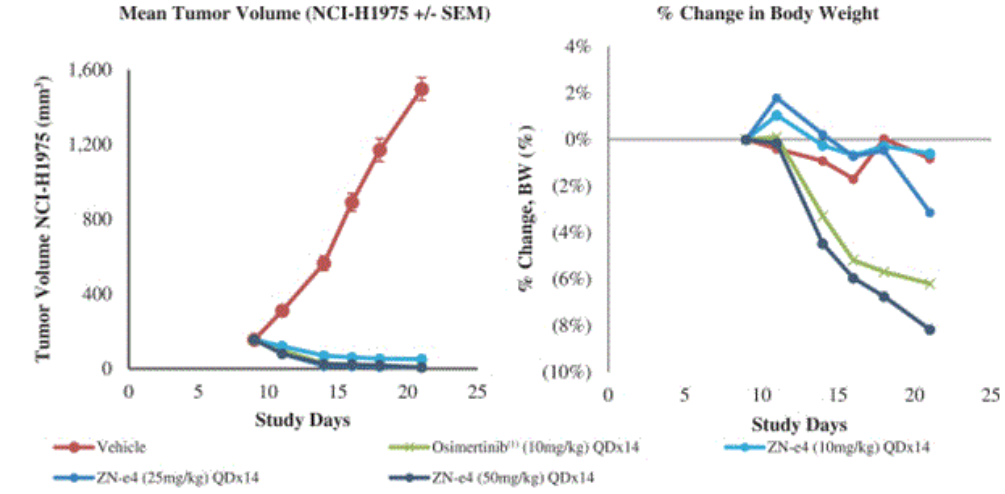
In a preclinical study, we evaluated the potency of ZN-e4 alongside osimertinib against three types of EGFR cell lines –double mutant (DM cell), single mutant (AM cell) and wild-type (WT cell). As shown in the table below, we observed similar potency in the DM and AM cell lines and three times greater selectivity than osimertinib based on the wild-type binding. In addition, we also observed that the administration of ZN-e4 did not produce a metabolite potent for wild type EGFR.

	DOUBLE MUTANT CELL IC_{50} (nM)	SINGLE MUTANT CELL IC_{50} (nM)	WILD-TYPE CELL IC_{50} (nM)
Osimertinib[(1)]: Core Drug	15	29	294
ZN-e4: Core Drug	**20**	**38**	**839**

(1) Osimertinib data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than the pharmaceutical company commercializing the compound.

Anti-tumor Activity, Tolerability and Solubility of ZN-e4

In a preclinical study, we evaluated the anti-tumor activity of ZN-e4 alongside that of osimertinib. In a NCI-H1975 NSCLC tumor model in which there is a double mutation in EGFR, T790M and L858R, oral dosing of ZN-e4 for 14 days at the dose tested, 10 mg/kg, induced complete tumor regression, as did 10 mg/kg osimertinib dosed orally. In addition, ZN-e4 at this dose was well tolerated in these models with no apparent loss in body weight throughout the study. In contrast, the 10 mg/kg dose of osimertinib led to a loss of greater than 8% of total body weight. We observed a similar loss of body weight with ZN-e4 when we increased the dose to 50 mg/kg, roughly five (5) times the dose we found to reduce tumor volumes.



(1) Osimertinib data based on evaluation of comparable proxy chemical compound purchased from commercial sources rather than the pharmaceutical company commercializing the compound.

Note:
QD: Once daily

We also assessed the relative solubility of ZN-c3, alongside a proxy chemical compound of osimertinib, using a standard *in vitro* assay. The solubility of ZN-e4 was observed to be 1,614,000 nM, greater than 450 fold the solubility that of osimertinib which was observed at 3,500 nM. In addition, we did not observe confirmed cardiac toxicity as measured by the standard electrophysiological hERG safety assay.

Phase 1/2 Clinical Trial of ZN-e4

In April 2018, we initiated dosing in a Phase 1/2 open label, multi-center trial of ZN-e4 in patients with advanced NSCLC with activating EGFR mutations who have progressed following therapy with an EGFR tyrosine kinase inhibitor, which we refer to as our ZN-e4-001 Trial, to assess the safety, tolerability, PK and anti-tumor activity of ZN-e4. The study is currently being conducted across multiple sites in the United States, it consists of a Phase 1, monotherapy 3+3 dose escalation portion of this trial and a Phase 2 portion of this trial.

The primary objective of the Phase 1 portion of this trial is to determine the MTD of ZN-e4 as an oral monotherapy. The secondary objectives include assessing the safety and tolerability, determining a RP2D and characterizing the PK, of ZN-e4.

As of February 5, 2020, 19 patients had been enrolled in this trial in seven (7) dose level cohorts. We expect to report topline results from the Phase 1 portion of this trial in 2021. We will evaluate whether to initiate the Phase 2 portion of this trial upon the completion of the Phase 1 portion and after considering trial design, patient population and combination strategies.

Interim and Preliminary Clinical Results

As of the February 5, 2020 database cutoff date, we completed dosing in six (6) of our dose escalation cohorts and have enrolled two (2) patients in cohort seven. Nineteen patients have been enrolled and treated with doses of ZN-e4 ranging from 20 mg to 480 mg, once daily. At baseline, the mean age of the enrolled population was 63.9 years (range 38 to 86 years) and consisted of 47% females and 53% males. Of the enrolled patients, six (6) (31.6%) are continuing treatment and 13 (68.4%) have discontinued treatment, nine (9) of which were due to disease progression.

Enrolled patients have received the following prior lines of cancer treatment: EGFR tyrosine kinase inhibitors (16 of 19 patients), chemotherapy (12 of 19 patients), osimertinib (11 of 19 patients), immunotherapy (five (5) of 19 patients), investigational EGFR tyrosine kinase inhibitors (two (2) of 19 patients) and EGFR monoclonal antibodies (two (2) of 19 patients). Of the enrolled patients, 12 of the 19 had one to three prior systemic cancer regimens, and seven (7) of the 19 had four (4) or more.

The interim and preliminary data described herein are subject to change as more data on these patients and additional patients become available and are subject to authorization and verification procedures that could result in material changes in the final data.

Interim ZN-e4 Preliminary Safety Results

As of the February 5, 2020 database cutoff date, ZN-e4 was generally well tolerated. One patient reported a dose-limiting toxicity at the 320 mg dose level. The trial is currently ongoing at a dose level of 480 mg.

TEAEs occurred in 18 of 19 patients. No serious adverse events were reported. Two (2) deaths occurred during the safety reporting time period of the study, each due to progression of disease and determined to not be related to treatment.

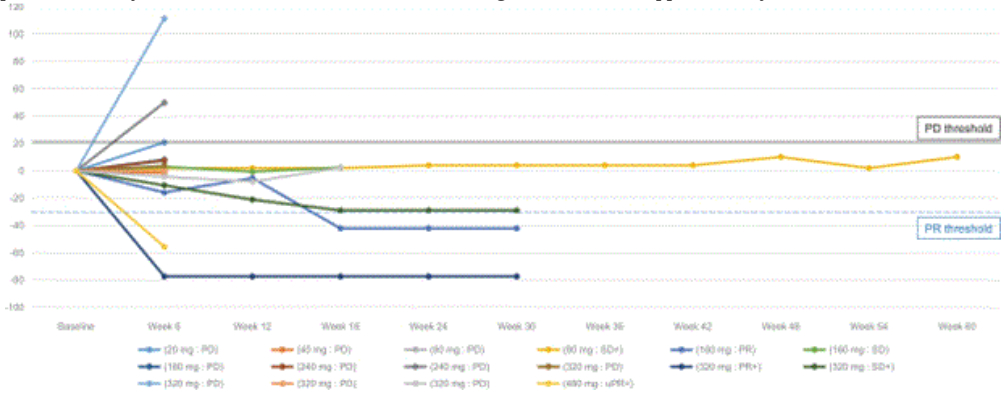
The most frequent of these TEAEs observed were diarrhea (11 of 19 patients), nausea (six (6) of 19 patients), fatigue (six (6) of 19 patients), back pain (five (5) of 19 patients), cough (five (5) of 19 patients), dyspnea (four (4) of 19 patients) and vomiting (four (4) of 19 patients). All cases of diarrhea were Grade 1 except for one which was Grade 2. Rash of Grade 1 severity was only reported in one patient.

Investigator-assessed, treatment-related adverse events occurred in 11 of 19 patients. Of these treatment-related adverse events, nine (9) of 19 patients reported treatment-related adverse events of Grade 1 or Grade 2 severity and two (2) of 19 patients reported treatment-related adverse events of Grade 3 in severity; one case of dysphagia and two (2) cases of fatigue.

As of the February 5, 2020 database cutoff date, there was no apparent increase of incidence or severity of adverse events with increased dose.

Interim and Preliminary Efficacy Results

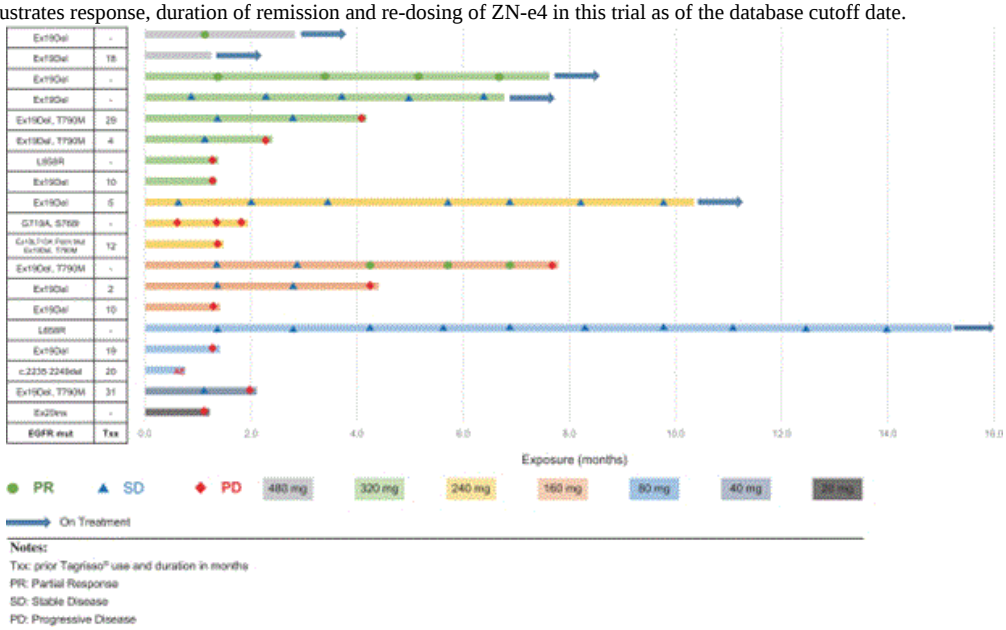
As of the February 5, 2020 database cutoff date, we observed that two (2) patients, each of which was osimertinib naïve and one of which had the T790M mutation, had confirmed PR by RECIST criteria as showing their best overall response, one dosed at 160 mg and one at 320 mg. One patient dosed at 480 mg showed an unconfirmed PR as of the cutoff date. One other patient currently with stable disease had a reduction in target lesion size of approximately 29%.



Notes:
Includes data for the 16 evaluable patients as of the February 5, 2020 database cutoff date.
(zz mg : rr) indicates: (dose : best response, + if ongoing)

As of the database cutoff date, one patient had a treatment duration of 15.2 months and another patient had a treatment duration of 10.3 months.

The following table illustrates response, duration of remission and re-dosing of ZN-e4 in this trial as of the database cutoff date.



Notes:
Txx: prior Tagrisso® use and duration in months
PR: Partial Response
SD: Stable Disease
PD: Progressive Disease

Drug Pharmacokinetics

As of the February 5, 2020 database cutoff date, PK results were available for the first 17 patients dosed in our ZN-e4 Trial. The PK results from such patients showed rapid absorption into the systemic circulation, with typical median Tmax values

of two (2) to four (4) hours. The exposures were observed to be dose dependent. Little to no ZN-e4 accumulation at steady state on day 15 of once daily dosing was observed with mean day 15 to day one AUC ratios of 1.0-1.8.

		DAY 15 (STEADY STATE)		
Dose (mg)		C_{max} (ng/mL)	T_{max} (hr)	$AUC_{0\text{-}8hr}$ (ng*h/mL)
20	**Mean**	**55.9**	**8**	**376**
(n=1)				
40	**Mean**	**36.9**	**8**	**179**
(n=1)				
80	**Mean**	**144**	**4**	**945**
(n=1)	*SD*	*65.3*	*(2-4)*	*487*
160	**Mean**	**382**	**4**	**2,440**
(n=3)	*SD*	*274*	*(2-4)*	*1,630*
240	**Mean**	**532**	**4**	**3,730**
(n=3)	*SD*	*117*	*(4-6)*	*926*
320	**Mean**	**388**	**4**	**2,550**
(n=5)	*SD*	*203*	*(2-4)*	*1,410*

Notes:

Median (range) are listed for T_{max}

Manufacturing

We currently do not own or operate any manufacturing facilities. We rely, and expect to continue to rely for the foreseeable future, on third-party contract manufacturing organizations, or CMOs, to produce our product candidates for preclinical and clinical testing, as well as for commercial manufacture if our product candidates receive marketing approval. We require that our CMOs produce bulk drug substances and finished drug products in accordance with current Good Manufacturing Practices, or cGMPs, and all other applicable laws and regulations. We maintain agreements with our manufacturers that include confidentiality and intellectual property provisions to protect our proprietary rights related to our product candidates.

We have engaged CMOs to manufacture and package ZN-c5, ZN-c3, ZN-d5 and ZN-e4 for preclinical and clinical use. Additional CMOs are used to label and distribute ZN-c5, ZN-c3 and ZN-e4 for clinical use. We obtain our supplies from these CMOs on a purchase order basis and do not have long-term supply arrangements in place. Although we do not currently have contractual arrangements in place for redundant supply for all of these product candidates, it is our goal to identify and contract with at least two (2) manufacturers for active pharmaceutical ingredient and two (2) manufacturers for drug product. More broadly, for each of our product candidates, we intend to identify and qualify additional manufacturers to provide the active pharmaceutical ingredient and fill-and-finish services prior to seeking regulatory approval.

Competition

The biotechnology and pharmaceutical industries are characterized by rapid technological advancement, significant competition and an emphasis on intellectual property. We face potential competition from many different sources, including major and specialty pharmaceutical and biotechnology companies, academic research institutions, governmental agencies and public and private research institutions. Any product candidates that we successfully develop and commercialize will compete with current therapies and new therapies that may become available in the future.

Many of the companies against which we may compete have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Mergers and acquisitions in the pharmaceutical, biotechnology and diagnostic industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize medicines that are safer, more effective, have fewer or less severe side effects, are more convenient or less expensive than any medicines we may develop. Our competitors also may obtain FDA or other regulatory approval for their product candidates more rapidly than we may obtain approval for ours, which could result in competitors establishing a strong market position before we are able to enter the market. We believe that the key competitive factors affecting the success of any of our product candidates, if approved, will include efficacy, combinability, safety profile, convenience, cost, level of promotional activity devoted to them and intellectual property protection.

If the product candidates for our priority programs are approved for the indications we are currently targeting, they will compete with the drugs discussed below. Furthermore, it is possible that other companies are also engaged in discovery or preclinical development of drug candidates for the same indications. These competitors, if successful in clinical development, may achieve regulatory approval and market adoption in advance of our product candidates, constraining our ability to gain significant market share for such product candidates. In addition, our product candidates, if approved, will complete with multiple approved drugs or drugs that may be approved for future indications for which we develop such product candidate.

Intellectual Property

We strive to protect the proprietary technology, inventions and improvements that are commercially important to our business, including seeking, maintaining, and defending patent rights, whether developed internally or licensed from third parties. We also rely on know-how relating to our proprietary technology and product candidates and continuing innovation to develop, strengthen and maintain our proprietary position. We also plan to rely on data exclusivity, market exclusivity and patent term extensions when available. Our commercial success will depend in part on our ability to obtain and maintain patent and other proprietary protection for our technology, inventions and improvements; to defend and enforce our proprietary rights, including any patents that we may own in the future; and to operate without infringing the valid and enforceable patents and other proprietary rights of third parties. Intellectual property rights may not address all potential threats to our competitive advantage.

With respect to our product candidates and processes we intend to develop and commercialize in the normal course of business, we intend, or understand that our licensors intend, to pursue patent protection covering, when possible, compositions, methods of use, dosing and formulations. We or our licensors also may pursue patent protection with respect to manufacturing and drug development processes and technologies. Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies. We or our licensors may not be able to obtain patent protections for our compositions, methods of use, dosing and formulations, manufacturing and drug development processes and technologies throughout the world. Issued patents can provide protection for varying periods of time, depending upon the date of filing of the patent application, the date of patent issuance and the legal term of patents in the countries in which they are obtained. In general, patents issued for applications filed in the United States can provide exclusionary rights for 20 years from the earliest effective filing date. In addition, in certain instances, the term of an issued U.S. patent that is directed to or claims an FDA-approved product can be extended to recapture a portion of the term effectively lost as a result of the FDA regulatory review period, which is called “patent term extension.” The restoration period cannot be longer than five years and the total patent term, including the restoration period, must not exceed 14 years following FDA approval. The term of patents outside of the United States varies in accordance with the laws of the foreign jurisdiction, but typically is also 20 years from the earliest effective filing date. However, the actual protection afforded by a patent varies on a product-by-product basis, from country-to-country, and depends upon many factors, including the type of patent, the scope of its coverage, the availability of regulatory-related extensions, the availability of legal remedies in a particular country, and the validity and enforceability of the patent. Patent term may be inadequate to protect our competitive position on our products for an adequate amount of time.

The patent positions of companies like ours are generally uncertain and involve complex legal and factual questions. No consistent policy regarding the scope of claims allowable in patents in the field of biopharmaceuticals has emerged in the United States. The relevant patent laws and their interpretation outside of the United States is also uncertain. Changes in either the patent laws or their interpretation in the United States and other countries may diminish our ability to protect our technology or product candidates and could affect the value of such intellectual property. In particular, our ability to stop third parties from making, using, selling, offering to sell or importing products that infringe our intellectual property will depend in part on our success in obtaining and enforcing patent claims that cover our technology, inventions and improvements. We cannot guarantee that patents will be granted with respect to any of our pending patent applications or with respect to any patent applications we may file in the future, nor can we be sure that any patents that may be granted to us in the future will be commercially useful in protecting our products, the methods of use or manufacture of those products. Moreover, even our issued patents do not guarantee us the right to practice our technology in relation to the commercialization of our products. Patent and other

intellectual property rights in the pharmaceutical and biotechnology space are evolving and involve many risks and uncertainties. For example, third parties may have blocking patents that could be used to prevent us from commercializing our product candidates and practicing our proprietary technology, and our issued patents may be challenged, invalidated, deemed unenforceable or circumvented, which could limit our ability to stop competitors from marketing-related products or could limit the term of patent protection that otherwise may exist for our product candidates. In addition, the scope of the rights granted under any issued patents may not provide us with protection or competitive advantages against competitors with similar technology. Furthermore, our competitors may independently develop similar technologies that are outside the scope of the rights granted under any issued patents. For these reasons, we may face competition with respect to our product candidates. Moreover, because of the extensive time required for development, testing and regulatory review of a potential product, it is possible that, before any particular product candidate can be commercialized, any patent directed to such product may expire or remain in force for only a short period following commercialization, thereby reducing the commercial advantage the patent provides.

In-licensed Patents and Patent Applications

Recurium IP Holdings, LLC or Zeno Management, Inc., are currently the listed owner/assignee, or retained the exclusive license to 51 families of patent applications directed to our technology across our pipeline. As of March 22, 2021, our in-licensed portfolio consists of fourteen U.S. patents and eighteen foreign patents in nine (9) jurisdictions, including Europe, Australia, New Zealand, China, Hong Kong, India, Japan, Singapore and Taiwan.

As of March 22, 2021, 15 of the 51 families have a single application pending, and 36 of 51 families have multiple applications pending. The 51 families include 45 U.S. applications (including pending U.S. provisional patent applications and pending U.S. non-provisional patent applications), 43 PCT applications and more than 200 international applications in approximately 18 countries, including major markets in North America, South America, Europe and Asia, each having a nominal expiration date ranging from 2034 to 2041. The nominal expiration of our patents and patent applications does not account for any applicable patent term adjustments or extensions.

U.S. Patent No. 10,513,509, or the ‘509 Patent, includes claims directed to composition of matter, including ZN-e4, a pharmaceutical composition, a method for inhibiting replication of a malignant growth or a tumor, a method for ameliorating or treating a cancer and a method for inhibiting the activity of EGFR. The ‘509 Patent has an expected expiration date in May 2037. However, we believe the ‘509 Patent may be eligible for a patent term extension under the Hatch-Waxman Act.

One of the aforementioned pending U.S. and PCT patent applications includes claims directed to ZN-c5, ZN-c3 or ZN-d5, and has an expected expiration in 2037 (ZN-c5) and 2039 (ZN-c3 and ZN-d5). However, there can be no assurance that any of our pending in-licensed patent applications will issue. Furthermore, there can be no assurance that we will benefit from any patent term extension or favorable adjustments to the term of any of our in-licensed issued patents or patents that are issued in the future. The applicable authorities, including the FDA in the United States, may not agree with our assessment of whether such patent term extensions should be granted, and, if granted, they may grant more limited extensions than we request.

Trademarks

As of July 8, 2020, our trademark portfolio contains the following trademarks applications or registrations. U.S. trademark applications are pending for each of the marks ZENTALIS and the stylized “Z” mark. The mark ZENO has a registered U.S. trademark. Applications to register the marks ZENO and ZENTALIS have been filed internationally. The portfolio has an International Madrid Trademark Application designating Australia, Europe, Israel, Japan, Mexico, New Zealand, the Russian Federation, the United Kingdom and Singapore for the mark ZENO. The portfolio also has pending applications for registration and/or a registration has issued for one or more classes in Argentina, Brazil, Canada, Hong Kong and Taiwan for the mark ZENO. The portfolio also has an International Madrid Trademark Application designating Australia, Brazil, Canada, China, Europe, the United Kingdom, Israel, India, Japan, Korea, Mexico, New Zealand, the Russian Federation and Singapore for the mark ZENTALIS. The portfolio also has pending applications for registration in Argentina, Hong Kong, and Taiwan for the mark ZENTALIS.

Furthermore, we rely upon know-how, continuing technological innovation and potential in-licensing opportunities to develop and maintain our competitive position. We seek to protect our proprietary information, in part, using confidentiality and invention assignment agreements with our commercial partners, collaborators, employees, and consultants. These agreements are designed to protect our proprietary information and, in the case of the invention assignment agreements, to grant us ownership of technologies that are developed through a relationship with an employee or a third party. These agreements may be breached, and we may not have adequate remedies for any such breach. To the extent that our commercial partners,

collaborators, employees and consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Licensing Agreements and Strategic Collaborations

Recurium IP Holdings, LLC

In December 2014, and as amended and restated effective as of December 2017 and September 2019 and as amended in May 2020, we entered into a license agreement, or the Recurium Agreement, with Recurium IP Holdings, LLC, or Recurium IP under which we were granted an exclusive worldwide license to certain intellectual property rights owned or controlled by Recurium IP to develop and commercialize pharmaceutical products for the treatment or prevention of disease, other than for pain. In connection with the May 2020 amendment, we clarified certain aspects of the sublicensing payment provisions. We have the right to sublicense our rights under the Recurium Agreement, subject to certain conditions. We are required to use commercially reasonable efforts to develop and commercialize at least one product that comprises or contains a licensed compound and to execute certain development activities.

Under the terms of the Recurium Agreement, we are obligated to make development and regulatory milestone payments, pay royalties for net sales and make sublicensing payments with respect to certain licensed products directed to one of ten specific biological targets, including ZN-c5, ZN-c3 and ZN-e4. We are obligated to make development and regulatory milestone payments for such licensed products of up to $44.5 million. In addition, we are obligated to make milestone payments up to $150,000 for certain licensed products used in animals. We are also obligated to pay royalties on sales of such licensed products at a mid- to high-single digit percentage. In addition, if we choose to sublicense or assign to any third parties our rights under the Recurium Agreement with respect to such licensed products, we must pay to Recurium IP 20% of sublicensing income received in connection with such transaction.

Our royalty obligations will expire on a licensed product-by-licensed product and country-by-country basis on the later of fifteen years from the date of first commercial sale or when there is no longer a valid patent claim covering such licensed product in such country. The Recurium Agreement will expire on the later of on a country-by-country basis the expiration of royalty term for all licensed products in such country and December 21, 2032. The Recurium Agreement may be terminated in its entirety either by Recurium or by us in the event of an uncured material breach by the other party, in the event the other party is subject to specified bankruptcy, insolvency or similar circumstances, or in the event of a force majeure event under certain circumstances.

Upon termination of the Recurium Agreement for any reason, all rights and licenses granted to us under the agreement will terminate and revert to Recurium, and in the event of certain termination events, we would grant Recurium worldwide, royalty-bearing rights to our licensed products and transfer to Recurium any regulatory filings and data for such licensed products.

Mayo Foundation for Medical Education and Research

In February 2016, and as amended in April 2017 and December 2017, we entered into an option agreement, or the Mayo Agreement, with Mayo Foundation for Medical Education and Research under which we were granted an exclusive option to obtain a nonexclusive worldwide license to know-how and an exclusive worldwide license to related patent rights created by Mayo under the Mayo Agreement. The Mayo Agreement provided that it will expire on the date of the last to expire of the Mayo patent rights or, if no Mayo patent rights arise, on February 11, 2021. No Mayo patent rights were created under the Mayo Agreement and therefore the agreement expired on February 11, 2021. In consideration for the grant of know-how we provided grants of common stock on the first anniversary and Class A common units on the second and third anniversaries following entry into the Mayo Agreement. As of December 31, 2020, we have granted equity securities which amount to 15,435 shares of common stock under the Mayo Agreement.

SciClone Pharmaceuticals International (Cayman) Development Ltd.

In December 2014, and as amended in December 2016, we entered into a collaboration and license agreement, or the SciClone Agreement, with SciClone Pharmaceuticals International (Cayman) Development Ltd., or SciClone, under which we granted an exclusive license to certain intellectual property rights in the People’s Republic of China (including the territories of Macao and Hong Kong), South Korea, Taiwan and Vietnam, or the SciClone Territory, for SciClone to develop and commercialize a licensed product for the treatment or prevention of oncologic diseases and an exclusive option to obtain a similar license for up to two (2) additional licensed products. Under the SciClone Agreement, SciClone is responsible for clinical development activities required in order to obtain regulatory approval in the SciClone Territory. SciClone paid to us a

one-time up-front payment of $1.0 million upon entering into the SciClone Agreement, and $4.0 million in aggregate milestone payments. No additional development or commercial milestones or reimbursement for research and development expenses are payable under the SciClone Agreement, as amended. We are entitled to receive a mid-single digit royalty on net sales of licensed products in the SciClone Territory, which royalty is subject to certain reductions in the event that SciClone is unable to achieve certain gross margins or if generic products are sold or if technology covering a licensed product is licensed from a third party. We have also agreed to pay SciClone tiered royalties pursuant to the terms of the SciClone Agreement, the applicable rate of which are determined based on whether a compound is developed to a successful dual IND submission and the costs incurred by SciClone for the development of such product candidate. SciClone's and our royalty obligations will expire on a licensed product-by-licensed product and country-by-country basis on the later of fifteen years from the date of first commercial sale or when there is no longer a valid patent claim covering such licensed product in such country.

Following the December 2016 amendment to the SciClone Agreement, SciClone retains the exclusive license to develop our EGFR inhibitor product candidate, ZN-e4, in the SciClone Territory and the exclusive option to obtain an exclusive license to up to two (2) specified compounds under the SciClone Agreement for which we submit an IND by providing notice and paying $5 million to us. The SciClone Agreement will expire at the later of on a country-by-country basis the expiration of royalty term for all licensed products in such country and 15 years after the effective date of such agreement. The SciClone Agreement may be terminated in its entirety or on a country-by-country basis by SciClone upon 180 days' notice or either by SciClone or by us in its entirety in the event of an uncured material breach by the other party, in the event the other party is subject to specified bankruptcy, insolvency or similar circumstances, or in the event of a force majeure event under certain circumstances.

Pfizer Clinical Trial Collaboration and Supply Agreement

In May 2018, we entered into a clinical trial collaboration and supply agreement with Pfizer, Inc. to evaluate the safety, tolerability and efficacy of ZN-c5 in combination with their CDK4/6 inhibitor, palbociclib, in our ongoing Phase 1/2 clinical trial of ZN-c5. Pursuant to this agreement, we will be responsible for the conduct and cost of the relevant studies, under the supervision of a joint development committee made up of our representatives and representatives of Pfizer that meets quarterly. Pfizer will supply palbociclib for use in the ZN-c5-001 Trial, at no cost to us. We are required to provide to Pfizer clinical data and other reports upon completion of the ZN-c5-001 Trial.

This agreement does not grant any right of first negotiation to participate in future clinical trials, and each of the parties retains all rights and ability to evaluate their respective compounds in any clinical studies, either as monotherapy or in combination with any other product or compound, in any therapeutic area.

The agreement with Pfizer will expire upon completion of all obligations of the parties thereunder or upon termination by either party. We and Pfizer each have the right to terminate the agreement for material breach by the other party. In addition, the agreement may be terminated by either party due to safety considerations or if either party decides to discontinue development of its own compound for medical, scientific, legal or other reasons or if a regulatory authority takes any action preventing that party from supplying its compound for the study. Pfizer also has the right to terminate this agreement if it notifies us in writing that it reasonably and in good faith believes that palbociclib is being used in an unsafe manner, and we fail to incorporate changes to address such issue, and the joint development committee is unable to resolve the issue following elevation to appropriate parties.

Eli Lilly and Company Clinical Trial Collaboration and Supply Agreement

In July 2020, we entered into a clinical trial collaboration and supply agreement with Eli Lilly and Company, or Lilly, to evaluate ZN-c5 in combination with their CDK 4/6 inhibitor, abemaciclib, in a planned Phase 1b open label multi-center clinical trial that we intend to initiate in the second half of 2020. Pursuant to this agreement, we will be responsible for the conduct and cost of the relevant studies. We and Lilly will each designate a project manager that will meet no less than twice yearly and will be responsible for implementing and coordinating activities, and facilitating the exchange of information, with respect to the study. Lilly is obligated to supply abemaciclib for use in the trial, at no cost to us. We are required to provide to Lilly clinical data and other reports at major decision points during the trial and no later than 60 days following completion of the planned Phase 1b clinical trial.

This agreement does not grant any right of first negotiation to participate in future clinical trials, and each of the parties retains all rights and ability to evaluate their respective compounds in any clinical studies, either as monotherapy or in combination with any other product or compound, in any therapeutic area.

The agreement with Lilly will expire upon completion of all obligations of the parties thereunder or upon termination by either party. We and Lilly each have the right to terminate the agreement for material breach by the other party. In addition, the agreement may be terminated by either party due to safety considerations or if either party decides to discontinue development of its own compound for medical, scientific, legal or other reasons or if a regulatory authority takes any action preventing that party from supplying its compound for the study. Lilly also has the right to terminate this agreement if it notifies us in writing that it reasonably and in good faith believes that abemaciclib is being used in an unsafe manner, and we fail to incorporate changes to address such issue, and the issue is unable to be resolved following elevation to appropriate parties.

Zentera Therapeutics

In May 2020, each of our subsidiaries Zeno Alpha, Inc., K-Group Alpha, Inc. and K-Group Beta, Inc. entered into a collaboration and license agreement with our majority-owned joint venture, Zentera Therapeutics (Cayman), Ltd., or Zentera (the "Zentera Sublicenses"), pursuant to which we collaborate with Zentera on the development and commercialization of ZN-c5, ZN-d5 and ZN-c3, respectively, whether alone or in a licensed product ("Collaboration Products") in each case for the treatment or prevention of disease, other than for pain (the "Zentera Field"), in the People's Republic of China, Macau, Hong Kong and Taiwan (the "Zentera Collaboration Territory"). Under each Zentera Sublicense, Zentera will lead development, and upon regulatory approval, the commercialization, of the Collaboration Products in the Zentera Collaboration Territory. On May 19, 2020, Zentera issued an aggregate of 60.2% of its issued shares of common stock to Zeno Alpha, Inc., K-Group Alpha, Inc., K-Group Beta, Inc., Zeno Management, Inc. and Zeno Beta, Inc. Anthony Y. Sun, M.D., our President and Chief Executive Officer, serves as Chief Executive Officer and a member of the board of directors of Zentera and Kevin D. Bunker, Ph.D, our Chief Operating Officer, serves as a member of the board of directors of Zentera.

Under each Zentera Sublicense, we granted Zentera an exclusive, royalty-bearing license under certain of our technology, including technology licensed from Recurium under the Recurium Agreement, to develop and commercialize the Collaboration Products in the Zentera Field and in the Zentera Collaboration Territory, subject to certain rights that we retain, and upon a successful manufacturing transfer, a non-exclusive license under certain of our manufacturing technology to manufacture Collaboration Products in the Zentera Field and in the Zentera Collaboration Territory. Zentera has the right to sublicense its rights under the Zentera Sublicenses subject to certain conditions.

Under the terms of the Zentera Sublicenses, Zentera is responsible for the costs of developing the Collaboration Products in the Zentera Collaboration Territory, and we are responsible for the costs of developing the Collaboration Products outside the Zentera Collaboration Territory, provided that Zentera will reimburse us for a portion of its costs for global data management, pharmacovigilance, safety database management, and chemistry, manufacturing and controls activities with respect to each Collaboration Product. Under the Zentera Sublicenses, we will be eligible to receive future development and regulatory milestones of up to $4.45 million per Collaboration Product. Zentera will pay us royalties on net sales of Collaboration Products in the Zentera Collaboration Territory at a mid- to high-single digit percentage subject to certain reductions. In addition, if Zentera or its affiliate chooses to sublicense or assign to any third parties its rights under the Zentera Sublicenses with respect to any Collaboration Product, Zentera must pay to us 20% of sublicensing income received by Zentera or its affiliates in connection with such transaction.

Zentera's royalty obligations continue with respect to each region within the Collaboration Territory and each Collaboration Product until the later of (i) the date on which such Collaboration Product is no longer covered by a valid claim of a licensed patent, and (ii) the 15th anniversary of the first commercial sale of such Collaboration Product in such region. Each Zentera Sublicense will expire on a region-by-region basis at the expiration of the royalty term for the Collaboration Product in such region.

Each Zentera Sublicense may be terminated in its entirety either by Zentera or by us in the event of an uncured material breach by the other party, in the event the other party is subject to bankruptcy, insolvency or similar circumstances, or in the event of a force majeure event under certain circumstances. In addition, Zentera may terminate each Zentera Sublicense upon 180 days' notice to us after the first regulatory approval of the licensed compound in the People's Republic of China, or if the applicable licensed compound does not achieve regulatory approval in the People's Republic of China within the timeframe set forth in the initial regional development plan or as otherwise agreed by the parties. We may terminate each Zentera Sublicense if Zentera fails to meet certain diligence obligations under such Zentera Sublicense.

Upon termination of each Zentera Sublicense for any reason, all rights and licenses granted to Zentera under the agreement will terminate and revert to us. In the event of termination, Zentera would assign to us certain intellectual property related to the applicable Collaboration Products and transfer to Zentera any regulatory filings and data for such Collaboration Products, and, in the event of termination by Zentera for convenience, due to a breach by us, or due to our insolvency, we

would pay Zentera royalties at a mid-single digit percentage on net sales in the Zentera Collaboration Territory of any Collaboration Product for which clinical trial data was generated by Zentera until certain of Zentera's development, manufacturing and certain commercialization costs accrued, if any, have been reimbursed.

Government Regulation and Product Approval

Government authorities in the United States, at the federal, state and local level, and other countries extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, marketing and export and import of products such as those we are developing. A new drug must be approved by the FDA through the NDA process before it may be legally marketed in the United States.

U.S. Drug Development Process

In the United States, the FDA regulates drugs under the federal Food, Drug, and Cosmetic Act, or the FDCA, and its implementing regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources.

The process required by the FDA before a drug may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests, animal studies and formulation studies in accordance with FDA's good laboratory practice requirements and other applicable regulations;
- submission to the FDA of an IND, which must become effective before human clinical trials may begin;
- approval by an independent IRB ethics committee at each clinical site before each trial may be initiated;
- performance of adequate and well-controlled human clinical trials in accordance with GCP requirements to establish the safety and efficacy of the proposed drug for its intended use;
- submission to the FDA of an NDA after completion of all pivotal trials;
- satisfactory completion of an FDA advisory committee review, if applicable;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug is produced to assess compliance with cGMP requirements to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity, and of selected clinical investigation sites to assess compliance with GCPs; and
- FDA review and approval of the NDA to permit commercial marketing of the product for particular indications for use in the United States.

Prior to beginning the first clinical trial with a product candidate in the United States, a sponsor must submit an IND to the FDA. An IND is a request for authorization from the FDA to administer an investigational new drug product to humans. The central focus of an IND submission is on the general investigational plan and the protocol(s) for clinical studies. The IND also includes results of animal and *in vitro* studies assessing the toxicology, pharmacokinetics, pharmacology, and pharmacodynamic characteristics of the product; chemistry, manufacturing, and controls information; and any available human data or literature to support the use of the investigational product. An IND must become effective before human clinical trials may begin. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30- day time period, raises safety concerns or questions about the proposed clinical trial. In such a case, the IND may be placed on clinical hold and the IND sponsor and the FDA must resolve any outstanding concerns or questions before the clinical trial can begin. Submission of an IND therefore may or may not result in FDA authorization to begin a clinical trial.

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with GCPs, which include the requirement that all research subjects provide their informed consent for their participation in any clinical study. Clinical trials are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. A separate submission to the existing IND must be made for each successive clinical trial conducted during product development and for any subsequent protocol amendments. Furthermore, an independent IRB for each site proposing to conduct the clinical trial must review and approve the plan for any clinical trial and its informed consent form before the clinical trial begins at that site and must monitor the study until completed. Regulatory authorities, the IRB or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk or that the trial is unlikely to meet its stated objectives. Some studies also include oversight by an independent group of qualified experts organized by the clinical study sponsor, known as a data safety monitoring board, which provides authorization for whether or not a study may move forward at designated check points based on access to certain data from the study and may halt the clinical trial if it determines that there is an unacceptable safety risk for subjects or other grounds, such as no demonstration of

efficacy. There are also requirements governing the reporting of ongoing clinical studies and clinical study results to public registries.

Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

- Phase 1: The product candidate is initially introduced into healthy human subjects or patients with the target disease or condition. These studies are designed to test the safety, dosage tolerance, absorption,
  metabolism and distribution of the investigational product in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence on effectiveness. In the case of some products for severe or life-threatening diseases, such as cancer, especially when the product may be too inherently toxic to ethically administer to healthy volunteers, the initial human testing is often conducted in patients.
- Phase 2: The product candidate is administered to a limited patient population with a specified disease or condition to evaluate the preliminary efficacy, optimal dosages and dosing schedule and to identify possible adverse side effects and safety risks. Multiple Phase 2 clinical trials may be conducted to obtain information prior to beginning larger and more expensive Phase 3 clinical trials.
- Phase 3: The product candidate is administered to an expanded patient population to further evaluate dosage, to provide statistically significant evidence of clinical efficacy and to further test for safety, generally at multiple geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk/benefit ratio of the investigational product and to provide an adequate basis for product approval.

Post-approval trials, sometimes referred to as Phase 4 studies, may be conducted after initial marketing approval. These trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In certain instances, the FDA may mandate the performance of Phase 4 clinical trials as a condition of approval of an NDA.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the drug and finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, the manufacturer must develop methods for testing the identity, strength, quality and purity of the final drug. In addition, appropriate packaging must be selected and tested, and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

During the development of a new drug, sponsors are given opportunities to meet with the FDA at certain points. These points may be prior to submission of an IND, at the end of Phase 2, and before an NDA is submitted. Meetings at other times may be requested. These meetings can provide an opportunity for the sponsor to share information about the data gathered to date, for the FDA to provide advice, and for the sponsor and the FDA to reach agreement on the next phase of development. Sponsors typically use the meetings at the end of the Phase 2 trial to discuss Phase 2 clinical results and present plans for the pivotal Phase 3 clinical trials that they believe will support approval of the new drug.

While the IND is active and before approval, progress reports summarizing the results of the clinical trials and nonclinical studies performed since the last progress report must be submitted at least annually to the FDA, and written IND safety reports must be submitted to the FDA and investigators for serious and unexpected suspected adverse events, findings from other studies suggesting a significant risk to humans exposed to the same or similar drugs, findings from animal or *in vitro* testing suggesting a significant risk to humans, and any clinically important increased incidence of a serious suspected adverse reaction compared to that listed in the protocol or investigator brochure.

U.S. Review and Approval Process

Assuming successful completion of all required testing in accordance with all applicable regulatory requirements, the results of product development, preclinical and other non-clinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests conducted on the chemistry of the drug, proposed labeling and other relevant information are submitted to the FDA as part of an NDA requesting approval to market the product. The submission of an NDA is subject to the payment of substantial user fees; a waiver of such fees may be obtained under certain limited circumstances. Additionally, no user fees are assessed on NDAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

The FDA reviews an NDA to determine, among other things, whether a product is safe and effective for its intended use and whether its manufacturing is cGMP-compliant to assure and preserve the product’s identity, strength, quality and purity. Under the Prescription Drug User Fee Act, or PDUFA, guidelines that are currently in effect, the FDA has a goal of ten months

from the date of "filing" of a standard NDA for a new molecular entity to review and act on the submission. This review typically takes twelve months from the date the NDA is submitted to FDA because the FDA has approximately two (2) months to make a "filing" decision after it the application is submitted. The FDA conducts a preliminary review of all NDAs within the first 60 days after submission, before accepting them for filing, to determine whether they are sufficiently complete to permit substantive review The FDA may request additional information rather than accept an NDA for filing. In this event, the NDA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing.

The FDA may refer an application for a novel drug to an advisory committee. An advisory committee is a panel of independent experts, including clinicians and other scientific experts, that reviews, evaluates and provides a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

Before approving an NDA, the FDA will typically inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP and adequate to assure consistent production of the product within required specifications. Additionally, before approving a NDA, the FDA will typically inspect one or more clinical sites to assure compliance with GCPs. If the FDA determines that the application, manufacturing process or manufacturing facilities are not acceptable, it will outline the deficiencies in the submission and often will request additional testing or information. Notwithstanding the submission of any requested additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

After the FDA evaluates an NDA, it will issue an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the drug with prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete, and the application will not be approved in its present form. A Complete Response Letter usually describes the specific deficiencies in the NDA identified by the FDA and may require additional clinical data, such as an additional pivotal Phase 3 trial or other significant and time-consuming requirements related to clinical trials, nonclinical studies or manufacturing. If a Complete Response Letter is issued, the sponsor must resubmit the NDA or, addressing all of the deficiencies identified in the letter, or withdraw the application. Even if such data and information are submitted, the FDA may decide that the NDA does not satisfy the criteria for approval.

If regulatory approval of a product is granted, such approval will be granted for particular indications and may entail limitations on the indicated uses for which such product may be marketed. For example, the FDA may approve the NDA with a REMS to ensure the benefits of the product outweigh its risks. A REMS is a safety strategy to manage a known or potential serious risk associated with a medicine and to enable patients to have continued access to such medicines by managing their safe use, and could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries, and other risk minimization tools. The FDA also may condition approval on, among other things, changes to proposed labeling or the development of adequate controls and specifications. Once approved, the FDA may withdraw the product approval if compliance with pre- and post-marketing requirements is not maintained or if problems occur after the product reaches the marketplace. The FDA may also require one or more Phase 4 post-market studies and surveillance to further assess and monitor the product's safety and effectiveness after commercialization, and may limit further marketing of the product based on the results of these post-marketing studies. In addition, new government requirements, including those resulting from new legislation, may be established, or the FDA's policies may change, which could impact the timeline for regulatory approval or otherwise impact ongoing development programs.

In addition, the Pediatric Research Equity Act, or PREA, requires a sponsor to conduct pediatric clinical trials for most drugs, for a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration. Under PREA, original NDAs and supplements must contain a pediatric assessment unless the sponsor has received a deferral or waiver. The required assessment must evaluate the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The sponsor or FDA may request a deferral of pediatric clinical trials for some or all of the pediatric subpopulations. A deferral may be granted for several reasons, including a finding that the drug is ready for approval for use in adults before pediatric clinical trials are complete or that additional safety or effectiveness data needs to be collected before the pediatric clinical trials begin. The FDA must send a non-compliance letter to any sponsor that fails to submit the required assessment, keep a deferral current or fails to submit a request for approval of a pediatric formulation.

Expedited Development and Review Programs

The FDA offers a number of expedited development and review programs for qualifying product candidates. For example, the FDA has a fast track designation program that is intended to expedite or facilitate the process for reviewing new drug products that meet certain criteria. Specifically, new drugs are eligible for fast track designation if they are intended to treat a serious or life-threatening disease or condition and demonstrate the potential to address unmet medical needs for the disease or condition. Fast track designation applies to the combination of the product and the specific indication for which it is being studied. The sponsor of a fast track product candidate has opportunities for more frequent interactions with the applicable FDA review team during product development. With regard to a fast track product, the FDA may consider for review sections of the NDA on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the NDA, the FDA agrees to accept sections of the NDA and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the NDA.

A product candidate intended to treat a serious or life-threatening disease or condition may also be eligible for Breakthrough Therapy designation to expedite its development and review. A product candidate can receive Breakthrough Therapy designation if preliminary clinical evidence indicates that the product candidate, alone or in combination with one or more other drugs or biologics, may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. The designation includes all of the fast track program features, as well as more intensive FDA interaction and guidance beginning as early as Phase 1 and an organizational commitment to expedite the development and review of the product candidate, including involvement of senior managers.

Any product candidate submitted to the FDA for approval, including a product candidate with a fast track designation, may also be eligible for other types of FDA programs intended to expedite development and review, such as priority review and accelerated approval. A product candidate is eligible for priority review if it has the potential to provide a significant improvement in the treatment, diagnosis or prevention of a disease compared to marketed products. The FDA will attempt to direct additional resources to the evaluation of an application for a new drug designated for priority review in an effort to facilitate the review. The FDA endeavors to review applications with priority review designations within six (6) months of the filing date as compared to ten months for review of new molecular entity NDAs under its current PDUFA review goals.

In addition, a product candidate may be eligible for accelerated approval. Drug products intended to treat serious or life-threatening diseases or conditions may be eligible for accelerated approval upon a determination that the product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. As a condition of approval, the FDA may require that a sponsor of a drug receiving accelerated approval perform adequate and well-controlled post-marketing clinical trials to verify and describe the anticipated effect on irreversible morbidity or mortality or other clinical benefit. Products receiving accelerated approval may be subject to expedited withdrawal procedures if the sponsor fails to conduct the required post-marketing studies or if such studies fail to verify the predicted clinical benefit. In addition, the FDA currently requires pre-approval of promotional materials as a condition for accelerated approval, which could adversely impact the timing of the commercial launch of the product.

Fast track designation, breakthrough therapy designation, priority review, and accelerated approval do not change the standards for approval, but may expedite the development or approval process. Even if a product candidate qualifies for one or more of these programs, the FDA may later decide that the product candidate no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened.

Post-approval Requirements

Any products manufactured or distributed by us pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to record-keeping, reporting of adverse experiences, periodic reporting, product sampling and distribution, and advertising and promotion of the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims, are subject to prior FDA review and approval. There also are continuing, annual program fees for any marketed products. Drug manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. Changes to the manufacturing process are strictly regulated, and, depending on the significance of the change, may require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP and impose reporting requirements upon us and any third-party manufacturers that we may decide to use. Accordingly, manufacturers must continue

to expend time, money and effort in the area of production and quality control to maintain compliance with cGMP and other aspects of regulatory compliance.

The FDA may withdraw approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters, or untitled letters;
- clinical holds on clinical studies;
- refusal of the FDA to approve pending applications or supplements to approved applications, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products;
- consent decrees, corporate integrity agreements, debarment or exclusion from federal healthcare programs;
- mandated modification of promotional materials and labeling and the issuance of corrective information;
- the issuance of safety alerts, Dear Healthcare Provider letters, press releases and other communications containing warnings or other safety information about the product; or
- injunctions or the imposition of civil or criminal penalties.

The FDA closely regulates the marketing, labeling, advertising and promotion of drug products. A company can make only those claims relating to safety and efficacy, purity and potency that are approved by the FDA and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses. Failure to comply with these requirements can result in, among other things, adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. Physicians may prescribe, in their independent professional medical judgment, legally available products for uses that are not described in the product's labeling and that differ from those tested by us and approved by the FDA. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, restrict manufacturer's communications on the subject of off-label use of their products. The federal government has levied large civil and criminal fines against companies for alleged improper promotion of off-label use and has enjoined companies from engaging in off-label promotion. The FDA and other regulatory agencies have also required that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed. However, companies may share truthful and not misleading information that is otherwise consistent with a product's FDA-approved labelling.

Marketing Exclusivity

Market exclusivity provisions authorized under the FDCA can delay the submission or the approval of certain marketing applications. The FDCA provides a five-year period of non-patent marketing exclusivity within the United States to the first applicant to obtain approval of an NDA for a new chemical entity. A drug is a new chemical entity if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the action of the drug substance. During the exclusivity period, the FDA may not approve or even accept for review an abbreviated new drug application, or ANDA, or an NDA submitted under Section 505(b)(2), or 505(b)(2) NDA, submitted by another company for another drug based on the same active moiety, regardless of whether the drug is intended for the same indication as the original innovative drug or for another indication, where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four (4) years if it contains a certification of patent invalidity or non-infringement to one of the patents listed with the FDA by the innovator NDA holder.

The FDCA alternatively provides three years of marketing exclusivity for an NDA, or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example new indications, dosages or strengths of an existing drug. This three-year exclusivity covers only the modification for which the drug received approval on the basis of the new clinical investigations and does not prohibit the FDA from approving ANDAs or 505(b)(2) NDAs for drugs containing the active agent for the original indication or condition of use. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of

reference to any preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness.

Pediatric exclusivity is another type of marketing exclusivity available in the United States. Pediatric exclusivity provides for an additional six (6) months of marketing exclusivity attached to another period of exclusivity if a sponsor conducts clinical trials in children in response to a written request from the FDA. The issuance of a written request does not require the sponsor to undertake the described clinical trials. In addition, orphan drug exclusivity, as described above, may offer a seven-year period of marketing exclusivity, except in certain circumstances.

Other Healthcare Laws

Pharmaceutical and medical device manufacturers are subject to additional healthcare regulation and enforcement by the federal government and by authorities in the states and foreign jurisdictions in which they conduct their business. Such laws include, without limitation, U.S. federal anti-kickback, fraud and abuse, false claims, consumer fraud, pricing reporting, data privacy and security, and transparency laws and regulations as well as similar foreign laws in the jurisdictions outside the U.S. Similar state and local laws and regulations may also restrict business practices in the pharmaceutical industry, such as state anti-kickback and false claims laws, which may apply to business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers, or by patients themselves; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information; state and local laws which require tracking gifts and other remuneration and items of value provided to physicians, other healthcare providers and entities or that require the registration of pharmaceutical sales representatives; and state and local laws that require the registration of pharmaceutical sales representatives; and state and local laws governing the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts. Violation of any of such laws or any other governmental regulations that apply may result in penalties, including, without limitation, significant administrative, civil and criminal penalties, damages, fines, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, the curtailment or restructuring of operations, exclusion from participation in governmental healthcare programs and imprisonment.

Coverage and Reimbursement

Sales of any pharmaceutical product depend, in part, on the extent to which such product will be covered by third-party payors, such as federal, state and foreign government healthcare programs, commercial insurance and managed healthcare organizations, and the level of reimbursement for such product by third-party payors. Significant uncertainty exists as to the coverage and reimbursement status of any newly approved product. Decisions regarding the extent of coverage and amount of reimbursement to be provided are made on a plan-by-plan basis. One third-party payor's decision to cover a particular product does not ensure that other payors will also provide coverage for the product. As a result, the coverage determination process can require manufactures to provide scientific and clinical support for the use of a product to each payor separately and can be a time-consuming process, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance. For products administered under the supervision of a physician, obtaining coverage and adequate reimbursement may be particularly difficult because of the higher prices often associated with such drugs. Additionally, separate reimbursement for the product itself or the treatment or procedure in which the product is used may not be available, which may impact physician utilization. In addition, companion diagnostic tests require coverage and reimbursement separate and apart from the coverage and reimbursement for their companion pharmaceutical or biological products. Similar challenges to obtaining coverage and reimbursement, applicable to pharmaceutical or biological products, will apply to companion diagnostics.

In addition, third-party payors are increasingly reducing reimbursements for pharmaceutical products and services. The U.S. government and state legislatures have continued implementing cost-containment programs, including price controls, restrictions on coverage and reimbursement and requirements for substitution of generic products. Third-party payors are more and more challenging the prices charged, examining the medical necessity and reviewing the cost effectiveness of pharmaceutical products, in addition to questioning their safety and efficacy. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit sales of any product. Decreases in third-party reimbursement for any product or a decision by a third-party payor not to cover a product could reduce physician usage and patient demand for the product.

In international markets, reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. Pharmaceutical products may face competition from lower-priced products in foreign countries that have placed price controls on pharmaceutical products and may also compete with imported foreign products. Furthermore, there is no assurance that a product will be considered medically reasonable and necessary for a specific indication, will be considered cost-effective by third-party payors, that an adequate level of reimbursement will be established even if coverage is available or that the third-party payors' reimbursement policies will not adversely affect the ability for manufacturers to sell products profitably.

Healthcare Reform

In the United States and certain foreign jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the healthcare system. In March 2010, the ACA was signed into law, which substantially changed the way healthcare is financed by both governmental and private insurers in the United States. By way of example, the ACA increased the minimum level of Medicaid rebates payable by manufacturers of brand name drugs from 15.1% to 23.1%; required collection of rebates for drugs paid by Medicaid managed care organizations; imposed a non-deductible annual fee on pharmaceutical manufacturers or importers who sell certain "branded prescription drugs" to specified federal government programs, implemented a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted, or injected; expanded eligibility criteria for Medicaid programs; created a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research; and established a Center for Medicare Innovation at CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending.

Since its enactment, there have been judicial, executive and Congressional challenges to certain aspects of the ACA. For example, in 2017, Congress enacted the Tax Act, which eliminated the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." In addition, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the ACA-mandated "Cadillac" tax on high-cost employer-sponsored health coverage and, effective January 1, 2021, also eliminated the health insurer tax. On December 14, 2018, a Texas U.S. District Court Judge ruled that the individual mandate is a critical and inseverable feature of the ACA, and therefore, because it was repealed as part of the Tax Act, the remaining provisions of the ACA are invalid as well. On December 18, 2019, the U.S. Court of Appeals for the 5th Circuit ruled that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. The U.S. Supreme Court is currently reviewing the case, although it is unclear when a decision will be made or how the Supreme Court will rule. In addition, there may be other efforts to challenge, repeal or replace the ACA. We are continuing to monitor any changes to the ACA that, in turn, may potentially impact our business in the future.

Other legislative changes have been proposed and adopted since the ACA was enacted, including aggregate reductions of Medicare payments to providers of 2% per fiscal year and reduced payments to several types of Medicare providers, which will remain in effect through 2030, with the exception of a temporary suspension from May 1, 2020 through March 31, 2021, absent additional congressional action. Moreover, there has recently been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed and enacted legislation designed, among other things, to bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs and reform government program reimbursement methodologies for pharmaceutical products. The likelihood of success of these and other measures proposed by the previous administration is unclear, particularly in light of the current administration. In addition, individual states in the United States have also become increasingly active in implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures and, in some cases, mechanisms to encourage importation from other countries and bulk purchasing. Furthermore, there has been increased interest by third party payors and governmental authorities in reference pricing systems and publication of discounts and list prices.

FDA Approval and Regulation of Companion Diagnostics

If safe and effective use of a therapeutic depends on an *in vitro* diagnostic, then the FDA generally will require approval or clearance of that diagnostic, known as a companion diagnostic, at the same time that the FDA approves the therapeutic product. In August 2014, the FDA issued final guidance clarifying the requirements that will apply to approval of therapeutic products and in vitro companion diagnostics. According to the guidance, if FDA determines that a companion diagnostic device is essential to the safe and effective use of a novel therapeutic product or indication, FDA generally will not approve the therapeutic product or new therapeutic product indication if the companion diagnostic device is not approved or cleared for that indication. Approval or clearance of the companion diagnostic device will ensure that the device has been adequately evaluated and has adequate performance characteristics in the intended population. The review of in vitro companion diagnostics in conjunction with the review of our therapeutic treatments for cancer will, therefore, likely involve coordination of review by the FDA's Center for Drug Evaluation and Research and the FDA's Center for Devices and Radiological Health Office of In Vitro Diagnostics and Radiological Health.

Under the FDCA, in vitro diagnostics, including companion diagnostics, are regulated as medical devices. In the United States, the FDCA and its implementing regulations, and other federal and state statutes and regulations govern, among other things, medical device design and development, preclinical and clinical testing, premarket clearance or approval, registration and listing, manufacturing, labeling, storage, advertising and promotion, sales and distribution, export and import, and post-market surveillance. Unless an exemption applies, diagnostic tests require marketing clearance or approval from the FDA prior to commercial distribution. The two (2) primary types of FDA marketing authorization applicable to a medical device are premarket notification, also called 510(k) clearance, and premarket approval, or PMA approval.

The PMA process, including the gathering of clinical and preclinical data and the submission to and review by the FDA, can take several years or longer. It involves a rigorous premarket review during which the applicant must prepare and provide the FDA with reasonable assurance of the device's safety and effectiveness and information about the device and its components regarding, among other things, device design, manufacturing and labeling. PMA applications are subject to an application fee. In addition, PMAs for certain devices must generally include the results from extensive preclinical and adequate and well-controlled clinical trials to establish the safety and effectiveness of the device for each indication for which FDA approval is sought. In particular, for a diagnostic, a PMA application typically requires data regarding analytical and clinical validation studies. As part of the PMA review, the FDA will typically inspect the manufacturer's facilities for compliance with the Quality System Regulation, or QSR, which imposes elaborate testing, control, documentation and other quality assurance requirements.

PMA approval is not guaranteed, and the FDA may ultimately respond to a PMA submission with a not approvable determination based on deficiencies in the application and require additional clinical trial or other data that may be expensive and time-consuming to generate and that can substantially delay approval. If the FDA's evaluation of the PMA application is favorable, the FDA typically issues an approvable letter requiring the applicant's agreement to specific conditions, such as changes in labeling, or specific additional information, such as submission of final labeling, in order to secure final approval of the PMA. If the FDA's evaluation of the PMA or manufacturing facilities is not favorable, the FDA will deny approval of the PMA or issue a not approvable letter. A not approvable letter will outline the deficiencies in the application and, where practical, will identify what is necessary to make the PMA approvable. The FDA may also determine that additional clinical trials are necessary, in which case the PMA approval may be delayed for several months or years while the trials are conducted and then the data submitted in an amendment to the PMA. If the FDA concludes that the applicable criteria have been met, the FDA will issue a PMA for the approved indications, which can be more limited than those originally sought by the applicant. The PMA can include post-approval conditions that the FDA believes necessary to ensure the safety and effectiveness of the device, including, among other things, restrictions on labeling, promotion, sale and distribution. Once granted, PMA approval may be withdrawn by the FDA if compliance with post approval requirements, conditions of approval or other regulatory standards are not maintained or problems are identified following initial marketing.

After a device is placed on the market, it remains subject to significant regulatory requirements. Medical devices may be marketed only for the uses and indications for which they are cleared or approved. Device manufacturers must also establish registration and device listings with the FDA. A medical device manufacturer's manufacturing processes and those of its suppliers are required to comply with the applicable portions of the QSR, which cover the methods and documentation of the design, testing, production, processes, controls, quality assurance, labeling, packaging and shipping of medical devices. Domestic facility records and manufacturing processes are subject to periodic unscheduled inspections by the FDA. The FDA also may inspect foreign facilities that export products to the United States.

Environmental, Social and Governance (ESG) Highlights

Social

Zentalis is committed to driving social impact through our therapeutics and operating in a way that is respectful and inclusive of all stakeholders. Below are a few initiatives that demonstrate our commitment to social impact:

- We are committed to the safety and wellbeing of our employees and our stakeholders. Our employees receive rigorous annual trainings on general safety, on-site lab safety procedures, quality assurance and standard operating procedures (QA SOPs) to help ensure that we are managing risks and operating safely.
- We are committed to being an equal opportunity employer and enhancing diversity and inclusion across our business. Our Code of Business Conduct and Ethics prohibits discrimination of any protected group and our employees participate in regular anti-harassment training, with managers receiving additional manager-specific anti-harassment training.
- We are always working to enrich our diversity and inclusion, or D&I, strategies and performance, and we are proud of the gender diversity we have cultivated throughout the company and our management team. Over 44% of our VPs and above are female and 50% of our C-suite team is female. We intend to continue to develop our D&I practices and improve performance across our workforce.
- We are dedicated to building a talented team and as such offer competitive compensation and comprehensive benefits to attract and retain top talent. In addition to offering benefits such as medical, dental, vision, 401(k) with company matching, flexible spending for healthcare and dependent care, life insurance and both short and long-term disability, we offer work / life balance benefits and employee development opportunities. These include flexible time off (vacation, sick leave, company shutdown during the holiday season), voluntary life-illness-accident insurance, wellness challenges and healthy food options onsite. We also have a variety of company-wide events to support camaraderie and encourage teamwork and collaboration.
- In 2021, we expect to commence the first offering period under the Zentalis Pharmaceuticals, Inc. 2020 Employee Stock Purchase Plan for all full-time employees –a benefit we are proud to offer and that we believe will help to foster our corporate culture and encourage collaboration towards our shared business success.
- In an effort to ensure the safety of our staff and clinical patients during the COVID-19 pandemic, we have closed our corporate offices in New York City temporarily and have been operating our labs in San Diego on rotational schedules to maintain proper social distancing while keeping our science and discovery work on track.
- In 2020, we launched several new benefits for our employees to ease the transition to working from home during the COVID-19 pandemic including flexible work arrangements, supplementary time off and communications to help ensure employees felt cared for and supported both at home and at work.

Human Capital Management

As of December 31, 2020, Zentalis had 124 full-time employees, all of whom are based in the United States. Our workforce is highly skilled, with 34% of our employees holding an MD, PhD, or PharmD degree. Of these full-time employees, 84 employees are engaged in research and development activities. None of these employees are represented by labor unions or covered by any collective bargaining agreements.

Zentalis relies on skilled, innovative, and passionate employees to conduct our research, development and business activities. The biopharmaceutical industry is very competitive and recruiting and retaining employees is critical to the continued success of our business. To attract, maintain and motivate our team of ambitious professionals, we offer competitive compensation and benefits, a collaborative work environment, ongoing skills development initiatives, attractive career advancement opportunities, and a culture that values D&I. At Zentalis, everyone’s voice is heard, the work is meaningful, and employees are encouraged to think outside of the box.

Environmental

Zentalis is committed to minimizing the environmental impacts of our business, with the goal of being “green chemists,” applying our science in the labs carefully to efficiently use and conserve precious recourses. We encourage all employees to reduce waste and emissions through recycling and other energy conservation measures. Here are a few of the initiatives that demonstrate our commitment to environmental impact:

- We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and waste.
- We dispose of all hazardous materials and waste in a responsible manner; following strict protocols for the storage, treatment and disposal of hazardous, flammable, chemical or biological waste.

- Our employees are required to promptly report any known or suspected violations of environmental laws or any events that may result in a discharge or emission of hazardous materials.
- We have recycling in all facilities for both regular recyclables and lab waste.

Governance

Zentalis is committed to strong governance systems and policies that ensure fair, transparent and efficient business practices. Here are a few initiatives that demonstrate our commitment to good governance:

- Our board of directors and executive management team have oversight of all the relevant ESG issues that we have outlined in this section.
- Our approaches to cybersecurity and privacy are overseen by our Chief Information Security Officer.
- We have employee trainings, procedures and policies in place to ensure data privacy. These measures are outlined in our data privacy policy. We also have employee trainings, procedures and policies in place regarding cybersecurity. Trainings take place at regular intervals during our Company-wide meetings, and cover threats and phishing risk. We also have a defined information security incident response plan that supports Zentalis in the management of cyber security incidents.
- We have adopted a Code of Business Conduct and Ethics with regular trainings and provisions related to corporate ethics, bribery and corruption, whistleblower policies, political involvement and other dimensions of corporate ethics.

Additional Information

We were initially formed as Zeno Pharmaceuticals, Inc., a Delaware corporation, in December 2014. In conjunction with a corporate restructuring, Zeno Pharma, LLC, a Delaware limited liability company, was formed, and in December 2017 acquired Zeno Pharmaceuticals, Inc., pursuant to a merger agreement. As a result of this acquisition, Zeno Pharmaceuticals, Inc. became a wholly-owned subsidiary of Zeno Pharma, LLC. In December 2019, Zeno Pharma, LLC changed its name to Zentalis Pharmaceuticals, LLC. In April 2020, in connection with our IPO, we converted to a Delaware corporation pursuant to a statutory conversion and changed our name to Zentalis Pharmaceuticals, Inc.

Our Internet address is www.zentalis.com. At our investor relations website, ir.zentalis.com, we make available free of charge a variety of information for investors, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file that material with or furnish it to the SEC. The information found on our website is not part of this Annual Report on Form 10-K or any other report we file with, or furnish to, the SEC.

Item 1A. Risk Factors

You should carefully consider the risks and uncertainties described below and the other information in this Annual Report on Form 10-K, including our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K and in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding whether to invest in our common stock. Such risks and uncertainties may be amplified by the COVID-19 pandemic and its potential impact on our business and the global economy. Our business, financial condition, results of operations or prospects could be materially and adversely affected if any of these risks occurs, and as a result, the market price of our common stock could decline and you could lose all or part of your investment. This Annual Report on Form 10-K also contains forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements." Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain important factors, including those set forth below.

Risks Related to Our Financial Position and Need for Additional Capital

We have a limited operating history, have not completed any clinical trials, and have no products approved for commercial sale, which may make it difficult for you to evaluate our current business and predict our future success and viability.

We are a clinical stage biopharmaceutical company with a limited operating history upon which you can evaluate our business and prospects. We have no products approved for commercial sale and have not generated any revenue from product sales. To date, we have devoted substantially all of our resources and efforts to organizing and staffing our company, business planning, executing partnerships, raising capital, discovering, identifying and developing potential product candidates, securing related intellectual property rights and conducting preclinical studies and clinical trials of our product candidates, including the ongoing clinical trials of ZN-c5, ZN-c3 and ZN-e4. We have not yet demonstrated our ability to successfully complete any clinical trials, obtain marketing approvals, manufacture a commercial-scale product or arrange for a third party to do so on our behalf, or conduct sales and marketing activities necessary for successful product commercialization. As a result, it may be more difficult for you to accurately predict our future success or viability than it could be if we had a longer operating history.

In addition, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors and risks frequently experienced by clinical stage biopharmaceutical companies in rapidly evolving fields. We also may need to transition from a company with a research focus to a company capable of supporting commercial activities. If we do not adequately address these risks and difficulties or successfully make such a transition, our business will suffer.

We have incurred significant net losses since inception and we expect to continue to incur significant net losses for the foreseeable future.

We have incurred net losses in each reporting period since our inception, have not generated any revenue from product sales to date and have financed our operations principally through private financings and our IPO. We have incurred net losses of $118.5 million and $46.4 million for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, we had an accumulated deficit of $200.8 million. Our losses have resulted principally from expenses incurred in research and development of our product candidates and from management and administrative costs and other expenses that we have incurred while building our business infrastructure. Three (3) of our product candidates, ZN-c5, ZN-c3 and ZN-e4, are in clinical trials, and we intend to initiate a Phase 1 clinical trial of ZN-d5 in patients with AML or B-cell lymphoma in the first half of 2021. In addition, we plan to submit an IND to the FDA for our fifth product candidate in 2021. Our other programs are in preclinical research. As a result, we expect that it will be several years, if ever, before we have a commercialized product and generate revenue from product sales. Even if we succeed in receiving marketing approval for and commercializing one or more of our product candidates, we expect that we will continue to incur substantial research and development and other expenses as we discover, develop and market additional potential products.

We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future as we continue our research and development efforts and seek to obtain regulatory approval and commercialization of our product candidates. The net losses we incur may fluctuate significantly from quarter to quarter such that a period-to-period comparison of our results of operations may not be a good indication of our future performance. The size of our future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenue. Our prior losses and expected future losses have had and will continue to have an adverse effect on our working capital and our ability to achieve and maintain profitability.

Our ability to generate revenue and achieve profitability depends significantly on our ability to achieve a number of objectives.

Our business depends entirely on the successful discovery, development and commercialization of our product candidates. We currently generate no revenues from sales of any products. We have no products approved for commercial sale and do not anticipate generating any revenue from product sales for the next several years, if ever. Our ability to generate revenue and achieve profitability depends significantly on our ability, or any future collaborator's ability, to achieve a number of objectives, including:

- successful and timely completion of preclinical and clinical development of our product candidates, including ZN-c5, ZN-c3, ZN-d5 and ZN-e4 and any other future product candidates, as well as the associated costs, including any unforeseen costs we have incurred and may continue to incur as a result of preclinical study or clinical trial delays due to the COVID-19 pandemic or other causes;
- establishing and maintaining relationships with contract research organizations, or CROs, and clinical sites for the clinical development, both in the United States and internationally, of our product candidates, including ZN-c5, ZN-c3, ZN-d5 and ZN-e4 and any other future product candidates;
- timely receipt of marketing approvals from applicable regulatory authorities for any product candidates for which we successfully complete clinical development;
- making any required post-marketing approval commitments to applicable regulatory authorities;
- developing an efficient and scalable manufacturing process for our product candidates, including obtaining finished products that are appropriately packaged for sale;
- establishing and maintaining commercially viable supply and manufacturing relationships with third parties that can provide adequate, in both amount and quality, products and services to support clinical development and meet the market demand for product candidates that we develop, if approved;
- successful commercial launch following any marketing approval, including the development of a commercial infrastructure, whether in-house or with one or more collaborators;
- a continued acceptable safety profile following any marketing approval of our product candidates;
- commercial acceptance of our product candidates by patients, the medical community and third-party payors;
- identifying, assessing and developing new product candidates;
- obtaining, maintaining and expanding patent protection, trade secret protection and regulatory exclusivity, both in the United States and internationally;
- protecting our rights in our intellectual property portfolio;
- defending against third-party interference or infringement claims, if any;
- negotiating favorable terms in any collaboration, licensing or other arrangements that may be necessary or desirable to develop, manufacture or commercialize our product candidates;
- obtaining coverage and adequate reimbursement by hospitals, government and third-party payors for product candidates that we develop;
- addressing any competing therapies and technological and market developments; and
- attracting, hiring and retaining qualified personnel.

We may never be successful in achieving our objectives and, even if we do, may never generate revenue that is significant or large enough to achieve profitability. If we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to maintain or further our research and development efforts, raise additional necessary capital, grow our business and continue our operations.

We will require substantial additional capital to finance our operations. If we are unable to raise such capital when needed, or on acceptable terms, we may be forced to delay, reduce and/or eliminate one or more of our research and drug development programs or future commercialization efforts.

Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is a very time-consuming, expensive and uncertain process that takes years to complete. Our operations have consumed substantial amounts of cash since inception, and we expect our expenses to increase in connection with our ongoing activities, particularly as we initiate and conduct clinical trials of, and seek marketing approval for, ZN-c5, ZN-c3, ZN-d5, ZN-e4 and our other product candidates. Even if one or more of the product candidates that we develop is approved for commercial sale, we anticipate incurring significant costs associated with commercializing any approved product candidate. Our expenses could increase beyond expectations if we are required by the FDA, the European Medicines Agency, or the EMA, or other regulatory agencies to perform clinical trials or preclinical studies in addition to those that we currently anticipate. Other unanticipated costs may also arise. In addition, if we obtain marketing approval for any of our product candidates, including ZN-c5, ZN-c3, ZN-d5 and ZN-e4, we expect to incur significant commercialization expenses related to drug sales, marketing, manufacturing and

distribution. Because the design and outcome of our planned and anticipated clinical trials are highly uncertain, we cannot reasonably estimate the actual amounts necessary to successfully complete the development and commercialization of any product candidate we develop. We have also incurred, and expect to continue to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in order to maintain our continuing operations.

As of December 31, 2020, we had cash, cash equivalents and marketable securities of $338.5 million. Based on current business plans, we believe that our existing cash, cash equivalents and marketable securities as of December 31, 2020 will be sufficient to fund our operating expenses and capital expenditures requirements into 2023, but will not be sufficient to fund all of the activities that are necessary to complete the development of our product candidates. This estimate is based on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. Changing circumstances, some of which may be beyond our control, could cause us to consume capital significantly faster than we currently anticipate, and we may need to seek additional funds sooner than planned.

We will be required to obtain further funding through public or private equity offerings, debt financings, collaborations and licensing arrangements or other sources, which may dilute our stockholders or restrict our operating activities. We do not have any committed external source of funds. Adequate additional financing may not be available to us on acceptable terms, or at all. Market volatility resulting from the COVID-19 pandemic or other factors could also adversely impact our ability to access capital as and when needed. Our failure to raise capital as and when needed or on acceptable terms would have a negative impact on our financial condition and our ability to pursue our business strategy, and we may have to delay, reduce the scope of, suspend or eliminate one or more of our research-stage programs, clinical trials or future commercialization efforts.

Risks Related to the Discovery, Development and Commercialization of Our Product Candidates

We are substantially dependent on the success of our lead product candidates, ZN-c5 and/or ZN-c3, which are currently in clinical trials. If we are unable to complete development of, obtain approval for and commercialize these product candidates in a timely manner, our business will be harmed.

Our future success is dependent on our ability to timely complete clinical trials, obtain marketing approval for and successfully commercialize our lead product candidates. We are investing significant efforts and financial resources in the research and development of ZN-c5 and ZN-c3. ZN-c5 and ZN-c3 will require additional clinical development, evaluation of clinical, preclinical and manufacturing activities, marketing approval from government regulators, substantial investment and significant marketing efforts before we can generate any revenues from product sales. We are not permitted to market or promote ZN-c5 or ZN-c3, or any other product candidate, before we receive marketing approval from the FDA and comparable foreign regulatory authorities, and we may never receive such marketing approvals.

The success of our lead product candidates will depend on several factors, including the following:

- the successful and timely completion of our ongoing clinical trials of ZN-c5 and ZN-c3;
- the initiation and successful patient enrollment and completion of additional clinical trials of ZN-c5 and ZN-c3 on a timely basis;
- maintaining and establishing relationships with CROs and clinical sites for the clinical development of ZN-c5 and ZN-c3 both in the United States and internationally;
- the frequency and severity of adverse events in the clinical trials;
- the efficacy, safety and tolerability profiles that are satisfactory to the FDA, EMA or any comparable foreign regulatory authority for marketing approval;
- the timely receipt of marketing approvals for ZN-c5 and ZN-c3 from applicable regulatory authorities;
- the extent of any required post-marketing approval commitments to applicable regulatory authorities;
- the maintenance of existing or the establishment of new supply arrangements with third-party drug product suppliers and manufacturers for clinical development of ZN-c5 and ZN-c3;
- the maintenance of existing, or the establishment of new, scaled production arrangements with third-party manufacturers to obtain finished products that are appropriate for commercial sale of ZN-c5 and ZN-c3 if approved, including for supplies of drugs that we are testing in combination with ZN-c5 and ZN-c3;
- obtaining and maintaining patent protection, trade secret protection and regulatory exclusivity, both in the United States and internationally;
- the protection of our rights in our intellectual property portfolio;
- the successful launch of commercial sales following any marketing approval;
- a continued acceptable safety profile following any marketing approval;
- commercial acceptance by patients, the medical community and third-party payors; and
- our ability to compete with other therapies.

We do not have complete control over many of these factors, including certain aspects of clinical development and the regulatory submission process, potential threats to our intellectual property rights and the manufacturing, marketing, distribution and sales efforts of any future collaborator. If we are not successful with respect to one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully commercialize ZN-c5 and ZN-c3, which would materially harm our business. If we do not receive marketing approvals for ZN-c5 and ZN-c3, we may not be able to continue our operations.

We expect to depend on collaborations with third parties for the research, development and commercialization of certain of the product candidates we may develop. If any of these collaborations are not successful, we may not be able to capitalize on the market potential of those product candidates.

We anticipate seeking third-party collaborators for the research, development and commercialization of some of our product candidates. Our likely collaborators in any future collaboration arrangements we may enter into include large and mid-size pharmaceutical companies and biotechnology companies. If we were to enter into any collaboration arrangements with third parties, those agreements may limit our control over the amount and timing of resources that our collaborators dedicate to the development and commercialization of any product candidates we may seek to develop with them. We cannot predict the success of any collaboration in which we have entered or may enter.

Collaborations involving our research programs or any product candidates we may develop pose the following risks to us:

- Collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations.
- Collaborators may not pursue development and commercialization of any product candidates we may develop or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborator's strategic focus or market considerations or available funding or external factors such as an acquisition or business combination that diverts resources or creates competing priorities. If this were to happen, we may need additional capital to pursue further development or commercialization of the applicable product candidates.
- Collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing.
- Collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates if the collaborators believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours.
- Subject to certain diligence obligations, collaborators with marketing and distribution rights to one (1) or more products may not commit sufficient resources to the marketing and distribution of such product or products.
- Collaborators may not properly obtain, maintain, enforce or defend our intellectual property or proprietary rights or may use proprietary information in a way that could jeopardize or invalidate our proprietary information or expose us to potential litigation.
- Collaborators may own or co-own intellectual property covering our products that results from our collaborating with them, and in cases where that applies, we would not have the exclusive right to commercialize the collaboration intellectual property.
- Disputes may arise between our collaborators and us that result in the delay or termination of the research, development or commercialization of our products or product candidates or that result in costly litigation or arbitration that diverts management attention and resources.
- We may lose certain valuation rights under circumstances identified in our collaborations, including if we undergo a change of control.
- Collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates.
- Collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner or at all. If a present or future collaborator of ours were to be involved in a business combination, the continued pursuit and emphasis on our product development or commercialization program under such collaboration could be delayed, diminished or terminated.

- Collaborators may be unable to maintain compliance with GLP and GCP requirements or to secure approval for clinical development plans from the FDA or foreign regulatory authorities.

If we do not receive the funding we expect under these agreements, our development of product candidates could be delayed and we may need additional resources to develop our product candidates. In addition, if one of our collaborators terminates its agreement with us, we may find it more difficult to find a suitable replacement collaborator or attract new collaborators and our development programs may be delayed or the perception of us in the business and financial communities could be adversely affected. All of the risks relating to product development, marketing approval and commercialization described in this annual report apply to the activities of our collaborators.

We may in the future decide to collaborate with pharmaceutical and biotechnology companies for the development and potential commercialization of any product candidates we may develop. These and other similar relationships may require us to incur non-recurring and other charges, increase our near- and long-term expenditures, issue securities that dilute our existing stockholders or disrupt our management and business. In addition, we could face significant competition in seeking appropriate collaborators and the negotiation process is time-consuming and complex. Our ability to reach a definitive collaboration agreement will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of several factors. If we license rights to any product candidates we or our collaborators may develop, we may not be able to realize the benefit of those transactions if we are unable to successfully integrate them with our existing operations and company culture.

There is currently no FDA-approved oral SERD, and our development of ZN-c5 may never lead to a marketable product.

We are developing ZN-c5 as an oral SERD. There is currently no FDA-approved oral SERD. We have not received regulatory approval for ZN-c5 and cannot be certain that our approach will lead to the development of an approvable or marketable product, alone or in combination with other therapies. We may not succeed in demonstrating safety and efficacy of ZN-c5 in our ongoing Phase 1/2 clinical trial or in larger-scale clinical trials. Advancing ZN-c5 as an oral SERD creates significant challenges for us, including:

- obtaining marketing approval, as the FDA, EMA or other regulatory authorities have never approved an orally available SERD;
- if ZN-c5 is approved, educating medical personnel regarding the potential efficacy and safety benefits, as well as the challenges, of incorporating our ZN-c5 into existing treatment regimens, including in combination with other treatments for breast cancer; and
- establishing the sales and marketing capabilities upon obtaining any marketing approvals to gain market acceptance.

Our long-term prospects depend in part upon discovering, developing and commercializing additional product candidates, which may fail in development or suffer delays that adversely affect their commercial viability.

Our future operating results are dependent on our ability to successfully discover, develop, obtain regulatory approval for and commercialize product candidates beyond those we currently have in clinical development. A product candidate can unexpectedly fail at any stage of preclinical and clinical development. The historical failure rate for product candidates is high due to risks relating to safety, efficacy, clinical execution, changing standards of medical care and other unpredictable variables. The results from preclinical testing or early clinical trials of a product candidate may not be predictive of the results that will be obtained in later stage clinical trials of the product candidate.

The success of other product candidates we may develop will depend on many factors, including the following:

- generating sufficient data to support the initiation or continuation of clinical trials;
- obtaining regulatory permission to initiate clinical trials;
- contracting with the necessary parties to conduct clinical trials;
- successful enrollment of patients in, and the completion of, clinical trials on a timely basis;
- the timely manufacture of sufficient quantities of the product candidate for use in clinical trials; and
- adverse events in the clinical trials.

Even if we successfully advance any other product candidates into clinical development, their success will be subject to all of the clinical, regulatory and commercial risks described elsewhere in this “Risk Factors” section. Accordingly, we cannot

assure you that we will ever be able to discover, develop, obtain regulatory approval of, commercialize or generate significant revenue from our other product candidates.

The regulatory approval processes of the FDA, EMA and other comparable foreign regulatory authorities are lengthy, time consuming and inherently unpredictable. If we are ultimately unable to obtain regulatory approval for our product candidates, we will be unable to generate product revenue and our business will be substantially harmed.

We are not permitted to commercialize, market, promote or sell any product candidate in the United States without obtaining marketing approval from the FDA. Foreign regulatory authorities impose similar requirements. The time required to obtain approval by the FDA, EMA and other comparable foreign regulatory authorities is unpredictable, typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the type, complexity and novelty of the product candidates involved. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions, which may cause delays in the approval or the decision not to approve an application. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional preclinical, clinical or other data. Even if we eventually complete clinical testing and receive approval of any regulatory filing for our product candidates, the FDA, EMA and other comparable foreign regulatory authorities may approve our product candidates for a more limited indication or a narrower patient population than we originally requested. We have not submitted for, or obtained, regulatory approval for any product candidate, and it is possible that none of our existing product candidates or any product candidates we may seek to develop in the future will ever obtain regulatory approval.

Further, development of our product candidates and/or regulatory approval may be delayed for reasons beyond our control. For example, a U.S. federal government shutdown or budget sequestration, such as ones that occurred during 2013, 2018 and 2019, may result in significant reductions to the FDA's budget, employees and operations, which may lead to slower response times and longer review periods, potentially affecting our ability to progress development of our product candidates or obtain regulatory approval for our product candidates.

Applications for our product candidates could fail to receive regulatory approval for many reasons, including the following:

- the FDA, EMA or other comparable foreign regulatory authorities may disagree with the design, implementation or results of our clinical trials;
- the FDA, EMA or other comparable foreign regulatory authorities may determine that our product candidates are not safe and effective, only moderately effective or have undesirable or unintended side effects, toxicities or other characteristics that preclude our obtaining marketing approval or prevent or limit commercial use;
- the population studied in the clinical trial may not be sufficiently broad or representative to assure efficacy and safety in the full population for which we seek approval;
- the FDA, EMA or other comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- the data collected from clinical trials of our product candidates may not be sufficient to support the submission of a New Drug Application, or NDA, or other submission or to obtain regulatory approval in the United States or elsewhere;
- we may be unable to demonstrate to the FDA, EMA or other comparable foreign regulatory authorities that a product candidate's risk-benefit ratio for its proposed indication is acceptable;
- the FDA, EMA or other comparable foreign regulatory authorities may fail to approve the manufacturing processes, test procedures and specifications or facilities of third-party manufacturers with which we contract for clinical and commercial supplies; and
- the approval policies or regulations of the FDA, EMA or other comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

This lengthy approval process, as well as the unpredictability of the results of clinical trials, may result in our failing to obtain regulatory approval to market any of our product candidates, which would significantly harm our business, results of operations and prospects.

In addition, even if we obtain approval of our product candidates, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request, may impose significant limitations in the form of narrow indications, warnings, or a Risk Evaluation and Mitigation Strategy, or REMS. Regulatory authorities may not approve the price we intend to charge for products we may develop, may grant approval contingent on the performance of costly post-

marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Any of the foregoing scenarios could seriously harm our business.

The clinical trials of our product candidates may not demonstrate safety and efficacy to the satisfaction of the FDA, EMA or other comparable foreign regulatory authorities or otherwise produce positive results.

Before obtaining marketing approval from the FDA, EMA or other comparable foreign regulatory authorities for the sale of our product candidates, we must complete preclinical development and extensive clinical trials to demonstrate the safety and efficacy of our product candidates. Clinical testing is expensive, difficult to design and implement, can take many years to complete and its ultimate outcome is uncertain. A failure of one or more clinical trials can occur at any stage of the process. The outcome of preclinical studies and early-stage clinical trials may not be predictive of the success of later clinical trials. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their drugs. The outcome of preclinical studies and early-stage clinical trials may not be predictive of the success of later clinical trials. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their drugs.

In addition, we may rely in part on preclinical, clinical and quality data generated by CROs and other third parties for regulatory submissions for our product candidates. While we have or will have agreements governing these third parties' services, we have limited influence over their actual performance. If these third parties do not make data available to us, or, if applicable, make regulatory submissions in a timely manner, in each case pursuant to our agreements with them, our development programs may be significantly delayed, and we may need to conduct additional studies or collect additional data independently. In either case, our development costs would increase.

We do not know whether our future clinical trials will begin on time or enroll patients on time, or whether our ongoing and/or future clinical trials will be completed on schedule or at all. Clinical trials can be delayed for a variety of reasons, including delays related to:

- the FDA or comparable foreign regulatory authorities disagreeing as to the design or implementation of our clinical studies;
- obtaining regulatory authorizations to commence a trial or reaching a consensus with regulatory authorities on trial design;
- any failure or delay in reaching an agreement with CROs and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- obtaining approval from one or more institutional review boards, or IRBs;
- IRBs refusing to approve, suspending or terminating the trial at an investigational site, precluding enrollment of additional subjects, or withdrawing their approval of the trial;
- changes to clinical trial protocol;
- clinical sites deviating from trial protocol or dropping out of a trial;
- manufacturing sufficient quantities of product candidate or obtaining sufficient quantities of combination therapies for use in clinical trials;
- subjects failing to enroll or remain in our trial at the rate we expect, or failing to return for post-treatment follow-up;
- subjects choosing an alternative treatment for the indication for which we are developing our product candidates, or participating in competing clinical trials;
- lack of adequate funding to continue the clinical trial;
- subjects experiencing severe or unexpected drug-related adverse effects;
- occurrence of serious adverse events in trials of the same class of agents conducted by other companies;
- selection of clinical end points that require prolonged periods of clinical observation or analysis of the resulting data;
- a facility manufacturing our product candidates or any of their components being ordered by the FDA or comparable foreign regulatory authorities to temporarily or permanently shut down due to violations of current good manufacturing practice, or cGMP, regulations or other applicable requirements, or infections or cross-contaminations of product candidates in the manufacturing process;
- any changes to our manufacturing process that may be necessary or desired;

- third-party clinical investigators losing the licenses or permits necessary to perform our clinical trials, not performing our clinical trials on our anticipated schedule or consistent with the clinical trial protocol, good clinical practices, or GCP, or other regulatory requirements;
- third-party contractors not performing data collection or analysis in a timely or accurate manner; or
- third-party contractors becoming debarred or suspended or otherwise penalized by the FDA or other government or regulatory authorities for violations of regulatory requirements, in which case we may need to find a substitute contractor, and we may not be able to use some or all of the data produced by such contractors in support of our marketing applications.

In addition, disruptions caused by the COVID-19 pandemic have caused and we expect will continue to cause difficulties or delays in initiating, enrolling, conducting or completing our planned and ongoing clinical trials. We could also encounter delays if a clinical trial is suspended or terminated by us, by the IRBs of the institutions in which such trials are being conducted, by a Data Safety Monitoring Board for such trial or by the FDA or comparable foreign regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or comparable foreign regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. In addition, changes in regulatory requirements and policies may occur, and we may need to amend clinical trial protocols to comply with these changes. Amendments may require us to resubmit our clinical trial protocols to IRBs for reexamination, which may impact the costs, timing or successful completion of a clinical trial.

Further, conducting clinical trials in foreign countries, as we may do for our product candidates, presents additional risks that may delay completion of our clinical trials. These risks include the failure of enrolled patients in foreign countries to adhere to clinical protocol as a result of differences in healthcare services or cultural customs, managing additional administrative burdens associated with foreign regulatory schemes, as well as political and economic risks relevant to such foreign countries.

Moreover, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive compensation in connection with such services. Under certain circumstances, we may be required to report some of these relationships to the FDA or comparable foreign regulatory authorities. The FDA or comparable foreign regulatory authority may conclude that a financial relationship between us and a principal investigator has created a conflict of interest or otherwise affected interpretation of the study. The FDA or comparable foreign regulatory authority may therefore question the integrity of the data generated at the applicable clinical trial site and the utility of the clinical trial itself may be jeopardized. This could result in a delay in approval, or rejection, of our marketing applications by the FDA or comparable foreign regulatory authority, as the case may be, and may ultimately lead to the denial of marketing approval of one or more of our product candidates.

If we experience delays in the completion of, or termination of, any clinical trial of our product candidates, the commercial prospects of our product candidates will be harmed, and our ability to generate product revenues from any of these product candidates will be delayed. Moreover, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenues.

In addition, many of the factors that cause, or lead to, termination or suspension of, or a delay in the commencement or completion of, clinical trials may also ultimately lead to the denial of regulatory approval of a product candidate. Any delays to our clinical trials that occur as a result could shorten any period during which we may have the exclusive right to commercialize our product candidates and our competitors may be able to bring products to market before we do, and the commercial viability of our product candidates could be significantly reduced. Any of these occurrences may harm our business, financial condition and prospects significantly.

The outcome of preclinical testing and early clinical trials may not be predictive of the success of later clinical trials, and the results of our clinical trials may not satisfy the requirements of the FDA, EMA or other comparable foreign regulatory authorities.

Before obtaining regulatory approvals for the commercial sale of any of our product candidates, we will be required to demonstrate with substantial evidence through well-controlled clinical trials that our product candidates are safe and effective for their intended uses. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. Success in preclinical studies and early-stage clinical trials does not mean that future clinical trials will be successful. We do not know whether ZN-c5, ZN-c3, ZN-d5 and ZN-e4 will

perform in current or future clinical trials as ZN-c5, ZN-c3, ZN-d5 and ZN-e4 have performed in preclinical studies, or, with respect to ZN-c5, ZN-c3 and ZN-e4, ongoing clinical trials to date. Product candidates in later-stage clinical trials may fail to demonstrate sufficient safety and efficacy to the satisfaction of the FDA, EMA and other comparable foreign regulatory authorities despite having progressed through preclinical studies and early-stage clinical trials.

In some instances, there can be significant variability in safety and efficacy results between different clinical trials of the same product candidate due to numerous factors, including changes in trial protocols, differences in size and type of the patient populations, differences in and adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical trial participants. Patients treated with our product candidates may also be undergoing surgical, radiation and chemotherapy treatments and may be using other approved products or investigational new drugs, which can cause side effects or adverse events that are unrelated to our product candidate. As a result, assessments of efficacy can vary widely for a particular patient, and from patient to patient and site to site within a clinical trial. This subjectivity can increase the uncertainty of, and adversely impact, our clinical trial outcomes. We do not know whether any clinical trials we may conduct will demonstrate consistent or adequate efficacy and safety sufficient to obtain marketing approval to market our product candidates. Most product candidates that begin clinical trials are never approved by regulatory authorities for commercialization.

We have limited experience in designing clinical trials and may be unable to design and execute a clinical trial to support marketing approval. We cannot be certain that our planned clinical trials or any other future clinical trials will be successful. Additionally, any safety concerns observed in any one of our clinical trials in our targeted indications could limit the prospects for regulatory approval of our product candidates in those and other indications, which could seriously harm our business.

Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses and many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials nonetheless failed to obtain FDA, EMA or comparable foreign regulatory authority approval. We cannot guarantee that the FDA or foreign regulatory authorities will interpret trial results as we do, and more trials could be required before we are able to submit applications seeking approval of our product candidates. To the extent that the results of the trials are not satisfactory to the FDA or foreign regulatory authorities for support of a marketing application, we may be required to expend significant resources, which may not be available to us, to conduct additional trials in support of potential approval of our product candidates. Even if regulatory approval is secured for any of our product candidates, the terms of such approval may limit the scope and use of our product candidate, which may also limit its commercial potential. Furthermore, the approval policies or regulations of the FDA, EMA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval, which may lead to the FDA, EMA or comparable foreign regulatory authorities delaying, limiting or denying approval of our product candidates.

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

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

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

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is based on what

is typically extensive information, and you or others may not agree with what we determine is material or otherwise appropriate information to include in our disclosure.

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

Even if approved, our product candidates may not achieve adequate market acceptance among physicians, patients, healthcare payors and others in the medical community necessary for commercial success.

Even if our product candidates receive regulatory approval, they may not gain adequate market acceptance among physicians, patients, healthcare payors and others in the medical community. The degree of market acceptance of any of our approved product candidates will depend on a number of factors, including:

- the efficacy and safety profile as demonstrated in clinical trials compared to alternative treatments;
- the timing of market introduction of the product candidate as well as competitive products;
- the clinical indications for which the product candidate is approved;
- restrictions on the use of our product candidates, such as boxed warnings or contraindications in labeling, or a REMS, if any, which may not be required of alternative treatments and competitor products;
- the potential and perceived advantages of product candidates over alternative treatments;
- the cost of treatment in relation to alternative treatments;
- the availability of coverage and adequate reimbursement, as well as pricing, by third-party payors, including government authorities;
- the availability of the approved product candidate for use as a combination therapy;
- relative convenience and ease of administration;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the effectiveness of sales and marketing efforts;
- unfavorable publicity relating to our products or product candidates or similar approved products or product candidates in development by third parties; and
- the approval of other new therapies for the same indications.

If any of our product candidates is approved but does not achieve an adequate level of acceptance by physicians, hospitals, healthcare payors and patients, we may not generate or derive sufficient revenue from that product candidate and our financial results could be negatively impacted.

If we experience delays or difficulties in the enrollment and/or maintenance of patients in clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

Patient enrollment is a significant factor in the timing of clinical trials, and the timing of our clinical trials depends, in part, on the speed at which we can recruit patients to participate in our trials, as well as completion of required follow-up periods. We may not be able to initiate or continue clinical trials for our product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials to such trial's conclusion as required by the FDA, EMA or other comparable foreign regulatory authorities. Additionally, certain clinical trials for future product candidates may be focused on indications with relatively small patient populations, which may further limit enrollment of eligible patients or may result in slower enrollment than we anticipate. The eligibility criteria of our clinical trials, once established, may further limit the pool of available trial participants.

Patient enrollment may also be affected if our competitors have ongoing clinical trials for product candidates that are under development for the same indications as our product candidates, and patients who would otherwise be eligible for our clinical trials instead enroll in clinical trials of our competitors' product candidates. Patient enrollment for any of our clinical trials may be affected by other factors, including:

- size and nature of the patient population;
- severity of the disease under investigation;
- availability and efficacy of approved drugs for the disease under investigation;
- patient eligibility criteria for the trial in question as defined in the protocol;
- perceived risks and benefits of the product candidate under study;

- clinicians' and patients' perceptions as to the potential advantages of the product candidate being studied in relation to other available therapies, including any new products that may be approved for the indications we are investigating;
- efforts to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment;
- proximity and availability of clinical trial sites for prospective patients;
- continued enrollment of prospective patients by clinical trial sites; and
- the risk that patients enrolled in clinical trials will drop out of the trials before completion or, because they may be late-stage cancer patients, will not survive the full terms of the clinical trials.

Our inability to enroll a sufficient number of patients for our clinical trials would result in significant delays or may require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for our product candidates and jeopardize our ability to obtain marketing approval for the sale of our product candidates. Furthermore, even if we are able to enroll a sufficient number of patients for our clinical trials, we may have difficulty maintaining enrollment of such patients in our clinical trials.

We intend to develop ZN-c5, ZN-c3, ZN-d5, ZN-e4 and potentially other product candidates in combination with other therapies, which exposes us to additional risks.

We intend to develop ZN-c5, ZN-c3, ZN-d5, ZN-e4 and likely other future product candidates in combination with one or more other approved or unapproved therapies to treat cancer or other diseases. For example, we are currently evaluating ZN-c5 in combination with certain approved agents, including palbociclib and abemaciclib.

Even if any product candidate we develop were to receive marketing approval or be commercialized for use in combination with other existing therapies, we would continue to be subject to the risks that the FDA, EMA or comparable foreign regulatory authorities outside of the United States could revoke approval of the therapy used in combination with our product or that safety, efficacy, manufacturing or supply issues could arise with any of those existing therapies. If the therapies we use in combination with our product candidates are replaced as the standard of care for the indications we choose for any of our product candidates, the FDA, EMA or comparable foreign regulatory authorities may require us to conduct additional clinical trials. The occurrence of any of these risks could result in our own products, if approved, being removed from the market or being less successful commercially.

We also may choose to evaluate ZN-c5, ZN-c3, ZN-d5, ZN-e4 or any other future product candidates in combination with one or more cancer therapies that have not yet been approved for marketing by the FDA, EMA or comparable foreign regulatory authorities. We will not be able to market and sell ZN-c5, ZN-c3, ZN-d5, ZN-e4 or any product candidate we develop in combination with an unapproved cancer therapy for a combination indication if that unapproved therapy does not ultimately obtain marketing approval either alone or in combination with our product. In addition, unapproved cancer therapies face the same risks described with respect to our product candidates currently in development and clinical trials, including the potential for serious adverse effects, delay in their clinical trials and lack of FDA approval.

If the FDA, EMA or comparable foreign regulatory authorities do not approve these other drugs or revoke their approval of, or if safety, efficacy, quality, manufacturing or supply issues arise with, the drugs we choose to evaluate in combination with our product candidate we develop, we may be unable to obtain approval of or market such combination therapy.

If the market opportunity for any product candidate that we or our strategic partners develop is smaller than we believe, our revenue may be adversely affected and our business may suffer.

We intend to initially focus our product candidate development on treatments for various oncology indications. Our projections of addressable patient populations that may benefit from treatment with our product candidates are based on our estimates. These estimates, which have been derived from a variety of sources, including scientific literature, surveys of clinics, patient foundations and market research, may prove to be incorrect. Further, new studies may change the estimated incidence or prevalence of these cancers. Additionally, the potentially addressable patient population for our product candidates may not ultimately be amenable to treatment with our product candidates. Our market opportunity may also be limited by future competitor treatments that enter the market. If any of our estimates prove to be inaccurate, the market opportunity for any product candidate that we or our strategic partners develop could be significantly diminished and have an adverse material impact on our business.

We face significant competition, and if our competitors develop and market technologies or products more rapidly than we do or that are more effective, safer or less expensive than the product candidates we develop, our commercial opportunities will be negatively impacted.

The biotechnology and pharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary and novel products and product candidates. Our competitors have developed, are developing or may develop products, product candidates and processes competitive with our product candidates. Any product candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future. We believe that a significant number of products are currently under development, and may become commercially available in the future, for the treatment of conditions for which we may attempt to develop product candidates. In addition, our products may need to compete with off-label drugs used by physicians to treat the indications for which we seek approval. This may make it difficult for us to replace existing therapies with our products.

In particular, there is intense competition in the fields of oncology we are pursuing. We have competitors both in the United States and internationally, including major multinational pharmaceutical companies, established biotechnology companies, specialty pharmaceutical companies, emerging and start-up companies, universities and other research institutions. We also compete with these organizations to recruit management, scientists and clinical development personnel, which could negatively affect our level of expertise and our ability to execute our business plan. We will also face competition in establishing clinical trial sites, enrolling subjects for clinical trials and in identifying and in-licensing new product candidates.

We have chosen to initially address well-validated biochemical targets, and therefore expect to face competition from existing products and products in development for each of our product candidates. There are a large number of companies developing or marketing treatments for cancer, including many major pharmaceutical and biotechnology companies. Many of these current and potential competitors have significantly greater financial, manufacturing, marketing, drug development, technical and human resources and commercial expertise than we do. Large pharmaceutical and biotechnology companies, in particular, have extensive experience in clinical testing, obtaining regulatory approvals, recruiting patients and manufacturing biotechnology products. These companies also have significantly greater research and marketing capabilities than we do and may also have products that have been approved or are in late stages of development, and collaborative arrangements in our target markets with leading companies and research institutions. Established pharmaceutical and biotechnology companies may also invest heavily to accelerate discovery and development of novel compounds or to in-license novel compounds that could make the product candidates that we develop obsolete. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies, as well as in acquiring technologies complementary to, or necessary for, our programs. As a result of all of these factors, our competitors may succeed in obtaining approval from the FDA, EMA or other comparable foreign regulatory authorities or in discovering, developing and commercializing products in our field before we do.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe effects, are more convenient, have a broader label, are marketed more effectively, are reimbursed or are less expensive than any products that we may develop. Our competitors also may obtain marketing approval from the FDA, EMA or other comparable foreign regulatory authorities for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. Even if the product candidates we develop achieve marketing approval, they may be priced at a significant premium over competitive products if any have been approved by then, resulting in reduced competitiveness. Technological advances or products developed by our competitors may render our technologies or product candidates obsolete, less competitive or not economical. If we are unable to compete effectively, our opportunity to generate revenue from the sale of our products we may develop, if approved, could be adversely affected.

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

Because we have limited financial and managerial resources, we focus on research programs, therapeutic platforms and product candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other therapeutic platforms or product candidates or for other indications that later prove to have greater commercial potential or a greater likelihood of success. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs, therapeutic platforms and product candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights.

Changes in methods of product candidate manufacturing or formulation may result in additional costs or delay.

As product candidates progress through preclinical and clinical trials to marketing approval and commercialization, it is common that various aspects of the development program, such as manufacturing methods and formulation, are altered along the way in an effort to optimize yield and manufacturing batch size, minimize costs and achieve consistent quality and results. Such changes carry the risk that they will not achieve these intended objectives. Any of these changes could cause our product candidates to perform differently and affect the results of planned clinical trials or other future clinical trials conducted with the altered materials. This could delay completion of clinical trials, require the conduct of bridging clinical trials or the repetition of one or more clinical trials, increase clinical trial costs, delay approval of our product candidates and jeopardize our ability to commercialize our product candidates, if approved, and generate revenue.

Our business entails a significant risk of product liability and if we are unable to obtain sufficient insurance coverage such inability could have an adverse effect on our business and financial condition.

Our business exposes us to significant product liability risks inherent in the development, testing, manufacturing and marketing of therapeutic treatments. Product liability claims could delay or prevent completion of our development programs. If we succeed in marketing products, such claims could result in an FDA, EMA or other regulatory authority investigation of the safety and effectiveness of our products, our manufacturing processes and facilities or our marketing programs. FDA, EMA or other regulatory authority investigations could potentially lead to a recall of our products or more serious enforcement action, limitations on the approved indications for which they may be used or suspension or withdrawal of approvals. Regardless of the merits or eventual outcome, liability claims may also result in decreased demand for our products, injury to our reputation, costs to defend the related litigation, a diversion of management's time and our resources and substantial monetary awards to trial participants or patients. We currently have product liability insurance that we believe is appropriate for our stage of development and may need to obtain higher levels prior to marketing any of our product candidates, if approved. Any insurance we have or may obtain may not provide sufficient coverage against potential liabilities. Furthermore, clinical trial and product liability insurance is becoming increasingly expensive. As a result, we may be unable to obtain sufficient insurance at a reasonable cost to protect us against losses caused by product liability claims that could have an adverse effect on our business and financial condition. Similar challenges to obtaining coverage and reimbursement, applicable to pharmaceutical or biological products, will apply to companion diagnostics that we or our collaborators may develop.

Any product candidates we develop may become subject to unfavorable third-party coverage and reimbursement practices, as well as pricing regulations.

The availability and extent of coverage and adequate reimbursement by third-party payors, including government health administration authorities, private health coverage insurers, managed care organizations and other third-party payors is essential for most patients to be able to afford expensive treatments. Sales of any of our product candidates that receive marketing approval will depend substantially, both in the United States and internationally, on the extent to which the costs of our product candidates will be covered and reimbursed by third-party payors. If reimbursement is not available, or is available only to limited levels, we may not be able to successfully commercialize our product candidates. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow us to establish or maintain pricing sufficient to realize an adequate return on our investment. Coverage and reimbursement may impact the demand for, or the price of, any product candidate for which we obtain marketing approval. If coverage and reimbursement are not available or reimbursement is available only to limited levels, we may not successfully commercialize any product candidate for which we obtain marketing approval.

There is significant uncertainty related to third-party payor coverage and reimbursement of newly approved products. In the United States, for example, principal decisions about reimbursement for new products are typically made by the Centers for Medicare & Medicaid Services, or CMS, an agency within the U.S. Department of Health and Human Services, or HHS. CMS decides whether and to what extent a new product will be covered and reimbursed under Medicare, and private third-party payors often follow CMS's decisions regarding coverage and reimbursement to a substantial degree. However, one third-party payor's determination to provide coverage for a product candidate does not assure that other payors will also provide coverage for the product candidate. As a result, the coverage determination process is often time-consuming and costly. This process will require us to provide scientific and clinical support for the use of our products to each third-party payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. Further, such payors are increasingly challenging the price, examining the medical necessity and reviewing the cost effectiveness of medical product candidates. There may be especially significant delays in obtaining coverage and reimbursement for newly approved drugs. Third-party payors may limit coverage

to specific product candidates on an approved list, known as a formulary, which might not include all FDA-approved drugs for a particular indication. We may need to conduct expensive pharmaco-economic studies to demonstrate the medical necessity and cost effectiveness of our products. Nonetheless, our product candidates may not be considered medically necessary or cost effective. We cannot be sure that coverage and reimbursement will be available for any product that we commercialize and, if reimbursement is available, what the level of reimbursement will be.

Outside the United States, international operations are generally subject to extensive governmental price controls and other market regulations, and we believe the increasing emphasis on cost containment initiatives in Europe, Canada and other countries has and will continue to put pressure on the pricing and usage of therapeutics such as our product candidates. In many countries, particularly the countries of the European Union, medical product prices are subject to varying price control mechanisms as part of national health systems. In these countries, pricing negotiations with governmental authorities can take considerable time after a product receives marketing approval. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidate to other available therapies. In general, product prices under such systems are substantially lower than in the United States. Other countries allow companies to fix their own prices for products, but monitor and control company profits. Additional foreign price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our product candidates. Accordingly, in markets outside the United States, the reimbursement for our products may be reduced compared with the United States and may be insufficient to generate commercially reasonable revenue and profits.

If we are unable to establish or sustain coverage and adequate reimbursement for any future product candidates from third-party payors, the adoption of those products and sales revenue will be adversely affected, which, in turn, could adversely affect the ability to market or sell those product candidates, if approved. Coverage policies and third-party payor reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Risks Related to Regulatory Approval and Other Legal Compliance Matters

We may be unable to obtain U.S. or foreign regulatory approvals and, as a result, may be unable to commercialize our product candidates.

Our product candidates are subject to extensive governmental regulations relating to, among other things, research, testing, development, manufacturing, safety, efficacy, approval, recordkeeping, reporting, labeling, storage, packaging, advertising and promotion, pricing, marketing and distribution of drugs. Rigorous preclinical testing and clinical trials and an extensive regulatory approval process must be successfully completed in the United States and in many foreign jurisdictions before a new drug can be marketed. Satisfaction of these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. We cannot provide any assurance that any product candidate we may develop will progress through required clinical testing and obtain the regulatory approvals necessary for us to begin selling them.

We have not conducted, managed or completed large-scale or pivotal clinical trials nor managed the regulatory approval process with the FDA or any other regulatory authority. The time required to obtain approvals from the FDA and other regulatory authorities is unpredictable, and requires successful completion of extensive clinical trials which typically takes many years, depending upon the type, complexity and novelty of the product candidate. The standards that the FDA and its foreign counterparts use when evaluating clinical trial data can and often changes during drug development, which makes it difficult to predict with any certainty how they will be applied. We may also encounter unexpected delays or increased costs due to new government regulations, including future legislation or administrative action, or changes in FDA policy during the period of drug development, clinical trials and FDA regulatory review.

Any delay or failure in seeking or obtaining required approvals would have a material and adverse effect on our ability to generate revenue from the particular product candidate for which we developing and seeking approval. Furthermore, any regulatory approval to market a drug may be subject to significant limitations on the approved uses or indications for which we may market the drug or the labeling or other restrictions. In addition, the FDA has the authority to require a REMS as part of approving a NDA, or after approval, which may impose further requirements or restrictions on the distribution or use of an approved drug. These requirements or restrictions might include limiting prescribing to certain physicians or medical centers that have undergone specialized training, limiting treatment to patients who meet certain safe-use criteria and requiring treated patients to enroll in a registry. These limitations and restrictions may significantly limit the size of the market for the drug and affect reimbursement by third-party payors.

We are also subject to numerous foreign regulatory requirements governing, among other things, the conduct of clinical trials, manufacturing and marketing authorization, pricing and third-party reimbursement. The foreign regulatory approval process varies among countries, and generally includes all of the risks associated with FDA approval described above as well as risks attributable to the satisfaction of local regulations in foreign jurisdictions. Moreover, the time required to obtain approval may differ from that required to obtain FDA approval.

Our current or future product candidates may cause significant adverse events, toxicities or other undesirable side effects when used alone or in combination with other approved products or investigational new drugs that may result in a safety profile that could inhibit regulatory approval, prevent market acceptance, limit their commercial potential or result in significant negative consequences.

As is the case with pharmaceuticals generally, it is likely that there may be side effects and adverse events associated with our product candidates' use. Results of our clinical trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics. Undesirable side effects caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or comparable foreign regulatory authorities. The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

If our product candidates are associated with undesirable side effects or have unexpected characteristics in preclinical studies or clinical trials when used alone or in combination with other approved products or investigational new drugs we may need to interrupt, delay or abandon their development or limit development to more narrow uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Treatment-related side effects could also affect patient recruitment or the ability of enrolled subjects to complete the trial, or result in potential product liability claims. Any of these occurrences may prevent us from achieving or maintaining market acceptance of the affected product candidate and may harm our business, financial condition and prospects significantly.

Patients in our ongoing and planned clinical trials may in the future suffer significant adverse events or other side effects not observed in our preclinical studies or previous clinical trials. Some of our product candidates, may be used as chronic therapies or be used in pediatric populations, for which safety concerns may be particularly scrutinized by regulatory agencies. In addition, if our product candidates are used in combination with other therapies, our product candidates may exacerbate adverse events associated with the therapy. Patients treated with our product candidates may also be undergoing surgical, radiation and chemotherapy treatments, which can cause side effects or adverse events that are unrelated to our product candidate, but may still impact the success of our clinical trials. The inclusion of critically ill patients in our clinical trials may result in deaths or other adverse medical events due to other therapies or medications that such patients may be using or due to the gravity of such patients' illnesses.

If significant adverse events or other side effects are observed in any of our current or future clinical trials, we may have difficulty recruiting patients to the clinical trials, patients may drop out of our trials, or we may be required to abandon the trials or our development efforts of that product candidate altogether. We, the FDA, EMA, other comparable regulatory authorities or an IRB may suspend clinical trials of a product candidate at any time for various reasons, including a belief that subjects in such trials are being exposed to unacceptable health risks or adverse side effects. Some potential therapeutics developed in the biotechnology industry that initially showed therapeutic promise in early-stage trials have later been found to cause side effects that prevented their further development. Even if the side effects do not preclude the product candidate from obtaining or maintaining marketing approval, undesirable side effects may inhibit market acceptance due to its tolerability versus other therapies. Any of these developments could materially harm our business, financial condition and prospects.

Further, if any of our product candidates obtains marketing approval, toxicities associated with such product candidates and not seen during clinical testing may also develop after such approval and lead to a requirement to conduct additional clinical safety trials, additional contraindications, warnings and precautions being added to the drug label, significant restrictions on the use of the product or the withdrawal of the product from the market. We cannot predict whether our product candidates will cause toxicities in humans that would preclude or lead to the revocation of regulatory approval based on preclinical studies or early-stage clinical trials.

The FDA, EMA and other comparable foreign regulatory authorities may not accept data from trials conducted in locations outside of their jurisdiction.

We may choose to conduct international clinical trials in the future. The acceptance of study data by the FDA, EMA or other comparable foreign regulatory authority from clinical trials conducted outside of their respective jurisdictions may be

subject to certain conditions. In cases where data from foreign clinical trials are intended to serve as the basis for marketing approval in the United States, the FDA will generally not approve the application on the basis of foreign data alone unless (1) the data are applicable to the United States population and United States medical practice; (2) the trials are performed by clinical investigators of recognized competence and pursuant to current GCP requirements; and (3) the FDA is able to validate the data through an on-site inspection or other appropriate mean. Additionally, the FDA's clinical trial requirements, including the adequacy of the patient population studied and statistical powering, must be met. In addition, such foreign trials would be subject to the applicable local laws of the foreign jurisdictions where the trials are conducted. There can be no assurance that the FDA, EMA or any applicable foreign regulatory authority will accept data from trials conducted outside of its applicable jurisdiction. If the FDA, EMA or any applicable foreign regulatory authority does not accept such data, it would result in the need for additional trials, which would be costly and time-consuming and delay aspects of our business plan, and which may result in our product candidates not receiving approval for commercialization in the applicable jurisdiction.

Obtaining and maintaining regulatory approval of our product candidates in one jurisdiction does not mean that we will be successful in obtaining regulatory approval of our product candidates in other jurisdictions.

Obtaining and maintaining regulatory approval of our product candidates in one jurisdiction does not guarantee that we will be able to obtain or maintain regulatory approval in any other jurisdiction. For example, even if the FDA or EMA grants marketing approval of a product candidate, comparable regulatory authorities in foreign jurisdictions must also approve the manufacturing, marketing and promotion and reimbursement of the product candidate in those countries. However, a failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the regulatory approval process in others. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from those in the United States, including additional preclinical studies or clinical trials as clinical trials conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions. In many jurisdictions outside the United States, a product candidate must be approved for reimbursement before it can be approved for sale in that jurisdiction. In some cases, the price that we intend to charge for our products is also subject to approval.

Obtaining foreign regulatory approvals and establishing and maintaining compliance with foreign regulatory requirements could result in significant delays, difficulties and costs for us and could delay or prevent the introduction of our products in certain countries. If we or any future collaborator fail to comply with the regulatory requirements in international markets or fail to receive applicable marketing approvals, our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed.

Even if our product candidates receive regulatory approval, they will be subject to significant post-marketing regulatory requirements and oversight.

Any regulatory approvals that we may receive for our product candidates will require the submission of reports to regulatory authorities and surveillance to monitor the safety and efficacy of the product candidate, may contain significant limitations related to use restrictions for specified age groups, warnings, precautions or contraindications, and may include burdensome post-approval study or risk management requirements. For example, the FDA may require a REMS in order to approve our product candidates, which could entail requirements for a medication guide, physician training and communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. In addition, if the FDA or foreign regulatory authorities approve our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, import, export and recordkeeping for our product candidates will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as on-going compliance with cGMPs and GCP for any clinical trials that we conduct post-approval. In addition, manufacturers of drug products and their facilities are subject to continual review and periodic, unannounced inspections by the FDA and other regulatory authorities for compliance with cGMP regulations and standards. If we or a regulatory agency discover previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facilities where the product is manufactured, a regulatory agency may impose restrictions on that product, the manufacturing facility or us, including requiring recall or withdrawal of the product from the market or suspension of manufacturing. In addition, failure to comply with FDA, EMA and other comparable foreign regulatory requirements may subject our company to administrative or judicially imposed sanctions, including:

- delays in or the rejection of product approvals;
- restrictions on our ability to conduct clinical trials, including full or partial clinical holds on ongoing or planned trials;
- restrictions on the products, manufacturers or manufacturing process;
- warning or untitled letters;

- civil and criminal penalties;
- injunctions;
- suspension or withdrawal of regulatory approvals;
- product seizures, detentions or import bans;
- voluntary or mandatory product recalls and publicity requirements;
- total or partial suspension of production; and
- imposition of restrictions on operations, including costly new manufacturing requirements.

The occurrence of any event or penalty described above may inhibit our ability to commercialize our product candidates and generate revenue and could require us to expend significant time and resources in response and could generate negative publicity.

The FDA's and other regulatory authorities' policies may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. For example, the results of the 2020 U.S. Presidential Election may impact our business and industry. Namely, the previous administration took several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. It is difficult to predict whether or how these orders will be implemented, or whether they will be rescinded and replaced under the current administration. The policies and priorities of the new administration are unknown and could materially impact the regulations governing our product candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may be subject to enforcement action and we may not achieve or sustain profitability.

The FDA and other regulatory agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses.

If any of our product candidates are approved and we are found to have improperly promoted off-label uses of those products, we may become subject to significant liability. The FDA and other regulatory agencies strictly regulate the promotional claims that may be made about prescription products, such as our product candidates, if approved. In particular, a product may not be promoted for uses that are not approved by the FDA or such other regulatory agencies as reflected in the product's approved labeling. If we receive marketing approval for a product candidate, physicians may nevertheless prescribe it to their patients in a manner that is inconsistent with the approved label. If we are found to have promoted such off-label uses, we may become subject to significant liability. The U.S. federal government has levied large civil and criminal fines against companies for alleged improper promotion of off-label use and has enjoined several companies from engaging in off-label promotion. The FDA has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed. If we cannot successfully manage the promotion of our product candidates, if approved, we could become subject to significant liability, which would materially adversely affect our business and financial condition.

If we are required by the FDA to obtain approval of a companion diagnostic test in connection with approval of any of our product candidates, and we do not obtain or face delays in obtaining FDA approval of a diagnostic device, we will not be able to commercialize such product candidate and our ability to generate revenue will be materially impaired.

If safe and effective use of any of our product candidates depends on an *in vitro* diagnostic that is not otherwise commercially available, then the FDA generally will require approval or clearance of that diagnostic, known as a companion diagnostic, at the same time that the FDA approves our product candidates if at all. According to FDA guidance, if the FDA determines that a companion diagnostic device is essential to the safe and effective use of a novel therapeutic product or indication, the FDA generally will not approve the therapeutic product or new therapeutic product indication if the companion diagnostic is not also approved or cleared for that indication. If a satisfactory companion diagnostic is not commercially available, we may be required to create or obtain one that would be subject to regulatory approval requirements. The process of obtaining or creating such diagnostic is time consuming and costly.

Companion diagnostics are developed in conjunction with clinical programs for the associated product and are subject to regulation as medical devices by the FDA and comparable regulatory authorities, and, to date, the FDA has generally required premarket approval of all companion diagnostics for cancer therapies. The approval of a companion diagnostic as part of the therapeutic product's labeling limits the use of the therapeutic product to only those patients who express the specific genetic alteration that the companion diagnostic was developed to detect.

If the FDA, EMA or a comparable regulatory authority requires approval of a companion diagnostic for any of our product candidates, whether before or after it obtains marketing approval, we, and/or future collaborators, may encounter difficulties in developing and obtaining approval for such product candidate. Any delay or failure by us or third-party collaborators to develop or obtain regulatory approval of a companion diagnostic could delay or prevent approval or continued marketing of such product candidate.

We may also experience delays in developing a sustainable, reproducible and scalable manufacturing process for the companion diagnostic or in transferring that process to commercial partners or negotiating insurance reimbursement plans, all of which may prevent us from completing our clinical trials or commercializing our product candidate, if approved, on a timely or profitable basis, if at all.

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

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept the payment of user fees, and statutory, regulatory, and policy changes, and other events that may otherwise affect the FDA's ability to perform routine functions. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of the Securities and Exchange Commission, or the SEC, and other government agencies on which our operations may rely, including those that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, in recent years, including in 2018 and 2019, the U.S. government shut down several times and certain regulatory agencies, such as the FDA and the SEC, had to furlough critical employees and stop critical activities. Separately, in response to the COVID-19 pandemic, on March 10, 2020 the FDA announced its intention to postpone most inspections of foreign manufacturing facilities and products, and on March 18, 2020, the FDA temporarily postponed routine surveillance inspections of domestic manufacturing facilities. Subsequently, on July 10, 2020, the FDA announced its intention to resume certain on-site inspections of domestic manufacturing facilities subject to a risk-based prioritization system. The FDA intends to use this risk-based assessment system to identify the categories of regulatory activity that can occur within a given geographic area, ranging from mission critical inspections to resumption of all regulatory activities. Regulatory authorities outside the United States may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic. If a prolonged government shutdown occurs, or if global health concerns continue to prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews, or other regulatory activities, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Further, in our operations as a public company, future government shutdowns or delays could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.

We may attempt to secure approval from the FDA or comparable foreign regulatory authorities through the use of accelerated approval pathways. If we are unable to obtain such approval, we may be required to conduct additional preclinical studies or clinical trials beyond those that we contemplate, which could increase the expense of obtaining, and delay the receipt of, necessary marketing approvals. Even if we receive accelerated approval from the FDA, if our confirmatory trials do not verify clinical benefit, or if we do not comply with rigorous post-marketing requirements, the FDA may seek to withdraw accelerated approval.

We may in the future seek an accelerated approval for our one or more of our product candidates. Under the accelerated approval program, the FDA may grant accelerated approval to a product candidate designed to treat a serious or life-threatening condition that provides meaningful therapeutic benefit over available therapies upon a determination that the product candidate has an effect on a surrogate endpoint or intermediate clinical endpoint that is reasonably likely to predict clinical benefit. The FDA considers a clinical benefit to be a positive therapeutic effect that is clinically meaningful in the context of a given disease, such as irreversible morbidity or mortality. For the purposes of accelerated approval, a surrogate endpoint is a marker, such as a laboratory measurement, radiographic image, physical sign, or other measure that is thought to predict clinical benefit, but is not itself a measure of clinical benefit. An intermediate clinical endpoint is a clinical endpoint that can be measured earlier than an effect on irreversible morbidity or mortality that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit. The accelerated approval pathway may be used in cases in which the advantage of a new drug over available therapy may not be a direct therapeutic advantage, but is a clinically important improvement from a patient

and public health perspective. If granted, accelerated approval is usually contingent on the sponsor's agreement to conduct, in a diligent manner, additional post-approval confirmatory studies to verity and describe the drug's clinical benefit. If such post-approval studies fail to confirm the drug's clinical benefit, the FDA may withdraw its approval of the drug.

Prior to seeking accelerated approval for any of our product candidates, we intend to seek feedback from the FDA and will otherwise evaluate our ability to seek and receive accelerated approval. There can be no assurance that after our evaluation of the feedback and other factors we will decide to pursue or submit an NDA for accelerated approval or any other form of expedited development, review or approval. Similarly, there can be no assurance that after subsequent FDA feedback we will continue to pursue or apply for accelerated approval or any other form of expedited development, review or approval, even if we initially decide to do so. Furthermore, if we decide to submit an application for accelerated approval or receive an expedited regulatory designation (e.g., breakthrough therapy designation) for our product candidates, there can be no assurance that such submission or application will be accepted or that any expedited development, review or approval will be granted on a timely basis, or at all. The FDA or other comparable foreign regulatory authorities could also require us to conduct further studies prior to considering our application or granting approval of any type. A failure to obtain accelerated approval or any other form of expedited development, review or approval for our product candidate would result in a longer time period to commercialization of such product candidate, could increase the cost of development of such product candidate and could harm our competitive position in the marketplace.

We may face difficulties from changes to current regulations and future legislation.

Existing regulatory policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability.

For example, in March 2010, the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, was passed, which substantially changes the way healthcare is financed by both the government and private insurers, and significantly impacts the U.S. pharmaceutical industry. Since its enactment, there have been judicial, executive and Congressional challenges to certain aspects of the ACA. By way of example, on December 22, 2017, the Tax Cuts and Jobs Act, or the Tax Act, was signed into law, which included a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate". In addition, the 2020 federal spending package permanently eliminates, effective January 1, 2020, the ACA-mandated "Cadillac" tax on high-cost employer-sponsored health coverage and, effective January 1, 2021, also eliminated the health insurer tax. The Bipartisan Budget Act of 2018, or the BBA, among other things, amended the ACA, effective January 1, 2019, to close the coverage gap in most Medicare Part D drug plans. In December 2018, CMS published a new final rule permitting further collections and payments to and from certain ACA-qualified health plans and health insurance issuers under the ACA risk adjustment program in response to the outcome of federal district court litigation regarding the method CMS uses to determine this risk adjustment. On December 14, 2018, a Texas U.S. District Court Judge ruled that the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the Tax Act. On December 18, 2019, the U.S. Court of Appeals for the 5th Circuit ruled that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. The U.S. Supreme Court is currently reviewing the case, although it is unclear when a decision will be made or how the Supreme Court will rule. In addition, there may be other efforts to challenge, repeal or replace the ACA. We are continuing to monitor any changes to the ACA that, in turn, may potentially impact our business in the future.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. These changes included aggregate reductions to Medicare payments to providers of 2% per fiscal year, effective April 1, 2013, which, due to subsequent legislative amendments, will stay in effect through 2030, with the exception of a temporary suspension from May 1, 2020 through March 31, 2021 unless additional congressional action is taken. In addition, in January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers, and increased the statute of limitations period for the government to recover overpayments to providers from three (3) to five (5) years. These new laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on customers for our drugs, if approved, and accordingly, our financial operations.

Moreover, there has been heightened governmental scrutiny recently over the manner in which drug manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. The likelihood of success of these and other measures proposed by the former administration is unclear, particularly in light of the current administration. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

We expect that other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our product candidates.

Further, on May 30, 2018, the Trickett Wendler, Frank Mongiello, Jordan McLinn, and Matthew Beilina Right to Try Act of 2017, or the Right to Try Act, was signed into law. The law, among other things, provides a federal framework for certain patients to access certain investigational new product candidates that have completed a Phase 1 clinical trial and that are undergoing investigation for FDA approval. Under certain circumstances, eligible patients can seek treatment without enrolling in clinical trials and without obtaining FDA permission under the FDA expanded access program. There is no obligation for a drug manufacturer to make its products available to eligible patients as a result of the Right to Try Act.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for biotechnology products. We cannot be sure whether additional legislative changes will be enacted, or whether FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our product candidates, if any, may be. In addition, increased scrutiny by Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing testing and other requirements.

Our relationships with healthcare professionals, clinical investigators, CROs and third party payors in connection with our current and future business activities may be subject to federal and state healthcare fraud and abuse laws, false claims laws, transparency laws, government price reporting, and health information privacy and security laws, which could expose us to, among other things, criminal sanctions, civil penalties, contractual damages, exclusion from governmental healthcare programs, reputational harm, administrative burdens and diminished profits and future earnings.

Healthcare providers and third-party payors play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our current and future arrangements with healthcare professionals, clinical investigators, CROs, third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our products for which we obtain marketing approval. Restrictions under applicable federal and state healthcare laws and regulations include the following:

- the federal Anti-Kickback Statute prohibits, among other things, persons and entities from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the federal Anti-Kickback Statute or specific intent to violate it in order to have committed a violation;
- the federal false claims and civil monetary penalties laws, including the civil False Claims Act, which can be enforced by private citizens through civil whistleblower or qui tam actions, prohibit individuals or entities from, among other things, knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government. In addition, the government may assert that a claim including items or services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, prohibits, among other things, executing or attempting to execute a scheme to defraud any healthcare benefit program or making false statements

relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and their implementing regulations, also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal Physician Payments Sunshine Act requires applicable manufacturers of covered drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with specific exceptions, to annually report to CMS information regarding payments and other transfers of value to physicians, as defined by such law, certain other healthcare providers starting in 2022 and teaching hospitals, as well as information regarding ownership and investment interests held by physicians and their immediate family members. The information reported is publicly available on a searchable website, with disclosure required annually; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers.

Some state laws require biotechnology companies to comply with the biotechnology industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and may require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures. Some state laws require biotechnology companies to report information on the pricing of certain drug products.

State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts. For instance, the collection and use of health data in the European Union is governed by the General Data Protection Regulation, or the GDPR, which extends the geographical scope of European Union data protection law to non-European Union entities under certain conditions, tightens existing European Union data protection principles, creates new obligations for companies and new rights for individuals. Failure to comply with the GDPR may result in substantial fines and other administrative penalties. The GDPR may increase our responsibility and liability in relation to personal data that we process and we may be required to put in place additional mechanisms ensuring compliance with the GDPR. This may be onerous and if our efforts to comply with GDPR or other applicable European Union laws and regulations are not successful, it could adversely affect our business in the European Union. Moreover, the United Kingdom leaving the EU could also lead to further legislative and regulatory changes. It remains unclear how the United Kingdom data protection laws or regulations will develop in the medium to longer term and how data transfer to the United Kingdom from the EU will be regulated, especially following the United Kingdom's departure from the EU on January 31, 2020 without a deal. However, the United Kingdom has transposed the GDPR into domestic law with the Data Protection Act 2018, which remains in force following the United Kingdom's departure from the EU. In addition, on June 28, 2018, the State of California enacted the California Consumer Privacy Act, or CCPA, which went into effect on January 1, 2020. The CCPA creates individual privacy rights for California consumers and increases the privacy and security obligations of entities handling certain personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance costs and potential liability, and similar laws have been proposed at the federal level and in other states.

Efforts to ensure that our current and future business arrangements with third parties will comply with applicable healthcare laws and regulations will involve on-going substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant penalties, including civil, criminal and administrative penalties, damages, fines, disgorgement, individual imprisonment, exclusion from participation in government funded healthcare programs, such as Medicare and Medicaid, integrity oversight and reporting obligations, contractual damages, reputational harm, diminished profits and future earnings and the curtailment or restructuring of our operations. Defending against any such actions can be costly, time-consuming and may require significant financial and personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired. Further, if any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Our employees, independent contractors, consultants, commercial collaborators, principal investigators, CROs, suppliers and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk that our employees, independent contractors, consultants, commercial collaborators, principal investigators, CROs, suppliers and vendors may engage in misconduct or other improper activities. Misconduct by these parties could include failures to comply with FDA regulations, provide accurate information to the FDA, comply with federal and state health care fraud and abuse laws and regulations, accurately report financial information or data or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the health care industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Misconduct by these parties could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter misconduct by these parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant penalties, including civil, criminal and administrative penalties, damages, fines, disgorgement, individual imprisonment, exclusion from participation in government funded healthcare programs, such as Medicare and Medicaid, integrity oversight and reporting obligations, contractual damages, reputational harm, diminished profits and future earnings and the curtailment or restructuring of our operations.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of hazardous and flammable materials, including chemicals and biological materials.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or commercialization efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Our research and development activities could be affected or delayed as a result of possible restrictions on animal testing.

Certain laws and regulations require us to test our product candidates on animals before initiating clinical trials involving humans. Animal testing activities have been the subject of controversy and adverse publicity. Animal rights groups and other organizations and individuals have attempted to stop animal testing activities by pressing for legislation and regulation in these areas and by disrupting these activities through protests and other means. To the extent the activities of these groups are successful, our research and development activities may be interrupted, delayed or become more expensive.

Our business activities may be subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, and similar anti-bribery and anti-corruption laws of other countries in which we operate, as well as U.S. and certain foreign export controls, trade sanctions, and import laws and regulations. Compliance with these legal requirements could limit our ability to compete in foreign markets and subject us to liability if we violate them.

If we further expand our operations outside of the United States, we must dedicate additional resources to comply with numerous laws and regulations in each jurisdiction in which we plan to operate. Our business activities may be subject to the FCPA and similar anti-bribery or anti-corruption laws, regulations or rules of other countries in which we operate. The FCPA generally prohibits companies and their employees and third party intermediaries from offering, promising, giving or authorizing the provision of anything of value, either directly or indirectly, to a non-U.S. government official in order to influence official action or otherwise obtain or retain business. The FCPA also requires public companies to make and keep books and records that accurately and fairly reflect the transactions of the corporation and to devise and maintain an adequate

system of internal accounting controls. Our business is heavily regulated and therefore involves significant interaction with public officials, including officials of non-U.S. governments. Additionally, in many other countries, hospitals owned and operated by the government, and doctors and other hospital employees would be considered foreign officials under the FCPA. Recently the SEC and Department of Justice have increased their FCPA enforcement activities with respect to biotechnology and pharmaceutical companies. There is no certainty that all of our employees, agents or contractors, or those of our affiliates, will comply with all applicable laws and regulations, particularly given the high level of complexity of these laws. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, disgorgement, and other sanctions and remedial measures, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our international activities, our ability to attract and retain employees and our business, prospects, operating results and financial condition.

In addition, our products and activities may be subject to U.S. and foreign export controls, trade sanctions and import laws and regulations. Governmental regulation of the import or export of our products, or our failure to obtain any required import or export authorization for our products, when applicable, could harm our international sales and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the export of our products may create delays in the introduction of our products in international markets or, in some cases, prevent the export of our products to some countries altogether. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments, and persons targeted by U.S. sanctions. If we fail to comply with export and import regulations and such economic sanctions, penalties could be imposed, including fines and/or denial of certain export privileges. Moreover, any new export or import restrictions, new legislation or shifting approaches in the enforcement or scope of existing regulations, or in the countries, persons, or products targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export our products to existing or potential customers with international operations. Any decreased use of our products or limitation on our ability to export or sell access to our products would likely adversely affect our business.

Risks Related to Employee Matters, Managing Our Growth and Other Risks Related to Our Business

The COVID-19 pandemic has adversely impacted and we expect will continue to adversely impact our business, including our preclinical studies and clinical trials.

In 2020, a strain of novel coronavirus disease, COVID-19, was declared a pandemic and spread across the world, including throughout the United States, Europe and Asia. The pandemic and government measures taken in response have also had a significant impact, both direct and indirect, on businesses and commerce, as worker shortages have occurred; supply chains have been disrupted; facilities and production have been suspended; and demand for certain goods and services, such as medical services and supplies, has spiked, while demand for other goods and services, such as travel, has fallen. In response to the spread of COVID-19, we have closed our executive offices with our administrative employees continuing their work outside of our offices and limited the number of staff in any given research and development laboratory. As a result of the COVID-19 pandemic, we have experienced and we expect to continue to experience disruptions that could severely impact our business, preclinical studies and clinical trials, including:

- continued delays or difficulties in enrolling patients in our clinical trials;
- continued delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- delays in receiving authorizations from regulatory authorities to initiate our planned clinical trials;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;
- interruption of key clinical trial activities, such as clinical trial site data monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others or interruption of clinical trial subject visits and study procedures (such as endoscopies that are deemed non-essential), which may impact the integrity of subject data and clinical study endpoints;
- risk that participants enrolled in our clinical trials will contract COVID-19 while the clinical trial is ongoing, which could impact the results of the clinical trial, including by increasing the number of observed adverse events;
- risk that we are unable to enroll participants in our clinical trials in adequate numbers;
- interruption or delays in the operations of the FDA or other regulatory authorities, which may impact review and approval timelines;
- interruption of, or delays in receiving, supplies of our product candidates from our contract manufacturing organizations due to staffing shortages, production slowdowns or stoppages and disruptions in delivery systems;
- interruptions in preclinical studies due to restricted or limited operations at our laboratory facility;
- delays in necessary interactions with local regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees;

- changes in local regulations as part of a response to the COVID-19 pandemic, which may require us to change the ways in which our clinical trials are conducted, which may result in unexpected costs, or to discontinue such clinical trials altogether;
- limitations on employee resources that would otherwise be focused on the conduct of our preclinical studies and clinical trials, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people;
- interruption or delays to our sourced discovery and clinical activities; and
- refusal of the FDA to accept data from clinical trials in affected geographies outside the United States.

The COVID-19 pandemic continues to rapidly evolve. The extent to which the pandemic impacts our business, preclinical studies and clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the pandemic, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of vaccination efforts and other actions taken in the United States and other countries to contain and treat the disease.

Our success is highly dependent on our ability to attract and retain highly skilled executive officers and employees.

To succeed, we must recruit, retain, manage and motivate qualified clinical, scientific, technical and management personnel, and we face significant competition for experienced personnel. We are highly dependent on the principal members of our management and scientific and medical staff. If we do not succeed in attracting and retaining qualified personnel, particularly at the management level, it could adversely affect our ability to execute our business plan and harm our operating results. In particular, the loss of one or more of our executive officers could be detrimental to us if we cannot recruit suitable replacements in a timely manner. The competition for qualified personnel in the biotechnology field is intense and as a result, we may be unable to continue to attract and retain qualified personnel necessary for the future success of our business. We could in the future have difficulty attracting experienced personnel to our company and may be required to expend significant financial resources in our employee recruitment and retention efforts.

Many of the other biotechnology companies that we compete against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than we do. They also may provide more diverse opportunities and better prospects for career advancement. Some of these characteristics may be more appealing to high-quality candidates than what we have to offer. If we are unable to continue to attract and retain high-quality personnel, the rate and success at which we can discover, develop and commercialize our product candidates will be limited and the potential for successfully growing our business will be harmed.

If we are unable to establish sales or marketing capabilities or enter into agreements with third parties to sell or market our product candidates, we may not be able to successfully sell or market our product candidates that obtain regulatory approval.

We currently do not have and have never had a marketing or sales team. In order to commercialize any product candidates, if approved, we must build marketing, sales, distribution, managerial and other non-technical capabilities or make arrangements with third parties to perform these services for each of the territories in which we may have approval to sell or market our product candidates. We may not be successful in accomplishing these required tasks.

Establishing an internal sales or marketing team with technical expertise and supporting distribution capabilities to commercialize our product candidates will be expensive and time-consuming, and will require significant attention of our executive officers to manage. Any failure or delay in the development of our internal sales, marketing and distribution capabilities could adversely impact the commercialization of any of our product candidates that we obtain approval to market, if we do not have arrangements in place with third parties to provide such services on our behalf. Alternatively, if we choose to collaborate, either globally or on a territory-by-territory basis, with third parties that have direct sales forces and established distribution systems, either to augment our own sales force and distribution systems or in lieu of our own sales force and distribution systems, we will be required to negotiate and enter into arrangements with such third parties relating to the proposed collaboration. If we are unable to enter into such arrangements when needed, on acceptable terms, or at all, we may not be able to successfully commercialize any of our product candidates that receive regulatory approval or any such commercialization may experience delays or limitations. If we are unable to successfully commercialize our approved product candidates, either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we may incur significant additional losses.

We have never commercialized a product candidate before and may lack the necessary expertise, personnel and resources to successfully commercialize any products on our own or together with suitable collaborators.

We have never commercialized a product candidate, and we currently have no sales force, marketing or distribution capabilities. To achieve commercial success for the product candidates, which we may license to others, we will rely on the assistance and guidance of those collaborators. For product candidates for which we retain commercialization rights, we will have to develop our own sales, marketing and supply organization or outsource these activities to a third party.

Factors that may affect our ability to commercialize our product candidates on our own include recruiting and retaining adequate numbers of effective sales and marketing personnel, obtaining access to or persuading adequate numbers of physicians to prescribe our product candidates and other unforeseen costs associated with creating an independent sales and marketing organization. Developing a sales and marketing organization will be expensive and time-consuming and could delay the launch of our product candidates. We may not be able to build an effective sales and marketing organization. If we are unable to build our own distribution and marketing capabilities or to find suitable partners for the commercialization of our product candidates, we may not generate revenues from them or be able to reach or sustain profitability.

In order to successfully implement our plans and strategies, we will need to grow the size of our organization, and we may experience difficulties in managing this growth.

In order to successfully implement our development and commercialization plans and strategies, and as we transition into operating as a public company, we expect to need additional managerial, operational, sales, marketing, financial and other personnel. Future growth would impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;
- managing our internal development efforts effectively, including the clinical, FDA, EMA and other comparable foreign regulatory agencies' review process for ZN-c5, ZN-c3, ZN-d5 and ZN-e4 and any other future product candidates, while complying with any contractual obligations to contractors and other third parties we may have; and
- improving our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to successfully develop and, if approved, commercialize, ZN-c5, ZN-c3, ZN-d5 and ZN-e4 and any other future product candidates will depend, in part, on our ability to effectively manage any future growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities. Furthermore, certain of our employees, including members of our management team, perform services on behalf of Kalyra Pharmaceuticals, Inc., a corporation that is 25% owned by us, pursuant to intercompany service agreements. As a result, such individuals do not allocate all of their time and resources to us and our other subsidiaries which, coupled with the need to manage growth activities, could further limit their ability to devote a sufficient amount of attention to day-to-day activities of our business.

We currently rely, and for the foreseeable future will continue to rely, in substantial part on certain independent organizations, advisors and consultants to provide certain services, including key aspects of clinical development and manufacturing. We cannot assure you that the services of independent organizations, advisors and consultants will continue to be available to us on a timely basis when needed, or that we can find qualified replacements. In addition, if we are unable to effectively manage our outsourced activities or if the quality or accuracy of the services provided by third party service providers is compromised for any reason, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain marketing approval of ZN-c5, ZN-c3, ZN-d5 and ZN-e4 and any other future product candidates or otherwise advance our business. We cannot assure you that we will be able to manage our existing third party service providers or find other competent outside contractors and consultants on economically reasonable terms, or at all.

If we are not able to effectively expand our organization by hiring new employees and/or engaging additional third party service providers, we may not be able to successfully implement the tasks necessary to further develop and commercialize ZN-c5, ZN-c3, ZN-d5 and ZN-e4 and any other future product candidates and, accordingly, may not achieve our research, development and commercialization goals.

Our internal computer systems, or those of any of our CROs, manufacturers, other contractors, consultants, collaborators or potential future collaborators, may fail or suffer security or data privacy breaches or other unauthorized or improper access to, use of, or destruction of our proprietary or confidential data, employee data, or personal data, which could result in additional costs, loss of revenue, significant liabilities, harm to our brand and material disruption of our operations.

Despite the implementation of security measures, our internal computer systems and those of our current and any future CROs and other contractors, consultants, collaborators and third-party service providers, are vulnerable to damage from computer viruses, cybersecurity threats, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failure. If such an event were to occur and cause interruptions in our operations or result in the unauthorized acquisition of or access to personally identifiable information or individually identifiable health information (violating certain privacy laws such as HIPAA, Health Information Technology for Economic and Clinical Health Act and GDPR), it could result in a material disruption of our drug discovery and development programs and our business operations, whether due to a loss of our trade secrets or other similar disruptions. Some of the federal, state and foreign government requirements include obligations of companies to notify individuals of security breaches involving particular personally identifiable information, which could result from breaches experienced by us or by our vendors, contractors, or organizations with which we have formed strategic relationships. Notifications and follow-up actions related to a security breach could impact our reputation, cause us to incur significant costs, including legal expenses and remediation costs. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the lost data. We also rely on third parties to manufacture our product candidates, and similar events relating to their computer systems could also have a material adverse effect on our business. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data, or inappropriate disclosure of confidential or proprietary information, we could be exposed to litigation and governmental investigations, the further development and commercialization of our product candidates could be delayed, and we could be subject to significant fines or penalties for any noncompliance with certain state, federal and/or international privacy and security laws.

Our insurance policies may not be adequate to compensate us for the potential losses arising from any such disruption, failure or security breach. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at all. Further, our insurance may not cover all claims made against us and could have high deductibles in any event, and defending a suit, regardless of its merit, could be costly and divert management attention.

EU drug marketing and reimbursement regulations may materially affect our ability to market and receive coverage for our products in the European member states.

We intend to seek approval to market our product candidates in both the United States and in selected foreign jurisdictions. If we obtain approval in one or more foreign jurisdictions for our product candidates, we will be subject to rules and regulations in those jurisdictions. In some foreign countries, particularly those in the European Union, the pricing of drugs is subject to governmental control and other market regulations which could put pressure on the pricing and usage of our product candidates. In these countries, pricing negotiations with governmental authorities can take considerable time after obtaining marketing approval of a product candidate. In addition, market acceptance and sales of our product candidates will depend significantly on the availability of adequate coverage and reimbursement from third-party payors for our product candidates and may be affected by existing and future healthcare reform measures.

Much like the federal Anti-Kickback Statute prohibition in the United States, the provision of benefits or advantages to physicians to induce or encourage the prescription, recommendation, endorsement, purchase, supply, order or use of medicinal products is also prohibited in the European Union. The provision of benefits or advantages to physicians is governed by the national anti-bribery laws of EU Member States, such as the UK Bribery Act 2010. Infringement of these laws could result in substantial fines and imprisonment.

Payments made to physicians in certain EU Member States must be publicly disclosed. Moreover, agreements with physicians often must be the subject of prior notification and approval by the physician’s employer, his or her competent professional organization and/or the regulatory authorities of the individual EU Member States. These requirements are provided in the national laws, industry codes or professional codes of conduct, applicable in the EU Member States. Failure to comply with these requirements could result in reputational risk, public reprimands, administrative penalties, fines or imprisonment.

In addition, in most foreign countries, including the European Economic Area, or EEA, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing and reimbursement vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. Reference pricing used by various EU member states and parallel distribution, or arbitrage between low-priced and high-priced member states, can further reduce prices. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. In some countries, we may be required to conduct a clinical study or other studies that compare the cost-effectiveness of any of our product candidates to other available therapies in order to obtain or maintain

reimbursement or pricing approval. There can be no assurance that any country that has price controls or reimbursement limitations for biopharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our products. Historically, products launched in the European Union do not follow price structures of the United States and generally prices tend to be significantly lower. Publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If pricing is set at unsatisfactory levels or if reimbursement of our products is unavailable or limited in scope or amount, our revenues from sales and the potential profitability of any of our product candidates in those countries would be negatively affected.

A portion of our manufacturing of our lead product candidates takes place in China through third-party manufacturers. A significant disruption in the operation of those manufacturers, a trade war or political unrest in China could materially adversely affect our business, financial condition and results of operations.

We currently contract manufacturing operations to third parties, and clinical quantities of our lead product candidates are manufactured by these third parties outside the United States, including in China, and we expect to continue to use such third-party manufacturers for such product candidates. Any disruption in production or inability of our manufacturers in China to produce adequate quantities to meet our needs, whether as a result of a natural disaster or other causes, could impair our ability to operate our business on a day-to-day basis and to continue our development of our product candidates. Furthermore, since these manufacturers are located in China, we are exposed to the possibility of product supply disruption and increased costs in the event of changes in the policies of the United States or Chinese governments, political unrest or unstable economic conditions in China. For example, a trade war could lead to tariffs on the chemical intermediates we use that are manufactured in China. Any of these matters could materially and adversely affect our business and results of operations. Any recall of the manufacturing lots or similar action regarding our product candidates used in clinical trials could delay the trials or detract from the integrity of the trial data and its potential use in future regulatory filings. In addition, manufacturing interruptions or failure to comply with regulatory requirements by any of these manufacturers could significantly delay clinical development of potential products and reduce third-party or clinical researcher interest and support of proposed trials. These interruptions or failures could also impede commercialization of our product candidates and impair our competitive position. Further, we may be exposed to fluctuations in the value of the local currency in China. Future appreciation of the local currency could increase our costs. In addition, our labor costs could continue to rise as wage rates increase due to increased demand for skilled laborers and the availability of skilled labor declines in China.

Our operations are vulnerable to interruption by fire, severe weather conditions, power loss, telecommunications failure, terrorist activity and other events beyond our control, which could harm our business.

Our facility is located in a region which experiences severe weather from time to time. We have not undertaken a systematic analysis of the potential consequences to our business and financial results from a major tornado, flood, fire, earthquake, power loss, terrorist activity or other disasters and do not have a recovery plan for such disasters. In addition, we do not carry sufficient insurance to compensate us for actual losses from interruption of our business that may occur, and any losses or damages incurred by us could harm our business. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes of our corporate subsidiaries may be limited.

The net operating loss, or NOL, carryforwards of the Company and our corporate subsidiaries could expire unused and be unavailable to offset future income tax liabilities because of their limited duration or because of restrictions under U.S. tax law. NOLs generated in tax years ending on or prior to December 31, 2017 are only permitted to be carried forward for 20 taxable years under applicable U.S. federal tax law. Under the Tax Act, as modified by the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, signed into law on March 27, 2020, NOLs arising in tax years beginning after December 31, 2017, and before January 1, 2021 may be carried back to each of the five (5) tax years preceding the tax year of such loss, and NOLs arising in tax years beginning after December 31, 2020 may not be carried back. Moreover, under the Tax Act as modified by the CARES Act, federal NOLs of the Company and our corporate subsidiaries generated in tax years ending after December 31, 2017 may be carried forward indefinitely, but the deductibility of federal NOLs generated in tax years beginning after December 31, 2020 may be limited. It is uncertain if and to what extent various states will conform to the Tax Act or the CARES Act. In addition, a “Separate Return Limitation Year” (“SRLY”) generally encompasses all separate return years of a member (or predecessor in a transaction pursuant to Section 381 of the Internal Revenue Code of 1986, as amended, or the Code, or certain other transactions) of a consolidated group, including tax years in which it joins a consolidated return of another group. According to Treasury Regulation Section 1.1502-21, NOLs of a member that arises in a SRLY may be applied against consolidated taxable income only to the extent of the loss member’s cumulative contribution to the consolidated taxable income. As a result, this SRLY limitation may also increase the tax liability of the Company (by reducing the carryforward of

certain NOLs that otherwise might be used to offset the amount of taxable gain), potentially decreasing the value of our common stock. As of December 31, 2020, our corporate subsidiaries had available NOL carryforwards of approximately $183.0 million for federal income tax purposes, of which $162.0 million were generated in and after 2018 and can be carried forward indefinitely. The remaining federal NOLs of $21.0 million, which were generated prior to 2018, will start to expire in 2033 if not utilized. We do not anticipate carrying back any NOLs of our corporate subsidiaries.

In addition, under Sections 382 and 383 of the Code, if a corporation undergoes an "ownership change" (generally defined as a cumulative change in our ownership by "5-percent shareholders" that exceeds 50 percentage points over a rolling three-year period), the corporation's ability to use its pre-change NOLs and certain other pre-change tax attributes to offset its post-change income and taxes may be limited. Similar rules may apply under state tax laws. We may have experienced such ownership changes in the past and we may experience ownership changes in the future as a result of shifts in our stock ownership, some of which are outside our control. We have not conducted any studies to determine annual limitations, if any, that could result from such changes in the ownership. Our ability to utilize those NOLs could be limited by an "ownership change" as described above and consequently, we may not be able to utilize a material portion of our NOLs and certain other tax attributes, which could have a material adverse effect on our cash flows and results of operations.

A variety of risks associated with marketing our product candidates internationally could materially adversely affect our business.

We plan to seek regulatory approval of our product candidates outside of the United States and, accordingly, we expect that we will be subject to additional risks related to operating in foreign countries if we obtain the necessary approvals, including:

- differing regulatory requirements and reimbursement regimes in foreign countries;
- unexpected changes in tariffs, trade barriers, price and exchange controls and other regulatory requirements;
- economic weakness, including inflation, or political instability in particular foreign economies and markets;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- foreign taxes, including withholding of payroll taxes;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- difficulties staffing and managing foreign operations;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- potential liability under the FCPA or comparable foreign regulations;
- challenges enforcing our contractual and intellectual property rights, especially in those foreign countries that do not respect and protect intellectual property rights to the same extent as the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism.

These and other risks associated with our international operations may materially adversely affect our ability to attain or maintain profitable operations.

Risks Related to Our Intellectual Property

Our success depends on our ability to protect our intellectual property and our proprietary platform.

Our commercial success depends in part on our ability to obtain and maintain patent protection and trade secret protection for our product candidates, proprietary technologies and their uses as well as our and our licensors' ability to operate without infringing the proprietary rights of others. If we or our licensors are unable to protect our intellectual property rights or if our intellectual property rights are inadequate for our technology or our product candidates, our competitive position could be harmed. We and our licensors generally seek to protect our proprietary position by filing patent applications in the United States and abroad related to our product candidates, proprietary technologies and their uses that are important to our business. Our patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless, and until, patents issue from such applications, and then only to the extent the issued claims cover the technology. There can be no assurance that our patent applications will result in patents being issued or that issued patents will afford sufficient protection against competitors with similar technology, nor can there be any assurance that the patents if issued will not be infringed, designed around, invalidated or rendered unenforceable by third parties. Even issued patents may later be found invalid or unenforceable or may be modified or revoked in proceedings instituted by third parties before various patent offices or in courts. The degree of future protection for our and our licensors' proprietary rights is uncertain. Only limited protection may be available and may not adequately protect our or our licensors' rights or permit us or our licensors to gain or keep any

competitive advantage. These uncertainties and/or limitations in our and our licensors' ability to properly protect the intellectual property rights relating to our product candidates could have a material adverse effect on our financial condition and results of operations.

Although we license issued patents in the United States and foreign countries, we cannot be certain that the claims in our other U.S. pending patent applications, corresponding international patent applications and patent applications in certain foreign countries will be considered patentable by the United States Patent and Trademark Office, or USPTO, courts in the United States or by the patent offices and courts in foreign countries, nor can we be certain that the claims in our issued patents will not be found invalid or unenforceable if challenged.

The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that we or our licensors or any of our potential future collaborators will be successful in protecting our product candidates by obtaining and defending patents. These risks and uncertainties include the following:

- the USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process, the noncompliance with which can result in abandonment or lapse of a patent or patent application, and partial or complete loss of patent rights in the relevant jurisdiction;
- patent applications may not result in any patents being issued;
- patents may be challenged, invalidated, modified, revoked, circumvented, found to be unenforceable or otherwise may not provide any competitive advantage;
- our competitors, many of whom have substantially greater resources than we or our licensors do and many of whom have made significant investments in competing technologies, may seek or may have already obtained patents that will limit, interfere with or block our ability to make, use and sell our product candidates;
- there may be significant pressure on the U.S. government and international governmental bodies to limit the scope of patent protection both inside and outside the United States for disease treatments that prove successful, as a matter of public policy regarding worldwide health concerns; and
- countries other than the United States may have patent laws less favorable to patentees than those upheld by U.S. courts, allowing foreign competitors a better opportunity to create, develop and market competing products.

The patent prosecution process is also expensive and time-consuming, and we or our licensors may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner or in all jurisdictions where protection may be commercially advantageous. It is also possible that we or our licensors may not identify patentable aspects of our research and development output before it is too late to obtain patent protection. Moreover, in some circumstances, we do not have the right to control the preparation, filing and prosecution of patent applications, or to maintain the patents, directed to technology that we license, including those from our licensors and from third parties. We also may require the cooperation of our licensors in order to enforce the licensed patent rights, and such cooperation may not be provided. Therefore, these patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. We cannot be certain that patent prosecution and maintenance activities by our licensors have been or will be conducted in compliance with applicable laws and regulations, which may affect the validity and enforceability of such patents or any patents that may issue from such applications. If they fail to do so, this could cause us to lose rights in any applicable intellectual property that we in-license, and as a result our ability to develop and commercialize products or product candidates may be adversely affected and we may be unable to prevent competitors from making, using and selling competing products.

In addition, although we enter into non-disclosure and confidentiality agreements with parties who have access to patentable aspects of our research and development output, such as our employees, outside scientific collaborators, CROs, third-party manufacturers, consultants, advisors, licensors, and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to seek patent protection.

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

We are a party to a number of license agreements under which we are granted rights to intellectual property that are important to our business and we may enter into additional license agreements in the future. For example, in September 2019, we entered into an exclusive license agreement with Recurium IP Holdings, LLC, or Recurium IP, to obtain an exclusive license to certain intellectual property rights to develop and commercialize ZN-e5, ZN-c3 and ZN-e4.

This and our other existing license agreements impose on us, and we expect that any future license agreements where we in-license intellectual property will impose on us, various development, regulatory and/or commercial diligence obligations, payment of milestones and/or royalties and other obligations. If we fail to comply with our obligations under these agreements, or we are subject to bankruptcy-related proceedings, the licensors may have the right to terminate the licenses, in which event we would not be able to market products covered by the licenses.

We may need to obtain licenses from third parties to advance our research or allow commercialization of our product candidates, and we cannot provide any assurances that third-party patents do not exist that might be enforced against our product candidates in the absence of such a license. We may fail to obtain any of these licenses on commercially reasonable terms, if at all. Even if we are able to obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. In that event, we may be required to expend significant time and resources to develop or license replacement technology. If we are unable to do so, we may be unable to develop or commercialize the affected product candidates, which could materially harm our business and the third parties owning such intellectual property rights could seek either an injunction prohibiting our sales, or, with respect to our sales, an obligation on our part to pay royalties and/or other forms of compensation. Licensing of intellectual property is of critical importance to our business and involves complex legal, business and scientific issues. Disputes may arise between us and our licensors regarding intellectual property subject to a license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- whether and the extent to which our technology and processes infringe intellectual property of the licensor that is not subject to the licensing agreement;
- our right to sublicense patents and other rights to third parties;
- our diligence obligations with respect to the use of the licensed technology in relation to our development and commercialization of our product candidates, and what activities satisfy those diligence obligations;
- our right to transfer or assign the license; and
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and its affiliates and sublicensees and by us and our partners and sublicensees.

If disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, we may not be able to successfully develop and commercialize the affected product candidates, which would have a material adverse effect on our business.

In addition, certain of our agreements may limit or delay our ability to consummate certain transactions, may impact the value of those transactions, or may limit our ability to pursue certain activities. For example, if we choose to sublicense or assign to any third parties our rights under our existing license agreement with Recurium with respect to any licensed product, we may be required to pay to Recurium a specified percentage of all revenue to be received in connection with such transaction.

If the scope of any patent protection our licensors obtain is not sufficiently broad, or if our licensors lose any of the patent protection we license, our ability to prevent our competitors from commercializing similar or identical product candidates would be adversely affected.

The patent position of biopharmaceutical companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the existence, issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Our pending and future patent applications may not result in patents being issued that protect our product candidates or that effectively prevent others from commercializing competitive product candidates.

Moreover, the scope of claims in a patent application can be significantly reduced before any claims in a patent is issued, and claim scope can be reinterpreted after issuance. Even if patent applications we license currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. Any patents that we license may be challenged or circumvented by third parties or may be narrowed or invalidated as a result of challenges by third parties. Consequently, we do not know whether our product candidates will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner, which could materially adversely affect our business, financial condition, results of operations and prospects.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our licensed-in patents may not cover our product candidates or may be challenged in the courts or patent offices in the United States and

abroad. We may be subject to a third party pre-issuance submission of prior art to the USPTO, or become involved in opposition, derivation, revocation, reexamination, post-grant review, or PGR, and inter partes review, or IPR, or other similar proceedings in the USPTO or foreign patent offices challenging our patent rights. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to validity of our patents, for example, we cannot be certain that there is no invalidating prior art, of which we or our licensors and the patent examiner were unaware during prosecution. There is no assurance that all potentially relevant prior art relating to our patents and patent applications or those of our licensors has been found. There is also no assurance that there is not prior art of which we or licensors are aware, but which we do not believe affects the validity or enforceability of a claim in our patents and patent applications or those of our licensors, which may, nonetheless, ultimately be found to affect the validity or enforceability of a claim. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate or render unenforceable, our patent rights, allow third parties to commercialize our product candidates and compete directly with us, without payment to us. Such loss of in-licensed patent rights, loss of exclusivity or in patent claims being narrowed, invalidated or held unenforceable could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our product candidates. Such proceedings also may result in substantial cost and require significant time from our scientists and management, even if the eventual outcome is favorable to us. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, regardless of the outcome, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates.

The patent protection and patent prosecution for some of our product candidates may be dependent on our licensors and third parties.

We or our licensors may fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Therefore, we may miss potential opportunities to strengthen our patent position. It is possible that defects of form in the preparation or filing of our patents or patent applications may exist, or may arise in the future, for example with respect to proper priority claims, inventorship, claim scope, or requests for patent term adjustments. If we or our licensors, whether current or future, fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced or eliminated. If our licensors are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised. If there are material defects in the form, preparation, prosecution, or enforcement of our in- licensed patents or patent applications, such patents may be invalid and/or unenforceable, and such applications may never result in valid, enforceable patents. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

As a licensee of third parties, we rely on third parties to file and prosecute patent applications and maintain patents and otherwise protect the licensed intellectual property under some of our license agreements. We have not had and do not have primary control over these activities for certain of our patents or patent applications and other intellectual property rights. We cannot be certain that such activities by third parties have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents or other intellectual property rights. Pursuant to the terms of the license agreements with some of our licensors, the licensors may have the right to control enforcement of our licensed patents or defense of any claims asserting the invalidity of these patents and even if we are permitted to pursue such enforcement or defense, we will require the cooperation of our licensors. We cannot be certain that our licensors will allocate sufficient resources or prioritize their or our enforcement of such patents or defense of such claims to protect our interests in the licensed patents. Even if we are not a party to these legal actions, an adverse outcome could harm our business because it might prevent us from continuing to license intellectual property that we may need to operate our business. If any of our licensors or any of our future licensors or future collaborators fail to appropriately prosecute and maintain patent protection for patents covering any of our product candidates, our ability to develop and commercialize those product candidates may be adversely affected and we may not be able to prevent competitors from making, using and selling competing products.

In addition, even where we have the right to control patent prosecution of patents and patent applications we have acquired or licensed from third parties, we may still be adversely affected or prejudiced by actions or inactions of our licensors and their counsel that took place prior to us assuming control over patent prosecution.

Our technology acquired or licensed from various third parties, including our licensors, may be subject to retained rights. Our licensors often retain certain rights under their agreements with us, including the right to use the underlying technology for use in fields other than the fields licensed to us or for use in noncommercial academic and research use, to publish general scientific findings from research related to the technology, and to make customary scientific and scholarly disclosures of information relating to the technology. It is difficult to monitor whether our licensors limit their use of the technology to these uses, and we could incur substantial expenses to enforce our rights to our licensed technology in the event of misuse.

If we are limited in our ability to utilize acquired or licensed technologies, or if we lose our rights to critical licensed technology, we may be unable to successfully develop, out-license, market and sell our products, which could prevent or delay new product introductions. Our business strategy depends on the successful development of licensed and acquired technologies into commercial products. Therefore, any limitations on our ability to utilize these technologies may impair our ability to develop, out-license or market and sell our product candidate.

Some of our intellectual property has been discovered through government-funded programs and thus may be subject to federal regulations such as "march-in" rights, certain reporting requirements and a preference for U.S.-based companies. Compliance with such regulations may limit our exclusive rights, and limit our ability to contract with non-U.S. manufacturers.

Some of the intellectual property rights we have acquired or licensed or may acquire or license in the future may have been generated through the use of U.S. government funding and may therefore be subject to certain federal regulations. These U.S. government rights include a non-exclusive, non-transferable, irrevocable worldwide license to use inventions for any governmental purpose. In addition, the U.S. government has the right, under certain limited circumstances, to require us to grant exclusive, partially exclusive, or non-exclusive licenses to any of these inventions to a third party if it determines that: (i) adequate steps have not been taken to commercialize the invention; (ii) government action is necessary to meet public health or safety needs; or (iii) government action is necessary to meet requirements for public use under federal regulations (also referred to as "march-in rights"). The U.S. government also has the right to take title to these inventions if the grant recipient fails to disclose the invention to the government or fails to file an application to register the intellectual property within specified time limits. Intellectual property generated under a government funded program is also subject to certain reporting requirements, compliance with which may require us to expend substantial resources. In addition, the U.S. government requires that any products embodying any of these inventions or produced through the use of any of these inventions be manufactured substantially in the United States. This preference for U.S. industry may be waived by the federal agency that provided the funding if the owner or assignee of the intellectual property can show that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible. This preference for U.S. industry may limit our ability to contract with non-U.S. product manufacturers for products covered by such intellectual property. To the extent any of our future intellectual property is also generated through the use of U.S. government funding, the provisions of the Bayh-Dole Act may similarly apply.

Intellectual property rights do not necessarily address all potential threats to our competitive advantage.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business or permit us to maintain our competitive advantage. For example:

- others may be able to develop products that are similar to our product candidates but that are not covered by the claims of the patents that we own or license;
- we or our licensors might not have been the first to make the inventions covered by the issued patents or patent application that we own or license;
- we or our licensors might not have been the first to file patent applications covering certain of our inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- it is possible that our licensors' pending patent applications will not lead to issued patents;
- issued patents that we own or license may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- we may not develop additional proprietary technologies that are patentable; and
- the patents of others may have an adverse effect on our business.
- Should any of these events occur, it could significantly harm our business, results of operations and prospects.

Our commercial success depends significantly on our ability to operate without infringing the patents and other proprietary rights of third parties. Claims by third parties that we infringe their proprietary rights may result in liability for damages or prevent or delay our developmental and commercialization efforts.

Our commercial success depends in part on avoiding infringement of the patents and proprietary rights of third parties. However, our research, development and commercialization activities may be subject to claims that we infringe or otherwise violate patents or other intellectual property rights owned or controlled by third parties. Other entities may have or obtain patents or proprietary rights that could limit our ability to make, use, sell, offer for sale or import our product candidates and products that may be approved in the future, or impair our competitive position. There is a substantial amount of litigation, both within and outside the United States, involving patent and other intellectual property rights in the biopharmaceutical industry, including patent infringement lawsuits, oppositions, reexaminations, IPR proceedings and PGR proceedings before the USPTO and/or foreign patent offices. Numerous third-party U.S. and foreign issued patents and pending patent applications exist in the fields in which we are developing product candidates. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment-related to the use or manufacture of our product candidates.

As the biopharmaceutical industry expands and more patents are issued, the risk increases that our product candidates may be subject to claims of infringement of the patent rights of third parties. Because patent applications are maintained as confidential for a certain period of time, until the relevant application is published we may be unaware of third-party patents that may be infringed by commercialization of any of our product candidates, and we cannot be certain that we were the first to file a patent application related to a product candidate or technology. Moreover, because patent applications can take many years to issue, there may be currently pending patent applications that may later result in issued patents that our product candidates may infringe. In addition, identification of third-party patent rights that may be relevant to our technology is difficult because patent searching is imperfect due to differences in terminology among patents, incomplete databases and the difficulty in assessing the meaning of patent claims. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. Any claims of patent infringement asserted by third parties would be time consuming and could:

- result in costly litigation that may cause negative publicity;
- divert the time and attention of our technical personnel and management;
- cause development delays;
- prevent us from commercializing any of our product candidates until the asserted patent expires or is held finally invalid or unenforceable or not infringed in a court of law;
- require us to develop non-infringing technology, which may not be possible on a cost-effective basis;
- subject us to significant liability to third parties; or
- require us to enter into royalty or licensing agreements, which may not be available on commercially reasonable terms, or at all, or which might be non-exclusive, which could result in our competitors gaining access to the same technology.

Although no third party has asserted a claim of patent infringement against us as of the date of this Annual Report on Form 10-K, others may hold proprietary rights that could prevent our product candidates from being marketed. Any patent-related legal action against us claiming damages and seeking to enjoin activities relating to our product candidates or processes could subject us to potential liability for damages, including treble damages if we were determined to willfully infringe, and require us to obtain a license to manufacture or develop our product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of management and employee resources from our business. We cannot predict whether we would prevail in any such actions or that any license required under any of these patents would be made available on commercially acceptable terms, if at all. Moreover, even if we or our future strategic partners were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. In addition, we cannot be certain that we could redesign our product candidates or processes to avoid infringement, if necessary. Accordingly, an adverse determination in a judicial or administrative proceeding, or the failure to obtain necessary licenses, could prevent us from developing and commercializing our product candidates, which could harm our business, financial condition and operating results.

Parties making claims against us may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation or administrative proceedings, there is a risk that some of our confidential information could be compromised by disclosure. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise additional funds or otherwise have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time-consuming and unsuccessful. Further, our issued patents could be found invalid or unenforceable if challenged in court.

Competitors may infringe our intellectual property rights or those of our licensors. To prevent infringement or unauthorized use, we and/or our licensors may be required to file infringement claims, which can be expensive and time-consuming. Further, our licensors may need to file infringement claims, and our licensors may elect not file such claims. In addition, in a patent infringement proceeding, a court may decide that a patent we own or license is not valid, is unenforceable and/or is not infringed. If we or any of our licensors or potential future collaborators were to initiate legal proceedings against a third party to enforce a patent directed at one of our product candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable in whole or in part. In patent litigation, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge include an alleged failure to meet any of several statutory requirements, including lack of novelty or written description, obviousness or non-enablement. Grounds for an unenforceability assertion could include an allegation that someone connected with prosecution of the patent intentionally withheld material information from the USPTO or made a misleading statement during prosecution.

If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on such product candidate. In addition, if the breadth or strength of protection provided by our patents and patent applications or those of our licensors is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates. Such a loss of patent protection would have a material adverse impact on our business.

Even if resolved in our favor, litigation or other legal proceedings relating to our intellectual property rights may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could compromise our ability to compete in the marketplace.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation or other legal proceedings relating to our intellectual property rights, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation or other proceedings.

Intellectual property litigation may lead to unfavorable publicity that harms our reputation and causes the market price of our common shares to decline.

During the course of any intellectual property litigation, there could be public announcements of the initiation of the litigation as well as results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our existing products, programs or intellectual property could be diminished. Accordingly, the market price of shares of our common stock may decline. Such announcements could also harm our reputation or the market for our future products, which could have a material adverse effect on our business.

Derivation or interference proceedings may be necessary to determine priority of inventions, and an unfavorable outcome may require us to cease using the related technology or to attempt to license rights from the prevailing party.

Derivation or interference proceedings provoked by third parties or brought by us or our licensors, or declared by the USPTO or similar proceedings in foreign patent offices may be necessary to determine the priority of inventions with respect to our or our licensors' patents or patent applications. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Our or our licensors' defense of such proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. In addition, the uncertainties associated with such proceedings could have a material adverse effect on our ability to raise the funds necessary to continue our clinical trials, continue our research programs, license necessary technology from third parties or enter into development or manufacturing partnerships that would help us bring our product candidates to market.

Patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

In September 2011, the Leahy-Smith America Invents Act, or Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent

applications will be prosecuted and may also affect patent litigation. In particular, under the Leahy-Smith Act, the United States transitioned in March 2013 to a "first inventor to file" system in which, assuming that other requirements of patentability are met, the first inventor to file a patent application will be entitled to the patent regardless of whether a third party was first to invent the claimed invention. A third party that files a patent application in the USPTO after March 2013 but before us could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by such third party. This will require us to be cognizant going forward of the time from invention to filing of a patent application. Furthermore, our ability to obtain and maintain valid and enforceable patents depends on whether the differences between our technology and the prior art allow our technology to be patentable over the prior art. Since patent applications in the United States and most other countries are confidential for a period of time after filing or until issuance, we cannot be certain that we were the first to either (1) file any patent application related to our product candidates or (2) invent any of the inventions claimed in our patents or patent applications.

The Leahy-Smith Act also includes a number of significant changes that affect the way patent applications will be prosecuted and also may affect patent litigation. These include allowing third-party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO administered post-grant proceedings, including PGR, IPR, and derivation proceedings. An adverse determination in any such submission or proceeding could reduce the scope or enforceability of, or invalidate, our patent rights, which could adversely affect our competitive position.

Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in United States federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. Thus, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our or licensors' patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involve a high degree of technological and legal complexity. Therefore, obtaining and enforcing biopharmaceutical patents is costly, time-consuming and inherently uncertain. Changes in either the patent laws or in the interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property and may increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. We cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents. In addition, Congress or other foreign legislative bodies may pass patent reform legislation that is unfavorable to us.

For example, the U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our or our licensors' ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the U.S. federal courts, the USPTO, or similar authorities in foreign jurisdictions, the laws and regulations governing patents could change in unpredictable ways that would weaken our or our licensors' ability to obtain new patents or to enforce our existing patents and patents we might obtain in the future.

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

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

Patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time.

Patents have a limited lifespan. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Various extensions may be available, but the term of a patent, and the protection it affords, is limited. Even if patents directed to our product candidates are obtained, once the patent term has expired, we may be open to competition from competitive products. Given the amount of time required for the development, testing and regulatory review of product candidates, patents directed to our product candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

If we or our licensors do not obtain patent term extension for our product candidates, our business may be materially harmed.

Depending upon the timing, duration and specifics of FDA marketing approval of our product candidates, one or more of our U.S. patents may be eligible for limited patent term restoration under the Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five (5) years as compensation for patent term lost during product development and the FDA regulatory review process. A maximum of one patent may be extended per FDA-approved product as compensation for the patent term lost during the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only those claims covering such approved drug product, a method for using it or a method for manufacturing it may be extended. Patent term extension may also be available in certain foreign countries upon regulatory approval of our product candidates. However, we or our licensors may not be granted an extension because of, for example, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we or our licensors are unable to obtain patent term extension or restoration or the term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our revenue could be reduced, possibly materially. Further, if this occurs, our competitors may take advantage of our investment in development and trials by referencing our clinical and preclinical data and launch their product earlier than might otherwise be the case.

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

Although we have issued patents and pending patent applications in the United States and certain other countries, filing, prosecuting and defending patents in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we or our licensors have patent protection but enforcement is not as strong as that in the United States. These products may compete with our product candidates, and our or our licensors patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

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

Many countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we

or our licensors are forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations and prospects may be adversely affected.

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

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to the USPTO and various foreign patent offices at various points over the lifetime of our patents and/or applications. We have systems in place to remind us to pay these fees, and we rely on third parties to pay these fees when due. Additionally, the USPTO and various foreign patent offices require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. We employ reputable law firms and other professionals to help us comply, and in many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with rules applicable to the particular jurisdiction. However, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If such an event were to occur, it could have a material adverse effect on our business.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition, we rely on the protection of our trade secrets, including unpatented know-how, technology and other proprietary information to maintain our competitive position. Although we have taken steps to protect our trade secrets and unpatented know-how, including entering into confidentiality agreements with third parties, and confidential information and inventions agreements with employees, consultants, licensors and advisors, we cannot provide any assurances that all such agreements have been duly executed, and any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets.

Moreover, third parties may still obtain this information or may come upon this or similar information independently, and we would have no right to prevent them from using that technology or information to compete with us. If any of these events occurs or if we otherwise lose protection for our trade secrets, the value of this information may be greatly reduced and our competitive position would be harmed. If we or our licensors do not apply for patent protection prior to such publication or if we cannot otherwise maintain the confidentiality of our proprietary technology and other confidential information, then our ability to obtain patent protection or to protect our trade secret information may be jeopardized.

We may be subject to claims that we have wrongfully hired an employee from a competitor or that we or our employees have wrongfully used or disclosed alleged confidential information or trade secrets of their former employers.

As is common in the biopharmaceutical industry, in addition to our employees, we engage the services of consultants to assist us in the development of our product candidates. Many of these consultants, and many of our employees, were previously employed at, or may have previously provided or may be currently providing consulting services to, other biopharmaceutical companies including our competitors or potential competitors. We may become subject to claims that we, our employees or a consultant inadvertently or otherwise used or disclosed trade secrets or other information proprietary to their former employers or their former or current clients. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could adversely affect our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to our management team and other employees.

Risks Related to Our Dependence on Third Parties

We rely, and expect to continue to rely, on third parties, including independent clinical investigators and CROs, to conduct certain aspects of our preclinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties, comply with applicable regulatory requirements or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed.

We have relied upon and plan to continue to rely upon third parties, including independent clinical investigators and third-party CROs, to conduct certain aspects of our preclinical studies and clinical trials and to monitor and manage data for our

ongoing preclinical and clinical programs. We rely on these parties for execution of our preclinical studies and clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies and trials is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards, and our reliance on these third parties does not relieve us of our regulatory responsibilities. We and our third-party contractors and CROs are required to comply with GCP requirements, which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities for all of our products candidates in clinical development. Regulatory authorities enforce these GCPs through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of these third parties or our CROs fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with GCP regulations. In addition, our clinical trials must be conducted with product produced under cGMP regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process. Moreover, our business may be adversely affected if any of these third parties violates federal or state fraud and abuse or false claims laws and regulations or healthcare privacy and security laws.

Further, these investigators and CROs are not our employees and we will not be able to control, other than by contract, the amount of resources, including time, which they devote to our product candidates and clinical trials. These third parties may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting clinical trials or other product development activities, which could affect their performance on our behalf. If independent investigators or CROs fail to devote sufficient resources to the development of our product candidates, or if CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed or precluded entirely.

Our CROs have the right to terminate their agreements with us in the event of an uncured material breach. In addition, some of our CROs have an ability to terminate their respective agreements with us if it can be reasonably demonstrated that the safety of the subjects participating in our clinical trials warrants such termination, if we make a general assignment for the benefit of our creditors or if we are liquidated.

The COVID-19 pandemic and government measures taken in response have also had a significant impact on our CROs, and we expect that they will face further disruption which may affect our ability to initiate and complete our preclinical studies and clinical trials.

If any of our relationships with these third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. Switching or adding additional CROs involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays occur, which can materially impact our ability to meet our desired clinical development timelines. Additionally, CROs may lack the capacity to absorb higher workloads or take on additional capacity to support our needs. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

We contract with third parties for the manufacture of our product candidates for preclinical studies and our ongoing clinical trials, and expect to continue to do so for additional clinical trials and ultimately for commercialization. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or drugs or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.

We do not currently have the infrastructure or internal capability to manufacture supplies of our product candidates for use in development and commercialization. We rely, and expect to continue to rely, on third-party manufacturers for the production of our product candidates for preclinical studies and clinical trials under the guidance of members of our organization. We do not have long-term supply agreements. Furthermore, the raw materials for our product candidates are sourced, in some cases, from a single-source supplier. If we were to experience an unexpected loss of supply of any of our product candidates or any of our future product candidates for any reason, whether as a result of manufacturing, supply or storage issues or otherwise, we could experience delays, disruptions, suspensions or terminations of, or be required to restart or repeat, any pending or ongoing clinical trials. For example, the extent to which the COVID-19 pandemic impacts our ability to

procure sufficient supplies for the development of our products and product candidates will depend on the severity and duration of the spread of the virus, and the actions undertaken to contain COVID-19 or treat its effects.

We expect to continue to rely on third-party manufacturers for the commercial supply of any of our product candidates for which we obtain marketing approval. We may be unable to maintain or establish required agreements with third-party manufacturers or to do so on acceptable terms. Even if we are able to establish agreements with third-party manufacturers, reliance on third-party manufacturers entails additional risks, including:

- the failure of the third party to manufacture our product candidates according to our schedule, or at all, including if our third-party contractors give greater priority to the supply of other products over our product candidates or otherwise do not satisfactorily perform according to the terms of the agreements between us and them;
- the reduction or termination of production or deliveries by suppliers, or the raising of prices or renegotiation of terms;
- the termination or nonrenewal of arrangements or agreements by our third-party contractors at a time that is costly or inconvenient for us;
- the breach by the third-party contractors of our agreements with them;
- the failure of third-party contractors to comply with applicable regulatory requirements;
- the failure of the third party to manufacture our product candidates according to our specifications;
- the mislabeling of clinical supplies, potentially resulting in the wrong dose amounts being supplied or active drug or placebo not being properly identified;
- clinical supplies not being delivered to clinical sites on time, leading to clinical trial interruptions, or of drug supplies not being distributed to commercial vendors in a timely manner, resulting in lost sales; and
- the misappropriation of our proprietary information, including our trade secrets and know-how.

We do not have complete control over all aspects of the manufacturing process of, and are dependent on, our contract manufacturing partners for compliance with cGMP regulations for manufacturing both active drug substances and finished drug products. Third-party manufacturers may not be able to comply with cGMP regulations or similar regulatory requirements outside of the United States. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA, EMA or others, they will not be able to secure and/or maintain marketing approval for their manufacturing facilities. In addition, we do not have control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA, EMA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of our product candidates or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain marketing approval for or market our product candidates, if approved. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or drugs, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our product candidates or drugs and harm our business and results of operations. Our current and anticipated future dependence upon others for the manufacture of our product candidates or drugs may adversely affect our future profit margins and our ability to commercialize any product candidates that receive marketing approval on a timely and competitive basis.

The manufacture of drugs is complex and our third-party manufacturers may encounter difficulties in production. If any of our third-party manufacturers encounter such difficulties, our ability to provide adequate supply of our product candidates for clinical trials or our products for patients, if approved, could be delayed or prevented.

Manufacturing drugs, especially in large quantities, is complex and may require the use of innovative technologies. Each lot of an approved drug product must undergo thorough testing for identity, strength, quality, purity and potency. Manufacturing drugs requires facilities specifically designed for and validated for this purpose, and sophisticated quality assurance and quality control procedures are necessary. Slight deviations anywhere in the manufacturing process, including filling, labeling, packaging, storage and shipping and quality control and testing, may result in lot failures, product recalls or spoilage. When changes are made to the manufacturing process, we may be required to provide preclinical and clinical data showing the comparable identity, strength, quality, purity or potency of the products before and after such changes. If microbial, viral or other contaminations are discovered at the facilities of our manufacturer, such facilities may need to be closed for an extended period of time to investigate and remedy the contamination, which could delay clinical trials and adversely harm our business. The use of biologically derived ingredients can also lead to allegations of harm, including infections or allergic reactions, or closure of product facilities due to possible contamination. If our manufacturers are unable to produce sufficient quantities for clinical trials or for commercialization as a result of these challenges, or otherwise, our

development and commercialization efforts would be impaired, which would have an adverse effect on our business, financial condition, results of operations and growth prospects.

If we decide to establish collaborations in the future, but are not able to establish those collaborations on commercially reasonable terms, we may have to alter our development and commercialization plans.

Our drug development programs and the potential commercialization of our product candidates will require substantial additional cash to fund expenses. We may continue to seek to selectively form collaborations to expand our capabilities, potentially accelerate research and development activities and provide for commercialization activities by third parties. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing stockholders, or disrupt our management and business.

We would face significant competition in seeking appropriate collaborators and the negotiation process is time-consuming and complex. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of clinical trials, the likelihood of approval by the FDA, EMA or comparable foreign regulatory authorities, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing drugs, the existence of uncertainty with respect to our ownership of intellectual property and industry and market conditions generally. The potential collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such collaboration could be more attractive than the one with us for our product candidate. Further, we may not be successful in our efforts to establish a collaboration or other alternative arrangements for future product candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view them as having the requisite potential to demonstrate safety and efficacy.

In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators. Even if we are successful in entering into a collaboration, the terms and conditions of that collaboration may restrict us from entering into future agreements on certain terms with potential collaborators.

If and when we seek to enter into collaborations, we may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all. If we are unable to do so, we may have to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our product candidates or bring them to market and generate product revenue.

We have and in the future may enter into collaborations with third parties for the development and commercialization of product candidates. If those collaborations are not successful, we may not be able to capitalize on the market potential of these product candidates.

We have and may in the future seek third-party collaborators for the development and commercialization of one or more of our product candidates. Our likely collaborators for any future collaboration arrangements include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies.

We may have limited control over the amount and timing of resources that our collaborators dedicate to the development or commercialization of our product candidates. Our ability to generate revenues from these arrangements will depend on our collaborators' abilities and efforts to successfully perform the functions assigned to them in these arrangements. Collaborations involving our product candidates could pose numerous risks to us, including the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations and may not perform their obligations as expected;
- collaborators may deemphasize or not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborators' strategic focus, including as a result of a sale or disposition of a business unit or development function, or available funding or external factors such as an acquisition that diverts resources or creates competing priorities;

- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our product candidates if the collaborators believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;
- a collaborator with marketing and distribution rights to multiple products may not commit sufficient resources to the marketing and distribution of our product relative to other products;
- collaborators may not properly obtain, maintain, defend or enforce our intellectual property rights or may use our proprietary information and intellectual property in such a way as to invite litigation or other intellectual property related proceedings that could jeopardize or invalidate our proprietary information and intellectual property or expose us to potential litigation or other intellectual property related proceedings;
- disputes may arise between the collaborators and us that result in the delay or termination of the research, development or commercialization of our product candidates or that result in costly litigation or arbitration that diverts management attention and resources;
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates;
- collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner or at all; and
- if a collaborator of ours were to be involved in a business combination, the continued pursuit and emphasis on our drug development or commercialization program could be delayed, diminished or terminated.

Risks Related to Ownership of Our Common Stock

The price of our stock may be volatile, and you could lose all or part of your investment.

The trading price of our common stock is likely to be highly volatile and subject to wide fluctuations in response to various factors, some of which we cannot control. The stock market in general, and pharmaceutical and biotechnology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies.

Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. In addition to the factors discussed in this “Risk Factors” section these factors include:

- the timing and results of preclinical studies and clinical trials of our product candidates or those of our competitors;
- the success of competitive products or announcements by potential competitors of their product development efforts;
- regulatory actions with respect to our products or our competitors’ products;
- actual or anticipated changes in our growth rate relative to our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- announcements by us or our competitors of significant acquisitions, strategic collaborations, joint ventures, collaborations or capital commitments;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- market conditions in the pharmaceutical and biotechnology sector;
- changes in the structure of healthcare payment systems;
- speculative trading in and short sales of our common stock, as well as trading phenomena such as the "short squeeze";
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- announcement or expectation of additional financing efforts;
- sales of our common stock by us, our insiders or our other stockholders;
- expiration of market stand-off or lock-up agreements; and
- general economic, industry and market conditions.

In addition, the trading prices for common stock of other biopharmaceutical companies have been highly volatile as a result of the COVID-19 pandemic. The COVID-19 pandemic continues to rapidly evolve. The extent to which the pandemic may impact our business, preclinical studies and clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

The realization of any of the above risks or any of a broad range of other risks, including those described in this "Risk Factors" section, could have a dramatic and adverse impact on the market price of our common stock.

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

We expect our operating results to be subject to quarterly fluctuations. Our net loss and other operating results will be affected by numerous factors, including:

- variations in the level of expense related to the ongoing development of our product candidates or future development programs;
- results of clinical trials, or the addition or termination of clinical trials or funding support by us or potential future partners;
- our execution of any collaboration, licensing or similar arrangements, and the timing of payments we may make or receive under potential future arrangements or the termination or modification of any such potential future arrangements;
- any intellectual property infringement, misappropriation or violation lawsuit or opposition, interference or cancellation proceeding in which we may become involved;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- if any of our product candidates receives regulatory approval, the terms of such approval and market acceptance and demand for such product candidates;
- regulatory developments affecting our product candidates or those of our competitors; and
- changes in general market and economic conditions.

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

Current beneficial owners of 5% or more of our common stock and management own a significant percentage of our stock and are able to exert significant influence over matters subject to stockholder approval.

As of December 31, 2020, our executive officers, directors, holders of 5% or more of our capital stock and their respective affiliates beneficially own approximately 66.5% of our outstanding common stock. As a result, these stockholders will be able to significantly influence us through this ownership position. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents or approval of any merger, sale of assets or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders. The interests of this group of stockholders may not always coincide with your interests or the interests of other stockholders and they may act in a manner that advances their best interests and not necessarily those of other stockholders, including seeking a premium value for their common stock, and might affect the prevailing market price for our common stock.

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

Sales of a substantial number of shares of our common stock in the public market, or the perception in the market that the holders of a large number of shares of common stock intend to sell shares, could reduce the market price of our common stock. Outstanding shares of our common stock may be freely sold in the public market at any time to the extent permitted by Rules 144 and 701 under the Securities Act, or to the extent that such shares have already been registered under the Securities Act and are held by non-affiliates of ours. Moreover, holders of a substantial number of shares of our common stock have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We also have registered all shares of common stock that we

may issue under our equity compensation plans or that are issuable upon exercise of outstanding options. These shares can be freely sold in the public market upon issuance and once vested, subject to volume limitations applicable to affiliates. If any of these additional shares are sold, or if it is perceived that they will be sold, in the public market, the market price of our common stock could decline.

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our product candidates on unfavorable terms to us.

We may seek additional capital through a variety of means, including through public or private equity, debt financings or other sources, including up-front payments and milestone payments from strategic collaborations. For example, in August 2020, we completed an underwritten public offering of our common stock. To the extent that we raise additional capital through the sale of equity or convertible debt or equity securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a stockholder. Such financing may result in dilution to stockholders, imposition of debt covenants, increased fixed payment obligations or other restrictions that may affect our business. If we raise additional funds through up-front payments or milestone payments pursuant to strategic collaborations with third parties, we may have to relinquish valuable rights to our product candidates, or grant licenses on terms that are not favorable to us. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans.

We are an "emerging growth company," and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we intend to take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including:

- being permitted to provide only two (2) years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure;
- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes- Oxley Act;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; and
- exemptions from the requirements of holding nonbinding advisory stockholder votes on executive compensation and stockholder approval of any golden parachute payments not previously approved.
- We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We will remain an emerging growth company until the earliest to occur of: (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of our IPO, or December 31, 2025, (b) in which we have total annual gross revenues of $1.07 billion or more, or (c) in which we are deemed to be a large accelerated filer under the rules of the SEC, which means the market value of our outstanding common stock held by non-affiliates exceeds $700 million as of last business day of our most recently completed second fiscal quarter, and (2) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three (3) years.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We intend to take advantage of the extended transition period for adopting new or revised accounting standards under the JOBS Act as an emerging growth company. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

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

Our certificate of incorporation and bylaws contain provisions that could depress the market price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions, among other things:

- establish a classified board of directors so that not all members of our board are elected at one time;
- permit only the board of directors to establish the number of directors and fill vacancies on the board;
- provide that directors may only be removed "for cause" and only with the approval of two-thirds of our stockholders;
- authorize the issuance of "blank check" preferred stock that our board could use to implement a stockholder rights plan (also known as a "poison pill");
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- prohibit cumulative voting;
- authorize our board of directors to amend the bylaws;
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings; and
- require a super-majority vote of stockholders to amend some provisions described above.

In addition, Section 203 of the General Corporation Law of the State of Delaware, or the DGCL, prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three (3) years has owned, 15% of our voting stock, for a period of three (3) years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner.

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

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

Our certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of fiduciary duty;
- any action asserting a claim against us arising under the DGCL, our certificate of incorporation or our bylaws; and
- any action asserting a claim against us that is governed by the internal-affairs doctrine.

This exclusive-forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision. If a court were to find this exclusive-forum provision in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could seriously harm our business. Nothing in our certificate of incorporation precludes stockholders that assert claims under the Securities Act or the Exchange Act from bringing such claims in state or federal court, subject to applicable law.

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

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

General Risk Factors

If we engage in future acquisitions or strategic partnerships, this may increase our capital requirements, dilute our stockholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

From time to time, we may evaluate various acquisition opportunities and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent liabilities;
- the issuance of our equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products or product candidates and marketing approvals; and
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs. In addition, if we undertake acquisitions or pursue partnerships in the future, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. Moreover, we may not be able to locate suitable acquisition opportunities, and this inability could impair our ability to grow or obtain access to technology or products that may be important to the development of our business.

If securities or industry analysts do not publish research or reports, or if they publish adverse or misleading research or reports, regarding us, our business or our market, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that securities or industry analysts publish about us, our business or our market. If any of the analysts who cover us issue adverse or misleading research or reports regarding us, our business model, our intellectual property, our stock performance or our market, or if our operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

The requirements of being a public company may strain our resources, result in more litigation and divert management's attention.

As a public company, we are and will continue to be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, the listing requirements of Nasdaq and other applicable securities rules and regulations. Complying with these rules and regulations has increased and will increase our legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are required to disclose changes made in our internal control over financial reporting on a quarterly basis. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. We may also need to hire additional employees or engage outside consultants to comply with these requirements, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We have invested and intend to continue to invest in resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies

due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

These new rules and regulations may make it more expensive for us to obtain director and officer liability insurance and, in the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers. By disclosing information in filings required of us as a public company, our business and financial condition will continue to become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If those claims are successful, our business could be seriously harmed. Even if the claims do not result in litigation or are resolved in our favor, the time and resources needed to resolve them could divert our management's resources and seriously harm our business.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

We are required to disclose changes made in our internal controls and procedures on a quarterly basis and our management is required to assess the effectiveness of these controls annually. However, for as long as we are an emerging growth company, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. We could be an emerging growth company for up to five (5) years from the date of our IPO. An independent assessment of the effectiveness of our internal controls over financial reporting could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls over financial reporting could lead to restatements of our financial statements and require us to incur the expense of remediation.

We may be subject to securities litigation, which is expensive and could divert management attention.

The market price of our common stock may be volatile and, in the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive office is located at 530 Seventh Avenue, Suite 2201, New York, New York, 10018, where we lease approximately 4,800 square feet of office space under a lease that terminates on June 30, 2023. We also occupy approximately 11,100 square feet and 2,300 square feet of office and laboratory space in San Diego, California, under leases that expire June 21, 2022 and February 28, 2022, respectively. In September 2020, we entered into a new lease for approximately 118,000 square feet of office and laboratory space in San Diego, California. The term of the lease is expected to begin on November 1, 2021. In March 2021, we entered into a lease for approximately 31,362 square feet of office space in New York, New York. See "Other Information - New York Office Lease" in Part II, Item 9B of this Annual Report on From 10-K. We believe that our facilities are sufficient to meet our current needs and that suitable additional space will be available as and when needed.

Item 3. Legal Proceedings.

We are not subject to any material legal proceedings.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

On April 3, 2020, our common stock began trading on the Nasdaq Global Market under the symbol "ZNTL." Prior to that time, there was no public market for our common stock.

Holders

As of March 24, 2021, there were approximately 24 holders of record of our common stock.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We intend to retain future earnings, if any, to finance the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination related to our dividend policy will be made at the discretion of our board of directors after considering our financial condition, results of operations, capital requirements, business prospects and other factors the board of directors deems relevant, and subject to the restrictions contained in any future financing instruments.

Recent Sales of Unregistered Securities

Other than as disclosed in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, the Company did not sell any equity securities during the year ended December 31, 2020 that were not registered under the Securities Act.

Use of Proceeds

April 7, 2020, we completed our IPO and issued and sold 10,557,000 shares of our common stock (including 1,377,000 shares of our common stock in connection with the full exercise of the underwriters' option to purchase additional shares) at a price to the public of $18.00 per share.

As of December 31, 2020, net proceeds of approximately $172.4 million from our IPO have been invested in investment grade, interest-bearing instruments. There has been no material change in the expected use of the net proceeds from our IPO as described in our final prospectus, dated April 2, 2020, filed with the SEC pursuant to Rule 424(b) relating to our registration statement on Form S-1 (Registration No. 333-236959), as amended, filed in connection with our IPO.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of financial condition and operating results together with our consolidated financial statements and the related notes and other financial information included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties. As a result of many factors, including those set forth under "Risk Factors" and elsewhere in this Annual Report on 10-K, our actual results may differ materially from those anticipated in these forward-looking statements. For convenience of presentation some of the numbers have been rounded in the text below. A discussion of the year ended December 31, 2019 compared to the year ended December 31, 2018 has been reported previously in our final prospectus, dated July 29, 2020, filed with the SEC pursuant to Rule 424(b)(4) (File No. 333-240115), under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview

We are a clinical-stage biopharmaceutical company focused on discovering and developing small molecule therapeutics targeting fundamental biological pathways of cancers. We use our highly efficient drug discovery engine, which we refer to as our "Integrated Discovery Engine", to identify targets and develop small molecule new chemical entities, or NCEs, with properties that we believe could result in potentially differentiated product profiles. Our discovery engine combines our extensive experience and capabilities across cancer biology and medicinal chemistry. We are developing a broad pipeline of product candidates with an initial focus on validated oncology targets with the potential to address large patient populations. We believe our product candidates are differentiated from current programs targeting similar pathways and have the potential to significantly impact the lives of patients with cancer.

ZN-c5—Our lead product candidate, ZN-c5, is an oral selective estrogen receptor degrader, or SERD, currently in a Phase 1/2 clinical trial for the treatment of estrogen receptor-positive, human epidermal growth factor receptor 2-negative, or ER+/HER2-, advanced or metastatic breast cancer. We have designed ZN-c5 to have high potency and selectivity, as well as favorable tolerability and pharmacokinetic, or PK, properties. We intend to initiate the Phase 2 monotherapy and combination (with palbociclib) portions of this Phase 1/2 trial in the first half of 2021. In addition, we initiated a Phase 1b open label, multi-center trial evaluating ZN-c5 in combination with abemaciclib (marketed as Verzenio ® by Lilly) in patients with ER+/HER2- advanced or metastatic breast cancer in November 2020 as part of a clinical research collaboration with Lilly. Abemaciclib is a CDK 4/6 inhibitor FDA approved for the treatment of hormone receptor-positive, human epidermal growth factor receptor 2-negative, or HR+/HER2-, advanced or metastatic breast cancer in combination with fulvestrant, aromatase inhibitors or as a single agent in certain patients with disease progression following treatment with prior endocrine therapy or chemotherapy regimens. We also intend to initiate, subject to feedback from the FDA, a Phase 2/3 clinical trial evaluating ZN-c5 in earlier stage breast cancer patients in 2021 and to initiate a Phase 1b clinical trial evaluating ZN-c5 in combination with ZN-d5, our BCL-2 inhibitor product candidate, in patients with ER+/HER2- breast cancer in 2021.

ZN-c3—Our lead product candidate ZN-c3, an inhibitor of WEE1, a protein tyrosine kinase, currently in a Phase 1 clinical trial for the treatment of advanced solid tumors and in a phase 1b in combination with chemotherapy in patients with advanced ovarian cancer. We plan to report initial results from the Phase 1 portion of the ongoing trial of ZN-c3 at the AACR Annual Meeting in April 2021. In addition, we initiated a Phase 1b clinical trial evaluating ZN-c3 in combination with chemotherapy in patients with advanced ovarian cancer in the October 2020 and plan to initiate a Phase 2 trial evaluating ZN-c3 as monotherapy in patients with uterine serous carcinoma, or USC, in 2021. USC comprises 10%, and has the highest mortality rate, of all endometrial cancers, with approximately 6,000 new cases and 4,500 deaths in the United States per year. We continue to actively evaluate other potential combinations for the future clinical development of ZN-c3, and intend to initiate two (2) additional Phase 1 clinical trials evaluating ZN-c3 in combination with chemotherapy and PARP inhibitor in ovarian cancer and other targeted indications in 2021.

ZN-d5—Our other product candidate ZN-d5 is a selective inhibitor of B-cell lymphoma 2, or BCL-2, initially in development for the treatment of hematological malignancies. We initiated a Phase 1 clinical trial of ZN-d5 in patients with acute myeloid leukemia, or AML, or B-cell lymphoma in October 2021. In addition, we intend to initiate a Phase 1b clinical trial evaluating ZN-d5 in combination with ZN-c5, our oral SERD product candidate in patients with ER+/HER2- breast cancer in 2021.

ZN-e4— ZN-e4 is an irreversible inhibitor of epidermal growth factor receptor, or EGFR, currently in a Phase 1/2 clinical trial for the treatment of advanced non-small cell lung cancer, or NSCLC. We expect to report initial results from the Phase 1 portion of the ongoing trial of ZN-e4 in 2021

We currently own worldwide development and commercialization rights to each of our product candidates, other than in select Asian countries (including China) for each of ZN-c5, ZN-c3 and ZN-d5, for which we have out-licensed these rights to

our majority-owned joint venture, Zentera Therapeutics (Cayman), Ltd., or Zentera, and for ZN-e4 for which we have out-licensed these rights to SciClone Pharmaceuticals International (Cayman) Development Ltd. Zentera submitted an investigational new drug application, or IND, in China for ZN-c5 in December 2020, for ZN-c3 in February 2021 and intends to submit for ZN-d5 in 2021.

Other Preclinical Programs—We are also currently advancing multiple small molecule programs in preclinical development for other cancer indications, including select solid tumors and hematological malignancies. We are now in lead optimization for our fifth product candidate and plan to submit an IND to the FDA in 2021.

Since our inception, our operations have been limited to organizing and staffing our company, business planning, raising capital, establishing our intellectual property portfolio and performing research and development of our product pipeline. We do not have any products approved for commercial sale and have not generated any revenues from product sales. In April 2020, we completed our IPO and issued and sold approximately 10.6 million shares of our common stock at a public offering price of $18.00 per share, including approximately 1.4 million shares in connection with the full exercise of the underwriters' option to purchase additional shares, resulting in net proceeds of approximately $172.4 million, after deducting underwriting discounts and commissions and offering expenses. In August 2020, we completed a follow-on offering of our common stock and issued and sold approximately 4.7 million shares of our common stock at a public offering price of $35.00 per share, including approximately 0.6 million shares in connection with the full exercise of the underwriters' option to purchase additional shares, resulting in net proceeds of approximately $155.2 million, after deducting underwriting discounts and commissions and offering expenses.

We had cash, cash equivalents and marketable securities of $338.5 million as of December 31, 2020. We believe that our existing cash, cash equivalents and marketable securities as of December 31, 2020 will enable us to fund our operating expenses and capital expenditure requirements into 2023. We have based these estimates on assumptions that may prove to be imprecise, and we could utilize our available capital resources sooner than we expect.

Since inception, we have incurred significant operating losses. Our net losses were $118.5 million and $46.4 million for the years ended December 31, 2020 and 2019, respectively. We had an accumulated deficit of $200.8 million as of December 31, 2020. We expect to continue to incur significant expenses and operating losses for the foreseeable future.

We will not generate revenue from product sales unless and until we successfully complete clinical development and obtain regulatory approval for our product candidates. In addition, if we obtain regulatory approval for any of our product candidates, we expect to incur significant expenses related to developing our commercialization capabilities to support product sales, marketing and distribution activities, either alone or in collaboration with others. Furthermore, we expect to incur additional costs associated with operating as a public company, including significant legal, accounting, investor relations and other expenses that we did not incur as a private company.

As a result, we will need to raise substantial additional capital to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from product sales, if ever, we plan to finance our operations through the sale of equity, debt financings or other capital sources, which may include collaborations with other companies or other strategic transactions. There are no assurances that we will be successful in obtaining an adequate level of financing as and when needed to finance our operations on terms acceptable to us or at all. If we are unable to secure adequate additional funding as and when needed, we may have to significantly delay, scale back or discontinue the development and commercialization of one or more product candidates or delay our pursuit of potential in-licenses or acquisitions.

Corporate Conversion

In connection with our IPO, we converted from a Delaware limited liability company into a Delaware corporation pursuant to a statutory conversion, and changed our name from Zentalis Pharmaceuticals, LLC to Zentalis Pharmaceuticals, Inc. We refer to all transactions related to our conversion to a corporation as the Corporate Conversion. As a result of the Corporate Conversion, all holders of units of Zentalis Pharmaceuticals, LLC became holders of shares of common stock of Zentalis Pharmaceuticals, Inc.

In connection with the Corporate Conversion, our outstanding Series A convertible preferred units, Series B convertible preferred units, Series C convertible preferred units, Class A common units and Class B common units, or Units, converted into an aggregate of 25,288,854 shares of our common stock (including 1,160,277 shares of restricted common stock) based on the IPO price of $18.00 per share of common stock.

Impact of COVID-19 Pandemic

We continue to monitor how the COVID-19 pandemic is affecting our employees, business, preclinical studies and clinical trials. In response to the spread of COVID-19, we have closed our executive offices with our administrative employees continuing their work outside of our offices and limited the number of staff in any given research and development laboratory by operating on rotational schedules. Disruptions caused by the COVID-19 pandemic have resulted in difficulties including delays in initiating new trial sites and certain supply chain activities, suspension of enrollment at some of our existing trial sites, and the incurrence of additional costs as a result of preclinical study and clinical trial delays and adjustments. Limited operations at our laboratory facilities have also resulted in delays in our research-stage programs. As a result, we expect that the COVID-19 pandemic will continue to impact our business, results of operations, clinical development timelines and financial condition. At this time, there is significant uncertainty relating to the trajectory of the COVID-19 pandemic and impact of related responses. The impact of COVID-19 on our future results will largely depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the pandemic, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions, the continued impact on financial markets and the global economy, and the effectiveness of the global response to contain and treat the disease. See “Risk Factors—The outbreak of the COVID-19 pandemic has adversely impacted and we expect will continue to adversely impact our business, including our preclinical studies and clinical trials.” in Part I, Item 1A. of this Annual Report on Form 10-K.

License Agreements and Strategic Collaborations Agreements

Recurium IP Holdings, LLC

In December 2014, and as amended and restated effective as of December 2017 and September 2019 and as amended in May 2020, we entered into a license agreement, or the Recurium Agreement, with Recurium IP Holdings, LLC, or Recurium IP, under which we were granted an exclusive worldwide license to certain intellectual property rights owned or controlled by Recurium IP to develop and commercialize pharmaceutical products for the treatment or prevention of disease, other than for pain. In connection with the May 2020 amendment, we clarified certain aspects of the sublicensing payment provisions. We have the right to sublicense our rights under the Recurium Agreement, subject to certain conditions. We are required to use commercially reasonable efforts to develop and commercialize at least one product that comprises or contains a licensed compound and to execute certain development activities.

Under the terms of the Recurium Agreement, we are obligated to make development and regulatory milestone payments, pay royalties for net sales and make sublicensing payments with respect to certain licensed products directed to one of ten specific biological targets, including ZN-c5, ZN-c3 and ZN-e4. We are obligated to make development and regulatory milestone payments for such licensed products of up to $44.5 million. In addition, we are obligated to make milestone payments up to $150,000 for certain licensed products used in animals. We are also obligated to pay royalties on sales of such licensed products at a mid- to high-single digit percentage. In addition, if we choose to sublicense or assign to any third parties our rights under the Recurium Agreement with respect to such licensed products, we must pay to Recurium IP 20% of sublicensing income received in connection with such transaction.

Mayo Foundation for Medical Education and Research

In February 2016, and as amended in April 2017 and December 2017, we entered into an option agreement, or the Mayo Agreement, with Mayo Foundation for Medical Education and Research under which we were granted an exclusive option to obtain a nonexclusive worldwide license to know-how and an exclusive worldwide license to related patent rights created by Mayo under the Mayo Agreement. The Mayo Agreement provided that it will expire on the date of the last to expire of the Mayo patent rights or, if no Mayo patent rights arise, on February 11, 2021. No Mayo patent rights were created under the Mayo Agreement and therefore the agreement expired on February 11, 2021. In consideration for the grant of know-how we provided grants of common stock on the first anniversary and Class A common units on the second and third anniversaries following entry into the Mayo Agreement. As of December 31, 2020, we have granted equity securities which amount to 15,435 shares of common stock under the Mayo Agreement.

SciClone Pharmaceuticals International (Cayman) Development Ltd.

In December 2014, and as amended in December 2016 and December 2017, we entered into a collaboration and license agreement, or the SciClone Agreement, with SciClone Pharmaceuticals International (Cayman) Development Ltd., or SciClone, under which we granted an exclusive license certain intellectual property rights in the People’s Republic of China (including the territories of Macao and Hong Kong), South Korea, Taiwan and Vietnam, or the SciClone Territory, for SciClone to develop and commercialize a licensed product for the treatment or prevention of oncologic diseases and an exclusive option to obtain a similar license for up to two (2) additional licensed products. Under the SciClone Agreement, SciClone is responsible for clinical development activities required in order to obtain regulatory approval in the SciClone Territory. SciClone paid to us a

one-time upfront payment of $1.0 million upon entering into the SciClone Agreement, and $4.0 million in aggregate milestone payments. No additional development or commercial milestones or reimbursement for research and development expenses are payable under the SciClone Agreement, as amended. We are entitled to receive a mid-single digit royalty on net sales of licensed products in the SciClone Territory, which royalty is subject to certain reductions in the event that SciClone is unable to achieve certain gross margins or if generic products are sold or if technology covering a licensed product is licensed from a third party. We have also agreed to pay SciClone tiered royalties pursuant to the terms of the SciClone Agreement, the applicable rate of which are determined based on whether a compound is developed to a successful dual IND submission and the costs incurred by SciClone for the development of such product candidate. Following the December 2016 amendment to the SciClone Agreement, SciClone retains the exclusive license to develop and commercialize our EGFR inhibitor product candidate, ZN-e4, in the SciClone Territory, and the exclusive option to obtain an exclusive license to develop up to two (2) specified compounds under the SciClone Agreement for which we submit an IND by providing notice and paying $5 million to us. SciClone's and our royalty obligations will expire on a licensed product-by-licensed product and country-by-country basis on the later of fifteen years from the date of first commercial sale or when there is no longer a valid patent claim covering such licensed product in such country.

Pfizer Clinical Trial Collaboration and Supply Agreement

In May 2018, we entered into a clinical trial collaboration and supply agreement with Pfizer, Inc. to evaluate the safety, tolerability and efficacy of ZN-c5 in combination with their CDK4/6 inhibitor, palbociclib, in our ongoing Phase 1/2 clinical trial of ZN-c5. Pursuant to this agreement, we will be responsible for the conduct and cost of the relevant studies, under the supervision of a joint development committee made up of our representatives and representatives of Pfizer that meets quarterly. Pfizer will supply palbociclib for use in the trial, at no cost to us.

Eli Lilly and Company Clinical Trial Collaboration and Supply Agreement

In July 2020, we entered into a clinical trial collaboration and supply agreement with Eli Lilly and Company, or Lilly, to evaluate the safety, tolerability and efficacy of ZN-c5 in combination with their CDK4/6 inhibitor, abemaciclib, in a Phase 1b open label multi-center clinical trial that we initiated in November 2020. Pursuant to this agreement, we will be responsible for the conduct and cost of the relevant studies. Lilly is obligated to supply abemaciclib for use in the trial, at no cost to us. We are required to provide to Lilly clinical data and other reports at major decision points during the trial and no later than 60 days following completion of the planned Phase 1b clinical trial.

This agreement does not grant any right of first negotiation to participate in future clinical trials, and each of the parties retains all rights and ability to evaluate their respective compounds in any clinical studies, either as monotherapy or in combination with any other product or compound, in any therapeutic area.

The agreement with Lilly will expire upon completion of all obligations of the parties thereunder or upon termination by either party. We and Lilly each have the right to terminate the agreement for material breach by the other party. In addition, the agreement may be terminated by either party due to safety considerations or if either party decides to discontinue development of its own compound for medical, scientific, legal or other reasons or if a regulatory authority takes any action preventing that party from supplying its compound for the study. Lilly also has the right to terminate this agreement if it notifies us in writing that it reasonably and in good faith believes that abemaciclib is being used in an unsafe manner, and we fail to incorporate changes to address such issue, and the issue is unable to be resolved following elevation to appropriate parties.

Zentera Therapeutics

In May 2020, each of our subsidiaries Zeno Alpha, Inc., K-Group Alpha, Inc. and K-Group Beta, Inc. entered into a collaboration and license agreement with our majority-owned joint venture, Zentera , which we refer to as the Zentera Sublicenses, pursuant to which we collaborate with Zentera on the development and commercialization of ZN-c5, ZN-d5 and ZN-c3, respectively, whether alone or in a licensed product, or the Collaboration Products, in each case for the treatment or prevention of disease, other than for pain, which is referred to as the Zentera Field, in the People's Republic of China, Macau, Hong Kong and Taiwan, which is referred to as the Zentera Collaboration Territory. Under each Zentera Sublicense, Zentera will lead development, and upon regulatory approval, the commercialization, of the Collaboration Products in the Zentera Collaboration Territory. On May 19, 2020, Zentera issued an aggregate of 60.2% of its issued shares of common stock to Zeno Alpha, Inc., K-Group Alpha, Inc., K-Group Beta, Inc., Zeno Management, Inc. and Zeno Beta, Inc. Anthony Y. Sun, M.D., our President and Chief Executive Officer, serves as Chief Executive Officer and a member of the board of directors of Zentera, and Kevin D. Bunker, Ph.D., our Chief Operating Officer, serves as a member of the board of directors of Zentera.

Under each Zentera Sublicense, we granted Zentera an exclusive, royalty-bearing license under certain of our technology, including technology licensed from Recurium under the Recurium Agreement, to develop and commercialize the Collaboration Products in the Zentera Field and in the Zentera Collaboration Territory, subject to certain rights that we retain, and upon a successful manufacturing transfer, a non-exclusive license under certain of our manufacturing technology to manufacture

Collaboration Products in the Zentera Field and in the Zentera Collaboration Territory. Zentera has the right to sublicense its rights under the Zentera Sublicenses subject to certain conditions.

Under the terms of the Zentera Sublicenses, Zentera is responsible for the costs of developing the Collaboration Products in the Zentera Collaboration Territory, and we are responsible for the costs of developing the Collaboration Products outside the Zentera Collaboration Territory, provided that Zentera will reimburse us for a portion of its costs for global data management, pharmacovigilance, safety database management, and chemistry, manufacturing and controls activities with respect to each Collaboration Product. Under the Zentera Sublicenses, we will be eligible to receive future development and regulatory milestones of up to $4.45 million per Collaboration Product. Zentera will pay us royalties on net sales of Collaboration Products in the Zentera Collaboration Territory at a mid- to high-single digit percentage, subject to certain reductions. In addition, if Zentera or its affiliate chooses to sublicense or assign to any third parties its rights under the Zentera Sublicenses with respect to any Collaboration Product, Zentera must pay to us 20% of sublicensing income received by Zentera or its affiliates in connection with such transaction.

Zentera's royalty obligations will expire on a Collaboration Product-by-Collaboration Product and region-by-region basis upon the later of the date on which such product is no longer covered by a valid claim of a licensed patent and the 15th anniversary of the first commercial sale of such product in such region.

Components of Our Results of Operations

Revenue

To date, we have not generated any revenue, and we do not expect to generate any revenue in the foreseeable future from product sales. We have generated, and may in the future generate, revenue from payments received under our collaboration agreements, which includes payments of upfront fees, license fees, milestone-based payments and reimbursements for research and development efforts.

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for our research activities, including our discovery efforts, and the development of our product candidates, and include:

- salaries, benefits and other related costs, including stock-based compensation expense, for personnel engaged in research and development functions;
- expenses incurred under agreements with third parties, including contract research organizations, or CROs, and other third parties that conduct research, preclinical activities and clinical trials on our behalf as well as contract manufacturing organizations, or CMOs, that manufacture drug material for use in our preclinical studies and clinical trials;
- costs of outside consultants, including their fees, stock-based compensation and related travel expenses;
- the costs of laboratory supplies and acquiring, developing and manufacturing preclinical study and clinical trial materials;
- license payments made for intellectual property used in research and development activities; and
- allocated expenses for rent and maintenance of facilities and other operating costs.

We expense research and development costs as incurred. Reimbursed research and development costs under government grant arrangements are recorded as a reduction to research and development expenses and are recognized in the period in which the related costs are incurred.

We track external development costs by product candidate or development program, but we do not allocate personnel costs, license payments made under our licensing arrangements or other internal costs to specific development programs or product candidates. These costs are included in unallocated research and development expenses in the table below.

The following table summarizes our research and development expenses by product candidate or development program:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
ZN-c5	$ 24,013	$ 9,733
ZN-c3	13,910	6,094
ZN-d5	7,947	4,736
ZN-e4	2,554	3,946
Unallocated research and development expenses	36,477	13,877
Total research and development expenses	$ 84,901	$ 38,386

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have a 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 that our research and development expenses will continue to increase substantially for the foreseeable future and will comprise a larger percentage of our total expenses as we complete our ongoing clinical trials, initiate new clinical trials, continue to discover and develop additional product candidates and prepare regulatory filings for any product candidates that successfully complete clinical development.

The successful development of our product candidates is highly uncertain. At this time, we cannot determine with certainty the duration and costs of our existing and future clinical trials of our product candidates or any other product candidate we may develop or if, when, or to what extent we will generate revenue from the commercialization and sale of any product candidate for which we obtain marketing approval. We may never succeed in obtaining marketing approval for any product candidate. The duration, costs and timing of clinical trials and development of our product candidates and any other product candidate we may develop in the future will depend on a variety of factors, including:

- per patient trial costs;
- the number of patients who enroll in each trial;
- the number of trials required for approval;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the drop-out or discontinuation rates of patients;
- any delays in clinical trials as a result of the COVID-19 pandemic;
- potential additional safety monitoring requested by regulatory agencies;
- the duration of patient participation in the trials and follow-up;
- the phase of development of the product candidate;
- the efficacy and safety profile of the product candidate.
- uncertainties in clinical trial design and patient enrollment rates;
- the actual probability of success for our product candidates, including the safety and efficacy, early clinical data, competition, manufacturing capability and commercial viability;
- significant and changing government regulation and regulatory guidance;
- the timing and receipt of any marketing approvals; and
- the expense of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

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 another regulatory authority were to require us to conduct clinical trials beyond those that we anticipate will be required for the completion of clinical development of a product candidate, or if we experience significant delays in our clinical trials due to patient enrollment or other reasons, we would be required to expend significant additional financial resources and time on the completion of clinical development.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and other related costs, including stock-based compensation, for personnel in our executive, finance, business development and administrative functions. General and administrative expenses also include legal fees relating to intellectual property and corporate matters; professional fees for

accounting, auditing, tax and consulting services; insurance costs; travel expenses; and facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

We expect that our general and administrative expenses will increase in the future as we increase our personnel headcount to support increased research and development activities relating to ZN-c3, ZN-c5, ZN-d5, ZN-e4, and any other product candidate we may develop. We also expect to incur increased expenses associated with being a public company, including costs of accounting, audit, legal, regulatory and tax-related services associated with maintaining compliance with Nasdaq and SEC requirements; director and officer insurance costs; and investor and public relations costs.

Interest Income

Interest income consists of interest earned on cash and cash equivalents. We expect our interest income to increase due to the net proceeds from our IPO and August 2020 follow-on offering.

Income Taxes

Since our inception, we and our corporate subsidiaries have generated cumulative federal, state and foreign net operating loss for which we have not recorded any net tax benefit due to uncertainty around utilizing these tax attributes within their respective carryforward periods.

Net Loss Attributable to Noncontrolling Interest

Since December 21, 2017, the date of our initial investment in Kalyra Pharmaceuticals, Inc., or Kalyra, we have consolidated the financial results of our affiliate, Kalyra. Although we do not have a controlling interest in Kalyra, we determined that Kalyra was a variable interest entity, of which we were the primary beneficiary. For more information on the treatment of Kalyra as a variable interest entity, please see Note 3 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Results of Operations

Comparison of Years Ended December 31, 2020 and 2019

The following table summarizes our results of operations for the years ended December 31, 2020 and 2019, together with the changes in those items in dollars:

	Year Ended December 31,		
	2020	2019	Increase (Decrease)
	(in thousands)		
Operating Expenses			
Research and development	$ 84,901	$ 38,386	$ 46,515
General and administrative	33,886	8,459	25,427
Total operating expenses	118,787	46,845	71,942
Operating loss	(118,787)	(46,845)	(71,942)
Investment and other income (expense), net	683	482	201
Net loss before income taxes	(118,104)	(46,363)	(71,741)
Income tax expense	444	15	429
Net loss	(118,548)	(46,378)	(72,170)
Net loss attributable to noncontrolling interests	(707)	(715)	8
Net loss attributable to Zentalis	$ (117,841)	$ (45,663)	$ (72,178)

Revenue

We did not generate any revenue for the years ended December 31, 2020 and 2019.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2020 were $84.9 million, compared to $38.4 million for the year ended December 31, 2019. The increase of $46.5 million was primarily due to increases in external research and development expenses related to our lead product candidates, as we advanced our Phase 1/2 clinical trials for each of ZN-c5, ZN-c3 and ZN-d5 in 2020. In addition, in 2020, we conducted additional preclinical studies, incurred additional manufacturing costs, and incurred increased costs for study and lab materials. Unallocated research and development expenses increased by $22.7 million primarily due to $14.8 million of additional employee related costs of which $6.4 million was driven by non-cash stock-based compensation from incentive grants and increased headcount to support our platform development, and $3.7 million of facilities and other allocated overhead expenses, $2.2 million of consulting and outside services, $1.3 million of collaboration and licensing related costs and decreased federal grant reimbursements of $0.7 million.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2020 were $33.9 million, compared to $8.5 million during the year ended December 31, 2019. This increase of $25.4 million was primarily attributable to an increase of $22.0 million in employee-related costs, of which $16.1 million was driven by non-cash stock-based compensation from incentive grants issued during the year and increased headcount to support our growth. Professional service fees for legal services increased $2.3 million and consulting and other outside services increased $0.9 million to support the increased operations of the organization. Insurance costs increased by $2.1 million related to operating as a public company.

Investment and Other Income, Net

Investment and other income was $0.7 million for the year ended December 31, 2020, compared to $0.5 million for the year ended December 31, 2019. The increase of $0.2 million was the result of interest earned on higher invested cash balances.

Net Loss

Net loss was $118.5 million for the year ended December 31, 2020, compared to $46.4 million for the year ended December 31, 2019. The increase of $72.1 million was primarily the result of the increases in research and development and general and administrative expenses discussed above.

Liquidity and Capital Resources

Since our inception, our operations have been limited to organizing and staffing our company, business planning, raising capital, establishing our intellectual property portfolio and performing research and development of our product pipeline. We do not have any products approved for commercial sale and have not generated any revenues from product sales and we have incurred significant operating losses. We expect to incur significant expenses and operating losses for the foreseeable future as we advance the preclinical and clinical development of our research programs and product candidates. We expect that our research and development and general and administrative costs will increase in connection with conducting additional preclinical studies and clinical trials for our current and future research programs and product candidates, contracting with CMOs to support preclinical studies and clinical trials, expanding our intellectual property portfolio, and providing general and administrative support for our operations.

As a result, we will need to raise substantial additional capital to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from product sales, if ever, we plan to finance our operations through the sale of equity, debt financings or other capital sources, which may include collaborations with other companies or other strategic transactions. There are no assurances that we will be successful in obtaining an adequate level of financing as and when needed to finance our operations on terms acceptable to us or at all, particularly in light of the economic downturn and ongoing uncertainty related to the COVID-19 pandemic. The COVID-19 pandemic could adversely affect the economies and financial markets of the global economy, resulting in an economic downturn that could also affect our operations, our ability to conduct our clinical trials, our ability to raise additional funds through public offerings and the volatility of our stock price and trading in our stock. Even after the COVID-19 pandemic has subsided, we expect we will continue to experience adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future. If we are unable to secure adequate additional funding as and when needed, we may have to significantly delay, scale back or discontinue the development and commercialization of one or more product candidates or delay our pursuit of potential in-licenses or acquisitions.

Because of the numerous risks and uncertainties associated with developing and commercializing therapeutics, we are unable to predict the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability.

Even if we are able to generate revenue from product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

We do not currently have any approved products and have never generated any revenue from product sales. To date, we have financed our operations primarily through the sale of equity securities. From inception through December 31, 2020, we raised a total of $518.1 million in gross proceeds from the sale of shares of our common stock and Series A, B and C convertible preferred units. As of December 31, 2020, we had $55.0 million in cash and cash equivalents, $283.6 million in marketable securities, and an accumulated deficit of $200.8 million. We had no indebtedness as of December 31, 2020.

On April 7, 2020, we completed our IPO and issued and sold approximately 10.6 million shares of our common stock, including approximately 1.4 million shares in connection with the full exercise of the underwriters' option to purchase additional shares, at a public offering price of $18.00 per share, resulting in net proceeds of approximately $172.4 million, after deducting the underwriting discounts and commissions and offering expenses payable by us.

On August 3, 2020, we completed a follow-on offering of our common stock and issued and sold approximately 4.7 million shares of our common stock at a public offering price of $35.00 per share, including approximately 0.6 million shares in connection with the full exercise of the underwriters' option to purchase additional shares, resulting in net proceeds of approximately $155.2 million, after deducting underwriting discounts and commissions and offering expenses.

Cash Flows

The following table summarizes our sources and uses of cash for the period presented:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Net cash used in operating activities	$ (86,825)	$ (39,143)
Net cash used in investing activities	(284,832)	(352)
Net cash provided by financing activities	360,439	81,830
Increase/(decrease) in cash, cash equivalents and restricted cash	$ (11,218)	$ 42,335

Operating Activities

We have incurred losses since inception. Net cash used in operating activities for the year ended December 31, 2020 was $86.8 million, consisting primarily of our net loss of $118.5 million as we incurred expenses associated with research activities for our lead product candidates and incurred general and administrative expenses, and partially offset by changes in operating assets and liabilities of $7.8 million and non-cash adjustments of $23.9 million.

Net cash used in operating activities for the year ended December 31, 2019 was $39.1 million, consisting primarily of our net loss of $46.4 million as we incurred expenses associated with research activities for our lead product candidates and incurred general and administrative expenses, and partially offset by changes in operating assets and liabilities of $6.5 million and non-cash adjustments of $0.7 million.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2020 was $284.8 million was attributable to the net investment of excess cash of $284.1 million and the purchases of property and equipment of $0.8 million.

Net cash used in investing activities for the year ended December 31, 2019 was $0.4 million consisting of purchases of property and equipment.

Financing Activities

Net cash provided by financing activities in the year ended December 31, 2020 of $360.4 million relates to net proceeds from the completion of our initial public offering of $172.5 million, net proceeds from our follow-on offering of $155.9 million, net proceeds from the issuance of our Series C convertible preferred units of $14.2 million, and contributions from noncontrolling interest owners of $18.4 million.

Net cash provided by financing activities in the year ended December 31, 2019 of $81.8 million primarily relates to net proceeds from the issuance of our Series C convertible preferred units.

Funding Requirements

Our operating expenses have increased substantially in 2020 and are expected to increase substantially in the future in connection with our ongoing activities.

Specifically, our expenses will increase as we:

- advance the clinical development of ZN-c5, ZN-c3 and ZN-e4 for the treatment of oncology indications;
- pursue the preclinical and clinical development of other current and future research programs and product candidates, including ZN-d5;
- in-license or acquire the rights to other products, product candidates or technologies;
- maintain, expand and protect our intellectual property portfolio;
- hire additional personnel in research, manufacturing and regulatory and clinical development as well as management personnel;
- seek regulatory approval for any product candidates that successfully complete clinical development; and
- expand our operational, financial and management systems and increase personnel, including personnel to support our operations as a public company.

We believe that our existing cash, cash equivalents and marketable securities as of December 31, 2020 will enable us to fund our operating expenses and capital expenditure requirements into 2023. We have based these estimates on assumptions that may prove to be imprecise, and we could utilize our available capital resources sooner than we expect.

Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceutical drugs, it is difficult to estimate with certainty the amount of our working capital requirements. Our future funding requirements will depend on many factors, including:

- the progress, costs and results of our clinical trials for our programs for ZN-c5, ZN-c3 and ZN-e4;
- the progress, costs and results of additional research and preclinical studies in ZN-d5 and other research programs we initiate in the future;
- the costs and timing of process development and manufacturing scale-up activities associated with our product candidates and other programs we advance them through preclinical and clinical development;
- our ability to establish and maintain strategic collaborations, licensing or other agreements and the financial terms of such agreements;
- the extent to which we in-license or acquire rights to other products, product candidates or technologies; and
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending against any intellectual property-related claims.

In addition, the magnitude and duration of the COVID-19 pandemic and its impact on our liquidity and future funding requirements is uncertain as the pandemic continues to evolve globally. We have considered and will continue to consider the availability of relief provided by such legislative actions as the Families First Act and the CARES Act, and have opted to pursue certain, but not all measures including the deferral of employer payroll taxes, but not including Payroll Protection Plan loans. See “Impact of COVID-19 Pandemic” and “Risk Factors". The outbreak of the novel coronavirus disease, COVID-19, has adversely impacted and we expect will continue to adversely impact our business, including our preclinical studies and clinical trials.

Further, our operating results may change in the future, and we may need additional funds to meet operational needs and capital requirements associated with such operating plans.

Until such time, if ever, that we can generate product revenue sufficient to achieve profitability, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaboration agreements, other third-party funding, strategic alliances, licensing arrangements and marketing and distribution arrangements.

We currently have no credit facility or committed sources of capital. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a common stockholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through other third-party funding, collaboration agreements, strategic alliances, licensing arrangements or marketing and distribution arrangements, we may have to relinquish valuable rights to our technologies, 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 when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market products or product candidates that we would otherwise prefer to develop and market ourselves.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Use of Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of our financial statements and related disclosures requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, costs and expenses and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in the notes to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our financial statements.

Goodwill

Methodology	*Judgment and Uncertainties*	*Effect if Actual Results Differ From Assumptions*
Our goodwill represents the excess of the cost over the fair value of net assets acquired from its business combination. The determination of the value of goodwill and intangible assets arising from business combinations and asset acquisitions requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair value of net tangible assets and intangible assets acquired. Goodwill is reviewed for impairment at least annually, or more frequently if an event occurs indicating the potential for impairment.	During the impairment review process, we consider qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount, including goodwill. If we determine that it is not more likely than not that the fair value of our reporting unit is less than the carrying amount, then no additional assessment is deemed necessary. Otherwise, we proceed to compare the estimated fair values of the reporting units with the carrying values, including goodwill. If the carrying amounts of the reporting units exceed the fair value, we record an impairment loss based on the difference.	We use available market information and valuation methodologies using estimates to determine the fair values of the goodwill. We base our estimates on the best information available at the time and available market information may vary. If we over estimate the fair value of the goodwill, our actual impairment charge may differ from our estimates.

In-Process Research and Development

Methodology	*Judgment and Uncertainties*	*Effect if Actual Results Differ From Assumptions*
Intangible assets acquired in a business combination that are used for IPR&D activities are considered indefinite lived until the completion or abandonment of the associated research and development efforts. We assess the carrying value of our IPR&D assets at least annually, or more frequently if an event occurs indicating the potential for impairment, which requires us to make assumptions and judgements regarding the future cash flows of these assets.	During the impairment review process, the fair value of the IPR&D is determined by a combination of third-party sources and forecasted discounted cash flows. If the assets are considered to be impaired, the impairment we recognize is the amount by which the carrying value of the assets exceeds the fair value of the assets.	If our third party sources and forecasted cash flows differ materiall from actual future operating results, our actual impairment change may di from our estimates.

Research and Development Expenses - Clinical Trial Accruals

Methodology	*Judgment and Uncertainties*	*Effect if Actual Results Differ From Assumptions*
All of our clinical trials have been executed with support from contract research organizations, (CROs), and other vendors. We accrue costs for clinical trial activities performed by CROs and other vendors based upon the estimated amount of work completed on each trial.	For clinical trial expenses, the significant factors used in estimating accruals include the number of patients enrolled, the activities to be performed for each patient, the number of active clinical sites, and the duration for which the patients will be enrolled in the trial. We monitor patient enrollment levels and related activities to the extent possible through internal reviews, correspondence with CROs and review of contractual terms.	We base our estimates on the best information available at the time However, additional information may become available to us, which may allow us to make a more accurate estimate in future periods. If we do not identify costs that we have begun to incur or if we underestimate or overestimate the level of services performed or the costs of these services, actual expenses could differ from our estimates. There were no such significant changes during the years ended December 31, 2020 or 2019.

Share-Based Payments

Methodology	*Judgment and Uncertainties*	*Effect if Actual Results Differ From Assumptions*
The Company maintains a Stock Incentive Plan, which provides for share-based payment awards, including stock options, restricted stock and performance awards. We determine the fair value of our stock option awards and performance awards at the date of grant using a Black-Scholes model. We determine the fair value of our restricted stock awards at the date of grant using the closing market value of our common stock on the date of grant.	Option-pricing models and generally accepted valuation techniques require management to make assumptions and to apply judgment to determine the fair value of our awards. These assumptions and judgments include estimating the future volatility of our stock price, expected dividend yield and future employee stock option exercise behaviors. Changes in these assumptions can materially affect the fair value estimate. Our performance awards require management to make assumptions regarding the likelihood of achieving long-term Company goals.	We do not currently believe there is a reasonable likelihood that the will be a material change in estimates or assumptions we use to determine stock-based compensation expense. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to chang in share-based compensation expense that could be material. If actual results are not consistent with the assumptions used, the share-ba compensation expense reported in our financial statements may not be representative of the actual economic cost of the share-based compensatio 10% change in our share-based compensation expense for the year ended December 31, 2020, would have affected pre-tax earnings by approximate $2.3 million in 2020.

Emerging Growth Company Status

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of reduced reporting requirements that are otherwise applicable to public companies. Section 107 of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with those standards. We have elected to take advantage of the extended transition period for complying with new or revised accounting standards; and as a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates. The JOBS Act also exempts us from having to provide an auditor attestation of internal control over financial reporting under Sarbanes-Oxley Act Section 404(b).

We will remain an "emerging growth company" until the earliest to occur of (1) the last day of the fiscal year in which our annual gross revenue is $1.07 billion or more, (2) the last day of 2025, (3) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the last business day of our most recently completed second fiscal quarter; and (4) the date on which we have issued more than $1.0 billion in non-convertible debt securities during any three-year period.

Recent Accounting Pronouncements

See Note 2 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further information on certain accounting standards that have been adopted during 2020 or that have not yet been required to be implemented and may be applicable to our future operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate sensitivities. We held cash and cash equivalents of $55.0 million and $67.2 million as of December 31, 2020 and 2019, respectively. We generally hold our cash in interest-bearing money market accounts. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. Due to the short-term maturities of our cash equivalents and the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our cash equivalents.

Item 8. Financial Statements and Supplementary Data.

The financial statements required to be filed pursuant to this Item 8 are appended to this report. An index of those financial statements is found in Item 15 of Part IV of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Annual Report on Form 10-K, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2020.

Management's Annual Report on Internal Control over Financial Reporting

This Annual Report on Form 10-K does not include a report of management's assessment regarding our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) or an attestation report of our independent registered accounting firm due to a transition period established by rules of the SEC for newly public companies. Additionally, our independent registered accounting firm will not be required to opine on the effectiveness of our internal control over financial reporting pursuant to Section 404 until we are no longer an "emerging growth company" as defined in the JOBS Act.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

New York Office Lease

On March 24, 2021, we entered into a lease (the "Lease") with ESRT 1359 BROADWAY, L.L.C. (the "Landlord"), pursuant to which we agreed to lease an aggregate of approximately 31,362 rentable square feet of office space located at 1359 Broadway, New York, New York 10018 (the "Premises").

The term of the Lease commences on the date of the Landlord's notification to Zentalis that the Landlord's improvements are substantially complete and lasts for a period of ten (10) years. The term of the Lease is estimated to begin in November 2021 and we intend to move our principal executive offices to this location at that time. The Lease provides that base rent for the Premises will be approximately $1.9 million per annum, or approximately $162,000 per month, for the first five years of the term of the Lease. The base rent for the Premises will be approximately $2.1 million per annum, or approximately $175,000 per month, for the period commencing on the sixth anniversary of the commencement of the lease period through and including the expiration date. Rent payments under the Lease will be due on the first day of each month throughout the term. Notwithstanding the foregoing, in the event that no default has occurred and the Lease is continuing, we are entitled to an abatement of the first 90 days of base rent in each of the first, second, third and fourth years of the Lease term, in the aggregate amount of approximately $1.9 million. We have the right to terminate the lease after the eighth anniversary of the commencement of the lease term, upon 12 full calendar months' written notice prior to the such date. Pursuant to the Lease, we have delivered a letter of credit to the Landlord in the amount of approximately $1.9 million. The Lease contains customary representations and warranties, covenants, obligations and indemnities in favor of either party.

The foregoing description of the Lease does not purport to be complete and is qualified in its entirety by reference to the full Lease, a copy of which is attached as Exhibit 10.12 to this Annual Report on Form 10-K.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

Director Biographical Information

Biographical information concerning each of our directors is set forth below:

Name	Age	Position(s)
Anthony Y. Sun, M.D	48	President, Chief Executive Officer and Executive Chairman
David M. Johnson	55	Lead Director
Kimberly Blackwell, M.D.	51	Director
Cam S. Gallagher	51	Director
Enoch Kariuki, Pharm.D.	39	Director
Karan S. Takhar	29	Director

Anthony Y. Sun, M.D., has served as our President and Chief Executive Officer and a member of our board of directors since 2014. From 2002 to 2015, Dr. Sun served in a variety of positions, including at Perseus-Soros BioPharmaceutical Fund and most recently as partner at Aisling Capital, a private equity firm dedicated to investing in life sciences companies. Dr. Sun currently serves on the board of directors of Immusoft Corporation, a pre-clinical gene therapy company, and Eyenovia, a public ophthalmic biopharmaceutical company. Dr. Sun received a B.S. in Electrical Engineering from Cornell University, an M.D. from Temple University School of Medicine, and an M.B.A from The Wharton School at the University of Pennsylvania. Dr. Sun trained in internal medicine at the Hospital of the University of Pennsylvania and was board certified in Internal Medicine. We believe Dr. Sun's extensive experience in the life sciences industry as an M.D., investor and executive and his extensive understanding of our business, operations and strategy qualify him to serve on our board of directors.

David M. Johnson has served as a member of our board of directors since January 2020 and as our Lead Director since April 2020. Mr. Johnson served as Chief Executive Officer of VelosBio, a clinical stage, venture backed biopharmaceutical company, from co-founding the company in 2017 until its acquisition by Merck & Co., Inc. in January 2021. From 2013 to 2016, Mr. Johnson was with Acerta Pharma, an oncology focused pharmaceutical company, where he rose to Chief Executive Officer leading the company through the required growth to advance acalabrutinib from early to late-stage global clinical development. His tenure at Acerta culminated in the execution of a strategic transaction with AstraZeneca valued at up to $7 billion. Prior to joining Acerta Pharma, he held various roles with increasing responsibilities within clinical development, medical affairs, pipeline development and commercial at a number of biopharmaceutical and healthcare companies, including Calistoga Pharmaceuticals, Gloucester Pharmaceuticals, Millennium Pharmaceuticals, Immunex and Hoffman-La Roche. Mr. Johnson earned his bachelor's degree in economics from Indiana University. We believe Mr. Johnson's extensive expertise in the life sciences industry as an experienced executive of clinical stage companies qualifies him to serve on our board of directors.

Kimberly Blackwell, M.D., has served as a member of our board of directors since July 2020. Dr. Blackwell currently serves as the Chief Medical Officer of Tempus Labs, a technology company advancing precision medicine through the practical application of artificial intelligence in healthcare, a position she has held since March 2020. From 2018 to 2020, Dr. Blackwell served as the Vice President of Early Stage Oncology and Immuno-oncology at Eli Lilly, where she led clinical teams advancing early phase therapeutics. From 2000 to 2018, Dr. Blackwell was a professor at Duke University where she oversaw the women's cancer program. Dr. Blackwell received an M.D. from Mayo Clinic Medical School and a B.S. in Bioethics from Duke University. We believe Dr. Blackwell's extensive experience in life sciences, including advancing oncology in academic and commercial institutions and in preclinical and clinical settings, qualifies her to serve on our board of directors.

Cam S. Gallagher has served as a member of our board of directors since December 2014. Mr. Gallagher currently serves as the Chief Business Officer at Immusoft Corporation, a preclinical gene therapy company, a position he has held since April 2018. From 2016 to 2019, Mr. Gallagher served as the Head of Corporate Development at Oncternal Therapeutics, Inc., a clinical-stage oncology biotechnology company, and from 2014 to 2016, Mr. Gallagher served as Chief Business Officer at Retrosense Therapeutics, LLC, a gene therapy company. Mr. Gallagher served on the board of directors of Sorrento Therapeutics, Inc., a clinical stage biopharmaceutical company developing therapies to treat malignant cancers, from September 2012 to August 2014, and on the board of directors of Oncternal Therapeutics, Inc., a clinical-stage oncology biotechnology company, from October 2016 to June 2019. Mr. Gallagher received an M.B.A. from the University of San Diego and a B.S. in Business Administration from Ohio University. We believe Mr. Gallagher's deep operational and transactional experience and expertise in the life sciences industry qualifies him to serve on our board of directors.

Enoch Kariuki, Pharm. D., has served as a member of our board of directors since February 2021. Dr. Kariuki currently serves as a member of the board of directors and audit chair at Imago Biosciences, Inc. Previously, Dr. Kariuki served as Chief Financial Officer of VelosBio, a clinical stage, venture backed biopharmaceutical company, from July 2020 until its acquisition by Merck in January 2021. From June 2018 to February 2020, Dr. Kariuki served as SVP, Corporate Development at Synthorx,

Inc., a publicly traded clinical-stage biotechnology company, which was acquired by Sanofi, and from 2014 to April 2018, Dr. Kariuki served as VP at H.I.G. Capital, a private equity and alternative assets investment firm. Dr. Kariuki received an M.B.A. from the Tuck School of Business at Dartmouth College and a Pharm D. from Texas Southern University. We believe Dr. Kariuki's experience as a senior financial executive with both large and small commercial and clinical stage companies in the life sciences industry qualifies him to serve on our board of directors.

Karan S. Takhar has served as a member of our board of directors since December 2017. Since 2013, Mr. Takhar has served in a variety of positions, most recently as Managing Director and head of Life Sciences investing, at Matrix Capital Management Company, L.P., an investment fund focused on technology and life sciences. Mr. Takhar currently serves on the board of numerous private companies, including Aura Biosciences, Encoded Therapeutics, ElevateBio, Palleon Pharmaceuticals, and Kalyra Pharmaceuticals, Inc. Mr. Takhar received a B.S. in Economics and Mathematics from the Massachusetts Institute of Technology. We believe Mr. Takhar's broad operational and transactional experience as an investor in the life sciences industry qualifies him to serve on our board of directors.

Information about our Executive Officers

Biographical information concerning each of our executive officers is set forth below:

Name	Age	Position(s)
Anthony Y. Sun, M.D.	48	President, Chief Executive Officer and Executive Chairman
Melissa B. Epperly	43	Chief Financial Officer
Kevin D. Bunker, Ph.D.	48	Chief Operating Officer
Alexis Pinto, J.D.	54	Chief Legal Officer
Dimitris Voliotis, M.D.	57	Senior Vice President, Clinical Development

Information concerning Anthony Y. Sun, M.D., our President and Chief Executive Officer, may be found above in the section entitled "Director Biographical Information."

Melissa B. Epperly has served as our Chief Financial Officer since September 2019. From June 2018 to August 2019, Ms. Epperly served as Chief Financial Officer at PsiOxus Therapeutics, a clinical-stage gene therapy cancer company, where she led the company's financial operations. Prior to joining PsiOxus, Ms. Epperly served as Chief Financial Officer and head of Business Development at R-Pharm US, a commercial-stage oncology company, from October 2015 to June 2018, where she led the company's financial operations and business development activities. From 2012 to 2015, Ms. Epperly served as a Director at Anchorage Capital Group, a credit-focused hedge fund. Previously, Ms. Epperly was a Vice President at Goldman Sachs in equity research in New York and London, a management consultant with Bain & Company, and a healthcare investment banker at Morgan Stanley. Ms. Epperly received an M.B.A. from Harvard Business School and a B.A. in Biochemistry and Economics from the University of Virginia.

Kevin Bunker, Ph.D., has served as our Chief Operating Officer since 2015. Dr. Bunker also currently serves as Chief Scientific/Operations Officer of Kalyra Pharmaceuticals, Inc., or Kalyra, a small-molecule drug discovery and development company, a position he has held since founding the company in 2011. Dr. Bunker also currently serves as a member of the board of directors of Kalyra. Prior to founding Kalyra, from 2006 to 2011, Dr. Bunker was part of the medicinal chemistry department at Pfizer, including as a Senior Scientist, where he made meaningful contributions to Pfizer's drug discovery research group in La Jolla, California. Dr. Bunker received his B.S. in chemistry from Arizona State University and his PhD in organic chemistry from the University of California, San Diego. He also held a post-doctorate position as a research associate at The Scripps Research Institute under the direction of Professor Dale Boger.

Alexis Pinto, J.D., has served as our Chief Legal Officer since August 2020. She most recently served as Corporate Vice President & Corporate Secretary at Celgene Corporation, a pharmaceutical company, from 2015 to 2020. Prior to joining Celgene, Ms. Pinto served as Managing Counsel of Corporate Transactions at Merck & Co., Inc., a multinational pharmaceutical company, from 1997 to 2015. Over her 18-year tenure at Merck, Ms. Pinto held numerous positions of increasing responsibility and scope, starting out as a labor and employment attorney and progressing into licensing, vaccines, mergers and acquisitions and business development roles. She began her career as an Associate at Paul, Hastings, Janofsky & Walker LLP in the Corporate and Employment Law Departments. Ms. Pinto earned her J.D. from the University of Virginia School of Law and her BA from the University of Virginia, where she graduated magna cum laude. She is a member of both the New York State Bar and the New Jersey State Bar.

Dimitris Voliotis, M.D., has served as our Senior Vice President of Clinical Development since March 2020. Prior to joining us, Dr. Voliotis was Chief Development Officer at CureVac AG, a biopharmaceutical company that develops therapies based on messenger RNA, a position he held beginning in January 2019. At CureVac AG, Dr. Voliotis oversaw preclinical and clinical development activities for prophylactic vaccines, rare diseases/molecular therapies and oncology. From January 2016 to

January 2019, Dr. Voliotis served as Senior Vice President and Head of Global Clinical Development in the Oncology Business Group at Eisai US, a pharmaceutical company focused on therapeutic areas of oncology and neurology. At Eisai, Dr. Voliotis served as Vice President, Therapeutic Area Head and Head of Global Clinical Research Oncology from 2014 to 2016. Prior to joining Eisai, Dr. Voliotis served in various leadership positions at Bayer Healthcare from 2001 to 2014, including most recently as Vice President and Head of Global Development Specialty Medicine/Oncology. Dr. Voliotis received his M.D. from the University of Cologne Medical School and is board certified in Medical Oncology & Hematology and Internal Medicine.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A current copy of our code of business conduct and ethics is available under the Corporate Governance section of our investor relations website at ir.zentalis.com. In addition, we intend to post on our website all disclosures that are required by law or the Nasdaq rules concerning any amendments to, or waivers from, any provision of the code. The reference to our website address does not constitute incorporation by reference of the information contained at or available through our website, and you should not consider our website to be a part of this Annual Report on Form 10-K.

Other

The remaining information required by this item will be included under the headings “Election of Directors,” “Corporate Governance,” and “Delinquent Section 16(a) Reports” (if applicable) in our definitive proxy statement for our 2021 Annual Meeting of Stockholders, and such required information is incorporated herein by reference.

Item 11. Executive Compensation.

The information required by this item will be included under the headings "Executive Compensation" and "Compensation Committee Interlocks and Insider Participation" (if applicable) in our definitive proxy statement for our 2021 Annual Meeting of Stockholders, and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item will be included under the heading "Security Ownership of Certain Beneficial Owners and Management" in our definitive proxy statement for our 2021 Annual Meeting of Stockholders, and such required information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item will be included under the headings "Certain Relationships and Related Person Transactions," "Corporate Governance" and "Director Independence" in our definitive proxy statement for our 2021 Annual Meeting of Stockholders, and such information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this item will be included under the heading "Principal Accountant Fees and Services" in our definitive proxy statement for our 2021 Annual Meeting of Stockholders, and such information is incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) Financial Statements.

The following documents are included on pages F-1 through F-31 attached hereto and are filed as part of this Annual Report on Form 10-K.

Index to Consolidated Financial Statements

(a)(2) Financial Statement Schedules.

All financial statement schedules have been omitted because they are not applicable, not required or the information required is shown in the financial statements or the notes thereto.

(a)(3) Exhibits.

The following is a list of exhibits filed as part of this Annual Report on Form 10-K.

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
2.1	Plan of Conversion Converting Zentalis Pharmaceuticals, LLC (a Delaware limited liability company) into Zentalis Pharmaceuticals, Inc. (a Delaware corporation)	10-Q	001-39263	2.1	05/15/2020	
2.2	Certificate of Conversion Converting Zentalis Pharmaceuticals, LLC (a Delaware limited liability company) into Zentalis Pharmaceuticals, Inc. (a Delaware corporation)	10-Q	001-39263	2.2	05/15/2020	
3.1	Certificate of Incorporation of Zentalis Pharmaceuticals, Inc.	S-8	333-237593	4.1	04/07/2020	
3.2	Bylaws of Zentalis Pharmaceuticals, Inc.	8-K	001-39263	3.1	03/19/2021	
3.3	Second Amended and Restated Limited Liability Company Agreement of Zentalis Pharmaceuticals, LLC	S-1	333-236959	3.3	03/06/2020	
4.1	Amended and Restated Investors' Rights Agreement, dated as of September 6, 2019, by and among Zeno Pharma, LLC and the investors party thereto	S-1	333-236959	4.1	03/06/2020	
4.2	Specimen of Common Stock Certificate evidencing the shares of common stock	S-1	333-236959	4.2	03/06/2020	
4.3	Description of Capital Stock					*
10.1#	Zentalis Pharmaceuticals, LLC 2017 Profits Interest Plan, as amended, and form of profit interest award agreement thereunder	S-1	333-236959	10.1	03/06/2020	
10.2#	2020 Incentive Award Plan and form of option agreement and restricted stock unit agreement thereunder	S-1/A	333-236959	10.2	03/30/2020	
10.3#	Non-Employee Director Compensation Program					*
10.4#	2020 Employee Stock Purchase Plan.	S-8	333-254506	99.1	03/19/2021	
10.5#	Form of Conversion Restricted Stock Award Agreement for former Class B Common Unit Holders	S-1/A	333-236959	10.5	03/30/2020	

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.6#	Form of Indemnification Agreement for Directors and Officers	S-1/A	333-236959	10.6	03/30/2020	
10.7	Lease Agreement, dated April 12, 2019, between Zeno Management, Inc. and G&S Realty 1, LLC	S-1	333-236959	10.7	03/06/2020	
10.8	Sublease Agreement, dated September 16, 2019, between Zeno Management, Inc. and Lundbeck La Jolla Research Center, Inc.	S-1	333-236959	10.8	03/06/2020	
10.9.1	Lease Agreement, dated November 12, 2015, between the Registrant and BMR-Road to the Cure, LP	S-1	333-236959	10.9	03/06/2020	
10.9.2	First Amendment to Lease Agreement, dated December 6, 2018, between the Registrant and BMR-Road to the Cure, LP	S-1	333-236959	10.1	03/06/2020	
10.10.1	Lease Agreement, dated January 14, 2020, between Zeno Management, Inc. and ARE-SD Region NO. 44, LLC	S-1	333-236959	10.11	03/06/2020	
10.10.2	Agreement for Termination of Lease and Voluntary Surrender of Premises, dated July 14, 2020, by and between Zeno Management, Inc. and ARE-SD-Region NO. 44, LLC	S-1/A	333-240115	10.23	07/28/2020	
10.11	Lease, effective September 30, 2020, between Zentalis Pharmaceuticals, Inc. and TPSC IX, LLC	8-K	001-39263	10.1	10/02/2020	
10.12	Lease, effective March 24, 2021, between Zentalis Pharmaceuticals, Inc. and ESRT 1359 BROADWAY, L.L.C.					*
10.13#	Second Amended and Restated Employment Agreement, effective as of October 1, 2020, between Zeno Management Inc. and Anthony Y. Sun, M.D.	8-K	001-39263	10.2	10/02/2020	
10.14#	Amended and Restated Employment Agreement, effective as of October 1, 2020, between Zeno Management, Inc. and Kevin Bunker, Ph.D.	8-K	001-39263	10.3	10/02/2020	
10.15#	Amended and Restated Employment Agreement, effective as of October 1, 2020, between Zeno Management Inc. and Melissa Epperly	8-K	001-39263	10.4	10/02/2020	
10.16#	Employment Agreement, effective as of July 20, 2020, between Zeno Management, Inc. and Alexis Pinto	10-Q	001-39263	10.7	11/09/2020	
10.17#	Employment Agreement, dated March 25, 2020, by and between Zeno Management, Inc. and Dimitris Voliotis, M.D.	S-1/A	333-236959	10.2	03/30/2020	
10.18#	Employment Agreement, effective as of October 1, 2020, between Zeno Management, Inc. and Cam Gallagher	10-Q	001-39263	10.6	11/09/2020	
10.19.1#	Employment Agreement, dated February 1, 2019, by and between Zeno Management, Inc. and Robert Winkler, M.D.	S-1	333-236959	10.17	03/06/2020	
10.19.2#	Release Agreement by and between Zeno Management, Inc. and Robert Winkler, M.D.	S-1	333-240115	10.22	07/27/2020	
10.20.1†	Second Amended and Restated License Agreement, dated September 6, 2019, between the Registrant and Recurium IP Holdings, LLC	S-1	333-236959	10.2	03/06/2020	

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.20.2†	Greater China Amendment to the Second Amended and Restated License Agreement, dated May 19, 2020, by and between Zeno Management, Inc. and Recurium IP Holdings, LLC	10-Q	001-39263	10.3	08/13/2020	
21.1	List of Subsidiaries of Zentalis Pharmaceuticals, Inc.					*
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.					*
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a).					*
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a).					*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.					**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.					**
101.INS	Inline XBRL Instance Document - the Instance Document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					*

* Filed herewith.
** Furnished herewith.
# Indicates management contract or compensatory plan.
† Portions of this exhibit (indicated by asterisks) have been redacted in compliance with Regulation S-K Item 601(b)(10)(iv).

Item 16. Form 10-K Summary.

None.

SIGNATURES

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

ZENTALIS PHARMACEUTICALS, INC.

Date: March 25, 2021

By: /s/ Anthony Y. Sun, M.D
Anthony Y. Sun, M.D.
Chief Executive Officer, President and Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/ Anthony Y. Sun, M.D. **Anthony Y. Sun, M.D.**	Chief Executive Officer, President and Executive Chairman *(principal executive officer)*	March 25, 2021
/s/ Melissa B. Epperly **Melissa B. Epperly**	Chief Financial Officer *(principal financial and accounting officer)*	March 25, 2021
/s/ David M. Johnson **David M. Johnson**	Lead Director	March 25, 2021
/s/ Kimberly Blackwell, M.D. **Kimberly Blackwell, M.D.**	Director	March 25, 2021
/s/ Cam S. Gallagher **Cam S. Gallagher**	Director	March 25, 2021
/s/ Enoch Kariuki **Enoch Kariuki**	Director	March 25, 2021
/s/ Karan S. Takhar **Karan S. Takhar**	Director	March 25, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Zentalis Pharmaceuticals, Inc. (Successor to Zentalis Pharmaceuticals, LLC)

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Zentalis Pharmaceuticals, Inc. (Successor to Zentalis Pharmaceuticals, LLC) (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in convertible preferred units and members'/stockholders' equity (deficit) and cash flows for the years ended December 31, 2020 and 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended December 31, 2020 and 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2019.

San Diego, California
March 25, 2021

Zentalis Pharmaceuticals, Inc. (Successor to Zentalis Pharmaceuticals, LLC)
Consolidated Balance Sheets
(In thousands, except unit and share amounts and par value)

	December 31,	
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 54,951	$ 67,246
Marketable securities, available for sale	283,554	—
Accounts receivable from government grants, net	417	140
Prepaid expenses and other current assets	6,182	1,505
Total current assets	345,104	68,891
Property and equipment, net	1,099	501
Operating lease right-of-use assets	2,520	2,335
Prepaid expenses and other assets	2,976	2,134
Deferred financing costs	—	841
Goodwill	3,736	3,736
In-process research and development	8,800	8,800
Restricted cash	1,320	243
Total assets	$ 365,555	$ 87,481
LIABILITIES, CONVERTIBLE PREFERRED UNITS AND EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	$ 8,661	$ 4,289
Accrued expenses	19,940	10,608
Total current liabilities	28,601	14,897
Deferred tax liability	2,480	2,463
Other long-term liabilities	1,097	1,700
Total liabilities	32,178	19,060
Commitments and contingencies		
Convertible preferred units; Redemption value of $146,944 at December 31, 2019	—	141,706
EQUITY		
Class A common units; 20,000,000 units authorized at December 31, 2019; 5,601,478 units issued and outstanding at December 31, 2019	—	709
Class B common units 3,458,522 units authorized at December 31, 2019; 2,670,668 units issued and outstanding at December 31, 2019	—	2,178
Preferred stock, $0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding at December 31, 2020	—	—
Common stock, $0.001 par value; 250,000,000 shares authorized; 41,040,286 shares issued and outstanding at December 31, 2020	41	—
Additional paid-in capital	509,339	—
Accumulated other comprehensive income	36	—
Accumulated deficit	(200,834)	(82,993)
Total stockholders' equity/members' (deficit)	308,582	(80,106)
Noncontrolling interests	24,795	6,821
Total equity (deficit)	333,377	(73,285)
Total liabilities, convertible preferred units and equity (deficit)	$ 365,555	$ 87,481

See accompanying notes to consolidated financial statements.

Zentalis Pharmaceuticals, Inc. (Successor to Zentalis Pharmaceuticals, LLC)
Consolidated Statements of Operations
(In thousands, except per unit and per share amounts)

	Year ended December 31,	
	2020	2019
Operating Expenses		
Research and development	$ 84,901	$ 38,386
General and administrative	33,886	8,459
Total operating expenses	118,787	46,845
Operating loss	(118,787)	(46,845)
Other Income (Expense)		
Investment and other income (expense), net	683	482
Net loss before income taxes	(118,104)	(46,363)
Income tax expense	444	15
Net loss	(118,548)	(46,378)
Net loss attributable to noncontrolling interests	(707)	(715)
Net loss attributable to Zentalis	$ (117,841)	$ (45,663)
Net loss per common share outstanding, basic and diluted	$ (4.19)	$ —
Net loss per Class A common unit outstanding, basic and diluted	$ —	$ (8.16)
Common shares/units used in computing net loss per share/Class A common unit, basic and diluted	28,113	5,597

See accompanying notes to consolidated financial statements.

Zentalis Pharmaceuticals, Inc. (Successor to Zentalis Pharmaceuticals, LLC)
Consolidated Statements of Comprehensive Loss
(In thousands)

	Year ended December 31,	
	2020	2019
Net loss	$ (118,548)	$ (46,378)
Other comprehensive income:		
Unrealized gain on marketable securities, net	36	—
Total comprehensive loss	(118,512)	(46,378)
Comprehensive loss attributable to noncontrolling interests	(707)	(715)
Comprehensive loss attributable to Zentalis	$ (117,805)	$ (45,663)

See accompanying notes to consolidated financial statements.

Zentalis Pharmaceuticals, Inc. (Successor to Zentalis Pharmaceuticals, LLC)
Consolidated Statements of Changes in Convertible Preferred Units and Members'/Stockholders' Equity (Deficit)
(In thousands)

	Year Ended December 31, 2019														
	Zentalis Stockholders														
	Convertible Preferred Units		Convertible Preferred Units		Class A Common Units		Class B Common Units		Common		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Noncontrolling Interests	Total Equity (Deficit)
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Shares	Amount					
Balance at December 31, 2018	—	$ —	5,103	$59,830	5,594	$ 672	1,612	$1,598	—	$ —	$ —	$ —	$ (37,330)	$ 7,536	$ 32,306
Issuance of Series C convertible preferred units at $17.50 per unit net of issuance costs	4,847	81,876	—	—	—	—	—	—	—	—	—	—		—	—
Reclassification of convertible preferred units for contingent liquidation features not within the Company's control	5,103	59,830	(5,103)	(59,830)	—	—	—	—	—	—	—	—	—	—	(59,830)
Issuance of profit interest awards, net	—	—	—	—	—	—	1,059	—	—	—	—	—	—	—	—
Share-based compensation expenses	—	—	—	—	7	37	—	580	—	—	—	—	—	—	617
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	(715)	(715)
Net loss attributable to Zentalis	—	—	—	—	—	—	—	—	—	—	—	—	(45,663)	—	(45,663)
Balance at December 31, 2019	9,950	$141,706	—	$ —	5,601	$ 709	2,671	$2,178	—	$ —	$ —	$ —	$ (82,993)	$ 6,821	$(73,285)

	Year Ended December 31, 2020														
	Zentalis Stockholders														
	Convertible Preferred Units		Convertible Preferred Units		Class A Common Units		Class B Common Units		Common		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Noncontrolling Interests	Total Equity (Deficit)
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Shares	Amount					
Balance at December 31, 2019	9,950	$141,706	—	$ —	5,601	$ 709	2,671	$2,178	—	$ —	$ —	$ —	$ (82,993)	$ 6,821	$(73,285)
Issuance of Series C convertible preferred units at $17.50 per unit net of issuance costs	867	14,228	—	—	—	—	—	—	—	—	—	—	—	—	—
Cancellation of profit interest awards, net	—	—	—	—	—	—	(64)	—	—	—	—	—	—	—	—
Issuance of common stock in connection with an initial public offering, net of underwriting discounts, commissions and offering costs	—	—	—	—	—	—	—	—	10,589	11	172,354	—	—	—	172,365
Contributions from noncontrolling interest owners	—	—	—	—	—	—	—	—	—	—	—	—	—	18,424	18,424
Share-based compensation expense	—	—	—	—	—	—	—	329	—	—	22,817	—	—	—	23,146
Conversion of convertible preferred units to common stock	(10,817)	(155,934)	—	—	—	—	—	—	15,011	15	155,919	—	—	—	155,934
Conversion of common and incentive units to common and restricted stock	—	—	—	—	(5,601)	(709)	(2,607)	(2,507)	10,278	10	3,206	—	—	—	—
Issuance of common stock in connection with an equity offering, net of underwriting discounts, commissions, and offering costs	—	—	—	—	—	—	—	—	4,744	5	155,300	—	—	—	155,305
Issuance of common stock in connection with restricted stock unit vesting	—	—	—	—	—	—	—	—	426	—	—	—	—	—	—
Cancellation of restricted stock awards	—	—	—	—	—	—	—	—	(8)	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	36	—	—	36
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	(257)	—	—	(450)	(707)
Net loss attributable to Zentalis	—	—	—	—	—	—	—	—	—	—	—	—	(117,841)	—	(117,841)
Balance at December 31, 2020	—	$ —	—	$ —	—	$ —	—	$ —	41,040	$ 41	$509,339	$ 36	$(200,834)	$ 24,795	$333,377

See accompanying notes to consolidated financial statements.

Zentalis Pharmaceuticals, Inc. (Successor to Zentalis Pharmaceuticals, LLC)
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2020	2019
Operating activities:		
Consolidated net loss	$ (118,548)	$ (46,378)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	160	111
Share-based compensation	23,146	617
Amortization of premiums on marketable securities, net	556	—
Deferred income taxes	17	—
Changes in operating assets and liabilities:		
Accounts receivable	(277)	777
Prepaid expenses and other assets	(5,519)	(1,508)
Accounts payable and accrued liabilities	14,307	7,123
Operating lease right-of-use assets and liabilities, net	(667)	115
Net cash used in operating activities	(86,825)	(39,143)
Investing activities:		
Purchases of marketable securities	(400,984)	—
Proceeds from maturities of marketable securities	116,910	—
Purchases of property and equipment	(758)	(352)
Net cash used in investing activities	(284,832)	(352)
Financing activities:		
Proceeds from issuance of common stock in initial public offering, net	172,482	—
Contributions from noncontrolling interest owners, net	18,424	—
Proceeds from the issuance of Series C convertible preferred units, net	14,228	81,876
Proceeds from issuance of common stock, net	155,305	—
Deferred financing costs	—	(46)
Net cash provided by financing activities	360,439	81,830
Increase/(decrease) in cash, cash equivalents and restricted cash	(11,218)	42,335
Cash, cash equivalents and restricted cash at beginning of year	67,489	25,154
Cash, cash equivalents and restricted cash at end of year	$ 56,271	$ 67,489
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 18	$ 15
Supplemental disclosure of non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	$ 300	$ 1,412
Costs incurred in connection with initial public offering included in accounts payable and accrued expenses	$ —	$ 795

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the Consolidated Statements of Cash Flows for the periods presented:

	Year Ended December 31,	
	2020	2019
Cash and cash equivalents	$ 54,951	$ 67,246
Restricted cash, non-current	1,320	243
Total cash, cash equivalents and restricted cash reported in the Consolidated Statement of Cash Flows	$ 56,271	$ 67,489

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

Organization

Zentalis Pharmaceuticals, Inc. (successor to Zentalis Pharmaceuticals, LLC (“Zentalis”, “We” or “the Company”) is a clinical-stage pharmaceutical company focused on discovering and developing clinically differentiated, novel small molecule therapeutics targeting fundamental biological pathways of cancer. The Company manages its operations as a single segment for the purposes of assessing performance and making operating decisions. To date, all of the Company's revenue has been generated in the United States. All of the Company's material tangible assets are held in the United States.

The Company was formed and incorporated in the state of Delaware as Zeno Pharmaceuticals, Inc. on December 23, 2014. Effective November 21, 2017, Zeno Pharma, LLC was formed by the shareholders of Zeno Pharmaceuticals, Inc. On December 21, 2017, Zeno Pharmaceuticals, Inc. became a wholly owned subsidiary of Zeno Pharma, LLC. In connection with this restructuring, the rights and preferences of the Preferred Stock of Zeno Pharmaceuticals, Inc. were exchanged for preferred units with similar rights and preferences of Zeno Pharma, LLC. As part of the restructuring, the employees, consultants and board members of Zeno Pharmaceuticals, Inc. exchanged their equity grants in Zeno Pharmaceuticals, Inc. stock for Class B common units in Zeno Pharma, LLC. Additionally, existing common stockholders of Zeno Pharmaceuticals, Inc. exchanged their common stock for Class A common units in Zeno Pharma, LLC. All exchanges were made on a one-for-one basis. The restructuring was accounted for as a common control transaction. In December 2019, the Company was renamed to Zentalis Pharmaceuticals, LLC. See note 9, Equity and Share-based Compensation, for additional information.

Immediately prior to the effectiveness of the registration statement pertaining to the Company's initial public offering ("IPO") on April 2, 2020, the Company converted from a Delaware limited liability company into a Delaware corporation, and changed its name to Zentalis Pharmaceuticals, Inc. Pursuant to the statutory corporate conversion, all of the outstanding units of Zentalis Pharmaceuticals, LLC converted into shares of common stock of Zentalis Pharmaceuticals, Inc. based upon the value of Zentalis Pharmaceuticals, Inc. at the time of the IPO with a value implied by the price of the shares of common stock sold in the IPO. Based on the IPO price of $18.00 per share, the outstanding converted units converted into 25,288,854 shares of common stock (including 1,160,277 shares of restricted common stock).

On April 7, 2020, the Company completed the IPO in which the Company issued and sold 10,557,000 shares of common stock (including 1,377,000 shares of common stock in connection with the full exercise of the underwriters' option to purchase additional shares) at a public offering price of $18.00 per share. The Company's aggregate gross proceeds from the sale of shares in the IPO, including the sale of shares pursuant to the full exercise of the underwriters' option to purchase additional shares, was $190.0 million before fees and expenses of $17.6 million.

On May 19, 2020, the Company announced the closing of a Series A financing of Zentera Therapeutics, Ltd. ("Zentera"), a majority owned biopharmaceutical company with headquarters in Shanghai, China. Contributions from noncontrolling interest members totaled $20.0 million before issuance costs of $1.6 million. The Company holds 60.2% equity interest in Zentera for purposes of the development and commercialization of ZN-c5, ZN-d5 and ZN-c3 for the treatment or prevention of disease, other than for pain, in the People's Republic of China, Macau, Hong Kong and Taiwan. Two of our executives entered into restricted stock purchase agreements with Zentera. The associated shares vest over four years.

On August 3, 2020, the Company completed a follow-on offering in which the Company issued and sold 4,743,750 shares of common stock (including 618,750 shares of common stock in connection with the full exercise of the underwriters' option to purchase additional shares) at a public offering price of $35.00 per share. The Company's aggregate gross proceeds from the sale of shares in the follow-on offering, including the sale of shares pursuant to the full exercise of the underwriters' option to purchase additional shares, was $166.0 million before fees and expenses of $10.8 million.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) and include our wholly owned subsidiaries, majority-owned or controlled companies, and variable interest entity (“VIE”), Kalyra Pharmaceuticals, Inc. (“Kalyra”), for which we are the primary beneficiary. All intercompany transactions and balances have been eliminated in consolidation.

We evaluate our ownership, contractual and other interests in entities that are not wholly-owned to determine if these entities are VIEs, and, if so, whether we are the primary beneficiary of the VIE. In determining whether we are the primary beneficiary of a VIE and therefore required to consolidate the VIE, we apply a qualitative approach that determines whether we have both (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses of, or the rights to receive benefits from, the VIE that could potentially be significant to that VIE. On December 21, 2017, the Company acquired a 25% equity interest in Kalyra. Based on our assessment, we concluded that Kalyra is a variable interest entity and we are the primary beneficiary. Prior to the acquisition, Zeno and Kalyra transacted for the delivery of research and development services and support. The financial position and results of operations of Kalyra have been included in the Company's consolidated financial statements from December 21, 2017, the date we became the primary beneficiary. The liabilities recognized as a result of consolidating Kalyra do not represent additional claims on the Company's general assets.

We will continuously assess whether we are the primary beneficiary of a VIE, as changes to existing relationships or future transactions may result in the consolidation or deconsolidation of such VIE. During the periods presented, we have not provided any other financial or other support to our VIE that we were not contractually required to provide.

Noncontrolling Interests

The shares third parties own in Kalyra and Zentera represent an interest in their respective equity we do not control. We reflect noncontrolling interest attributable to the other owners in a separate line in our consolidated statements of operations and a separate line within stockholders' equity in our consolidated balance sheets. In addition, we record a noncontrolling interest adjustment to account for equity based compensation in Zentera. This adjustment is a reclassification within stockholders' equity from additional paid-in capital to noncontrolling interest equal to the amount of equity based compensation expense Zentera had recognized.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates and judgments, which are based on historical and anticipated results and trends and on various other assumptions that management believes to be reasonable under the circumstances. By their nature, estimates are subject to an inherent degree of uncertainty and, as such, actual results may differ from management's estimates.

Though the impact of the COVID-19 pandemic to our business and operating results presents additional uncertainty, we continue to use the best information available to inform our critical accounting estimates.

Cash and Cash Equivalents

Cash equivalents are comprised of short-term, highly-liquid investments with maturities of 90 days or less at the date of purchase. As of December 31, 2020 and 2019, our cash equivalents consisted of money market funds and corporate debt securities.

Marketable Securities

Marketable securities are investments with original maturities of more than ninety days from the date of purchase that we have the ability to liquidate to find current operations. Accordingly, those investments with contractual maturities greater than one year from the date of purchase are classified as short-term investments on the accompanying consolidated balance sheets. Marketable securities are considered available-for-sale and are carried at fair value with unrealized gains and losses recorded in other comprehensive income (loss) and included as a separate component of stockholders' equity. The cost of marketable securities is adjusted for amortization of premiums or accretion of discounts to maturity, and such amortization or accretion is included in investment and other income, net through an allowance account. We use the specific identification method for calculating realized gains and losses on marketable securities sold. Realized gains and losses on marketable securities, if any, are included in investment and other income, net in the consolidated statements of operations.

Restricted Cash

Under the terms of our office leases, we are required to maintain a letter of credit as a security deposit during the term of such leases. At December 31, 2020 and 2019, restricted cash of $1.3 million and $0.2 million, respectively, was pledged as collateral for the letters of credit.

Fair Value of Financial Instruments

The authoritative guidance defines fair value and requires us to establish a framework for measuring fair value and disclosure about fair value measurements using a three-tier approach. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Our financial instruments include cash equivalents, marketable securities, accounts receivable, prepaid expenses and other assets, accounts payable and accrued expenses. Fair value estimates of these instruments are made at a specific point in time, based on relevant market information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision.

The fair value of marketable securities is determined using proprietary valuation models and analytical tools, which utilize market pricing or prices for similar instruments that are both objective and publicly available, such as matrix pricing or reported trades, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities and bids and offers.

The carrying amount of cash equivalents, account receivable, prepaid expenses and other assets, accounts payable and accrued expenses are generally considered to be representative of their respective values because of the short-term nature of those instruments.

Concentrations of Credit Risk and Sources of Supply

We are subject to credit risk from our portfolios of cash equivalents and marketable securities. We maintain our cash and cash equivalent and marketable securities balances with major commercial banks. Deposits held with the financial institutions exceed the amount of insurance provided on such deposits. We are exposed to credit risk in the event of a default by the financial institutions holding our cash and cash equivalents and marketable securities to the extent recorded on the consolidated balance sheets.We have also established guidelines to limit our exposure to credit risk by diversifying our marketable securities portfolio and placing them in investments with maturities that maintain safety and liquidity.

We rely on third-party manufacturers for the supply of active pharmaceutical ingredients.

Accounts Receivable from Government Grants, Net

Accounts receivable from government grants is recorded at the invoiced amount, is non-interest bearing and is recorded net of allowances for doubtful accounts. We recorded no allowance for doubtful accounts at December 31, 2020 and 2019 as the collectability was reasonably assured.

Property and Equipment, Net

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Equipment is depreciated using the straight-line method over its estimated useful life ranging from three to five years and leasehold improvements are amortized using the straight-line method over the estimated useful life of the asset or the lease term, whichever is shorter. Repair and maintenance costs are expensed as incurred.

Leases

We have entered into operating leases for real estate. We determine if an arrangement is a lease at inception and evaluate each lease agreement to determine whether the lease is an operating or finance lease. For leases where we are the lessee, right-of-use (“ROU”) assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Liabilities from operating leases are included in accrued expenses and other long-term liabilities on our consolidated balance sheet. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any prepaid lease payments, lease incentives received, and costs which will be incurred in exiting a lease. Our leases often include options to extend or terminate the lease. These options are included in the lease term when it is reasonably certain that we will exercise that option. As of December 31, 2020 it is not reasonably certain that these options will be exercised and they are not included within the

lease term. Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. We have lease agreements with lease and non-lease components which are accounted for as a single lease component for all of our leases.

Impairment of Long-Lived Assets

We account for long-lived assets in accordance with authoritative guidance for impairment or disposal of long-lived assets. Long-lived assets are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable. To date, we have not experienced any significant impairment losses.

Goodwill and In-Process Research and Development

Our goodwill, which has an indefinite useful life, represents the excess of the cost over the fair value of net assets acquired from its business combination. The determination of the value of goodwill and intangible assets arising from business combinations and asset acquisitions requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair value of the net tangible and intangible assets acquired, including capitalized in-process research and development ("IPR&D").

Intangible assets acquired in a business combination that are used for IPR&D activities are considered indefinite lived until the completion or abandonment of the associated research and development efforts. Upon conclusion of the relevant research and development project, we will amortize the acquired IPR&D over its estimated useful life or expense the acquired IPR&D should the research and development project be unsuccessful with no future alternative use. We base the useful lives and related amortization expense on our estimate of the period that the assets will generate revenues or otherwise be used. We assess the carrying value of our IPR&D assets at least annually, or more frequently if an event occurs indicating the potential for impairment, which requires us to make assumptions and judgements regarding the future cash flows of these assets. If the assets are considered to be impaired, the impairment we recognize is the amount by which the carrying value of the assets exceeds the fair value of the assets. Fair value is determined by a combination of third-party sources and forecasted discounted cash flows.

Goodwill is reviewed for impairment at least annually, or more frequently if an event occurs indicating the potential for impairment. During the impairment review process, we consider qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount, including goodwill. If we determine that it is not more likely than not that the fair value of our reporting unit is less than the carrying amount, then no additional assessment is deemed necessary. Otherwise, we proceed to compare the estimated fair values of the reporting units with the carrying values, including goodwill. If the carrying amounts of the reporting units exceed the fair values, we record an impairment loss based on the difference. We completed our most recent annual evaluation for impairment for goodwill and IPR&D as of December 31, 2020 using the qualitative assessment and determined that no impairment existed, and no charges were recorded.

Research and Development Expenses

Research and development expenses include salaries and benefits, facilities and other overhead expenses, external clinical trial expenses, research related manufacturing services, contract services and other outside expenses. Research and development expenses are charged to operating expenses as incurred when these expenditures relate to our research and development efforts and have no alternative future uses. Reimbursed research and development costs under government grant arrangements are recorded as a reduction to research and development expenses and are recognized in the period in which the related costs are incurred.

We are obligated to make upfront payments upon execution of certain research and development agreements. Advance payments, including nonrefundable amounts, for goods or services that will be used or rendered for future research and development activities are deferred. Such amounts are recognized as expense as the related goods are delivered or the related services are performed, or such time when we do not expect the goods to be delivered or services to be performed.

Clinical Trial Expenses

We make payments in connection with our clinical trials under contracts with contract research organizations that support conducting and managing clinical trials. The financial terms of these agreements are subject to negotiation and vary from contract to contract and may result in uneven payment flows. Generally, these agreements set forth the scope of work to be performed at a fixed fee, unit price or on a time and materials basis. A portion of our obligation to make payments under these

contracts depends on factors such as the successful enrollment or treatment of patients or the completion of other clinical trial milestones.

Expenses related to clinical trials are accrued based on our estimates and/or representations from service providers regarding work performed, including actual level of patient enrollment, completion of patient studies and progress of the clinical trials. Other incidental costs related to patient enrollment or treatment are accrued when reasonably certain. If the amounts we are obligated to pay under our clinical trial agreements are modified (for instance, as a result of changes in the clinical trial protocol or scope of work to be performed), we adjust our accruals accordingly. Revisions to our contractual payment obligations are charged to expense in the period in which the facts that give rise to the revision become reasonably certain.

Share-Based Compensation

We record share-based compensation expense associated with equity instruments in accordance with the authoritative guidance for stock-based compensation. The cost of employee services received in exchange for an award of an equity instrument is measured at the grant date based on the estimated fair value of the award and is recognized as expense on a straight-line basis over the requisite service period of the award. Share-based compensation expense for an award with a performance condition is recognized when the achievement of such performance condition is determined to be probable. If the outcome of such performance condition is not determined to be probable or is not met, no compensation expense is recognized, and any previously recognized compensation expense is reversed. Forfeitures are recognized as a reduction of share-based compensation expense as they occur.

Income Taxes

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A provision has been made for income taxes due on taxable income and for the deferred taxes on temporary differences. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Realization of the deferred income tax asset is dependent on gathering sufficient taxable income in future years.

Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the combination of the tax payable for the period and the change during the period in deferred tax assets and liabilities. We follow the accounting guidance on accounting for uncertainty in income taxes. The guidance prescribes a recognition threshold and measurement attribute criteria for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities based on the technical merits of the position.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income is the result of unrealized gains and losses on marketable securities.

Net Loss per Common Share/Class A Common Unit Outstanding

Basic net loss per common share outstanding is computed by dividing net loss, after adjusting for dividends, if declared, by the weighted-average number of common shares outstanding during the period. Diluted net loss per common share outstanding is computed using the weighted-average number of common shares outstanding during the period and, if dilutive, the weighted average number of potential common shares. Potential common shares consist of unvested restricted stock and common shares issuable upon the exercise of stock options.

Adoption and Pending Adoption of Recent Accounting Pronouncements

The following table provides a brief description of recently issued accounting standards, those adopted in the current period and those not yet adopted:

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
In March 2020, the FASB issued ASU 2020-03, Codification Improvements to Financial Instruments.	The Guidance makes improvements to financial instrument guidance, including the current expected credit losses guidance.	January 1, 2020	We have adopted the new guidance as of January 1, 2020. The impact of adoption was not material to the consolidated financial statements.
In January 2020, the FASB issued ASU 2020-01, Investments — Equity Securities (Topic 321).	This standard clarifies the interaction between accounting standards related to equity securities (ASC 321), equity method investments (ASC 323), and certain derivatives (ASC 815)	January 1, 2021	We currently do not hold equity securities, have equity method investments or derivatives. We do not believe adoption will have a material impact on our consolidated financial position or results of operations.
In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. In November 2018 and April and May of 2019, the FASB issued additional guidance related to Topic 326.	The standard amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income.	January 1, 2020	We have adopted the new guidance as of January 1, 2020. The impact of adoption was not material to the consolidated financial statements.
In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes.	The new guidance is intended to simplify aspects of the accounting for income taxes, including the elimination of certain exceptions to the guidance in ASC 740 related to the approach for intraperiod tax allocation, among other changes.	January 1, 2020	We have adopted the new guidance as of January 1, 2020. The impact of adoption was not material to the consolidated financial statements.

3. Business Combinations

Kalyra Pharmaceuticals, Inc.

On December 21, 2017, we acquired $4.5 million of Kalyra Pharmaceuticals, Inc.'s Series B Preferred Stock representing a 25% equity interest in Kalyra Pharmaceuticals, Inc. for purposes of entering the analgesics therapeutic research space. The acquisition price was paid entirely in cash.

In accordance with the authoritative guidance, we concluded that Kalyra is a business consisting of inputs, employees, intellectual property and processes capable of producing outputs. Additionally, we have concluded that Kalyra is a variable interest entity, we are the primary beneficiary and have the power to direct the activities that most significantly affect Kalyra's economic performance through common management and our board representation. Prior to the change of control, Zentalis and Kalyra transacted for the delivery of research and development services and support. The financial position and results of operations of Kalyra have been included in our consolidated financial statements from the date of the initial investment.

Pursuant with authoritative guidance, we have recorded the identifiable assets, liabilities and noncontrolling interests in the VIE at their fair value upon initial consolidation. The identified goodwill is comprised of the workforce and expected synergies from combining the entities. Total assets and liabilities of Kalyra as of December 31, 2020 and 2019 are as follows (in thousands):

	December 31,	
	2020	2019
Cash and cash equivalents	$ 417	$ 712
Other current assets	82	21
In-process research and development	8,800	8,800
Goodwill	3,736	3,736
Other long-term assets	—	14
Accounts payable and accrued expenses	83	391
Deferred tax liability	2,463	2,463
Noncontrolling interests	6,705	6,821

The liabilities recognized as a result of consolidating Kalyra do not represent additional claims on our general assets. Pursuant to the authoritative guidance, the equity interest in Kalyra not owned by Zentalis is reported as a noncontrolling interest on our consolidated balance sheets.

The following is a reconciliation of equity (net assets) attributable to the noncontrolling interest (in thousands):

	December 31,	
	2020	2019
Noncontrolling interest at beginning of period	$ 6,821	$ 7,536
Net loss attributable to noncontrolling interest	(116)	(715)
Noncontrolling interest at end of period	$ 6,705	$ 6,821

4. Fair Value Measurement

Available-for-sale marketable securities consisted of the following (in thousands):

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 147,382	$ 14	$ (8)	$ 147,388
Corporate debt securities	23,576	1	(6)	23,571
US government agencies	81,455	32	(1)	81,486
US Treasury securities	31,105	4	—	31,109
	$ 283,518	$ 51	$ (15)	$ 283,554

As of December 31, 2020, seventeen of our available-for-sale debt securities with a fair market value of $69.5 million were in a gross unrealized loss position of fifteen thousand dollars. When evaluating an investment for impairment, we review factors such as the severity of the impairment, changes in underlying credit ratings, forecasted recovery, our intent to sell or the likelihood that we would be required to sell the investment before its anticipated recovery in market value and the probability that the scheduled cash payments will continue to be made. Based on our review of these marketable securities, we believe none of the unrealized loss is as a result of a credit loss as of December 31, 2020, because we do not intend to sell these securities and it is not more-likely-than-not that we will be required to sell these securities before the recovery of their amortized cost basis.

Contractual maturities of available-for-sale debt securities are as follows (in thousands):

	December 31, 2020
	Estimated Fair Value
Due within one year	$ 247,455
After one but within five years	36,099
	$ 283,554

The following table summarizes, by major security type, our cash equivalents and available-for-sale marketable securities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy (in thousands):

	December 31, 2020			December 31, 2019		
	Level 1	Level 2	Total estimated fair value	Level 1	Level 2	Total estimated fair value
Cash equivalents:						
Money market funds	$ 24,016	$ —	$ 24,016	$ 62,961	$ —	$ 62,961
Corporate debt securities	—	4,999	4,999	—	—	—
Total cash equivalents:	24,016	4,999	29,015	62,961	—	62,961
Available-for-sale marketable securities:						
Commercial paper	—	147,388	147,388	—	—	—
Corporate debt securities	—	23,571	23,571	—	—	—
US government agencies	—	81,486	81,486	—	—	—
US Treasury securities	31,109	—	31,109	—	—	—
Total available-for-sale marketable securities:	31,109	252,445	283,554	—	—	—
Total assets measured at fair value	$ 55,125	$ 257,444	$ 312,569	$ 62,961	$ —	$ 62,961

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended December 31, 2020. We had no instruments that were classified within Level 3 as of December 31, 2020 or 2019.

5. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consisted of the following (in thousands):

	December 31,	
	2020	2019
Prepaid insurance	$ 1,021	$ 150
Prepaid software licenses and maintenance	563	238
Foreign R&D credit refund	692	—
Prepaid research and development expenses	5,963	2,985
Interest receivable	478	—
Other prepaid expenses	441	266
Total prepaid expenses and other current assets	9,158	3,639
Less long-term portion	2,976	2,134
Total prepaid expenses and other assets, current	$ 6,182	$ 1,505

6. Property and Equipment, net

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

	December 31,	
	2020	2019
Computer and office equipment	$ 529	$ 243
Lab equipment	424	401
Leasehold improvements	49	24
Construction in process	347	—
Subtotal	1,349	668
Accumulated depreciation and amortization	(250)	(167)
Property and equipment, net	$ 1,099	$ 501

Depreciation and amortization expense was approximately $0.2 million and $0.1 million for the years ended December 31, 2020 and 2019, respectively.

7. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	December 31,	
	2020	2019
Accrued research and development expenses	$ 11,947	$ 5,465
Accrued employee expenses	5,649	2,977
Accrued general and administrative expenses	996	1,356
Lease liability	902	781
Income taxes payable	410	—
Other	36	29
Total accrued expenses	$ 19,940	$ 10,608

8. Convertible Preferred Units

Series A Convertible Preferred Units

In September 2015, Zeno Pharmaceuticals, Inc. entered into a Series A Preferred Stock Purchase Agreement (the “Series A Preferred Agreement”). Under the terms of the Series A Preferred Agreement, Zeno Pharmaceuticals, Inc. issued 1,293,104 shares of Series A convertible preferred stock at $11.60 per share for gross proceeds of $15.0 million. The net proceeds of this financing were $14.9 million after issuance costs of $0.1 million. In February and March 2016, Zeno Pharmaceuticals, Inc. issued an aggregate of 286,205 additional shares of Series A convertible preferred stock at $11.60 per share for additional gross proceeds of $3.3 million. The issuance costs of this additional financing were approximately thirty-nine thousand dollars. All Series A convertible preferred stock issued and outstanding by Zeno Pharmaceuticals, Inc. was converted into Series A convertible preferred units of Zentalis Pharmaceuticals, LLC in conjunction with the corporate restructuring and merger (see note 9).

Series B Convertible Preferred Units

In December 2017, Zentalis Pharmaceuticals, LLC entered into a Series B Preferred Unit Purchase Agreement (the “Series B Preferred Agreement”). Under the terms of the Series B Preferred Agreement, Zentalis Pharmaceuticals, LLC issued 2,735,320 Series B preferred units at $12.43 per unit for gross proceeds of $34.0 million. The net proceeds of this financing were $32.1 million after issuance costs of $1.9 million. In January and August 2018, Zentalis Pharmaceuticals, LLC issued an aggregate of 788,419 additional shares of Series B preferred units at $12.43 per unit for additional gross proceeds of $9.8 million. The net proceeds of this additional financing were $9.5 million after issuance costs of $0.3 million.

Series C Preferred Unit Issuance

In September 2019, Zentalis Pharmaceuticals, LLC entered into a Series C Preferred Unit Purchase Agreement (the "Series C Preferred Agreement"). Under the terms of the Series C Preferred Agreement, Zentalis Pharmaceuticals, LLC issued 4,847,106 units of Series C convertible preferred units at $17.50 per unit for gross proceeds of $84.8 million. The net proceeds of this financing were $81.9 million after issuance costs of $2.9 million. In February 2020, Zentalis Pharmaceuticals, LLC issued 867,194 additional units of Series C preferred units under the Series C Preferred Agreement. The units were issued for $17.50 per unit for gross proceeds of $15.2 million. The net proceeds of this financing were $14.2 million after issuance costs of $1.0 million.

There were no authorized, issued, and outstanding shares of convertible preferred units at December 31, 2020. The authorized, issued, and outstanding shares of convertible preferred units at December 31, 2019 were as follows (in thousands, unless otherwise noted):

	December 31, 2019			
Series	Units Authorized	Shares Issued and Outstanding	Liquidation Value	Carrying Value
Series A convertible preferred units	1,579,309	1,579,309	$ 18,320	$ 18,226
Series B convertible preferred units	3,523,739	3,523,739	43,800	41,604
Series C convertible preferred units	5,714,300	4,847,106	84,824	81,876
Total	10,817,348	9,950,154	$ 146,944	$ 141,706

During 2019, we reclassified the convertible preferred units to temporary equity because, in conjunction with the Series C convertible preferred units issuance, all units were now deemed to contain contingent liquidation features that are not solely within our control. During the year ended December 31, 2019 and prior to the conversion of convertible preferred units into common stock in conjunction with our IPO on April 2, 2020, we did not adjust the carrying values of the convertible preferred units to the deemed redemption values of such units since a liquidation event was not probable.

Dividends

Dividends are payable if and when declared by the Board of Directors. No dividends were declared prior to the conversion of convertible preferred units into common stock in conjunction with our IPO on April 2, 2020.

Conversion

Each Series A preferred unit, Series B preferred unit and Series C preferred unit was convertible at the option of the holder thereof, at any time after the issuance of such unit, into Class A common units at a conversion price equal to the original purchase price (subject to anti-dilution adjustments, discussed below) which was $11.60, $12.43 and $17.50 per unit, respectively. The convertible preferred units automatically converted at the then applicable conversion rate upon the closing of a firm commitment underwritten public offering of shares of a successor corporations' common stock, at a public offering price per share of equal to or greater than the Series C original purchase price (as adjusted for any stock splits, stock dividends, combinations or other similar recapitalization) resulting in aggregate gross cash proceeds of at least $75.0 million (a "Qualified IPO"). Additionally, the convertible preferred unit would have automatically converted into common stock, at the then applicable conversion rate, upon written consent of a majority of the then outstanding Series A, Series B and Series C convertible preferred units (voting as a separate class on an as converted to Common Unit basis). In conjunction with our IPO on April 2, 2020, which constituted a Qualified IPO, all convertible preferred units were converted into common stock.

Anti-dilution protection

The holders of the convertible preferred units had proportional anti-dilution protection for unit splits, unit dividends and similar recapitalizations. Subject to certain exclusions, anti-dilution price protection for additional sales of securities by us for consideration per unit less than the applicable conversion price per unit of any series of convertible preferred stock, was on a broad-based weighted average basis.

Protective rights

The holders of the convertible preferred units had certain protective rights, including, without limitation, regarding the authorization, alteration, redemption, or sale of Class B common units; commencement of a liquidation or deemed liquidation

event; entrance into a joint venture or partnership; any incurrence of indebtedness; certain transactions that exceed a certain dollar threshold; changes to our governing documents; or the declaration of any dividends. Such actions were required to be approved by a majority of the then outstanding Series A, Series B and Series C convertible preferred unit holders (voting as a single class and on an as-converted basis), as specified in the amended and restated LLC agreement. An increase or decrease in the authorized number of Directors constituting the Board or the creation of a membership interest or equity security senior to or pari passu with Series C convertible preferred units was required to be approved by a majority of the then outstanding Series C convertible preferred Units (voting as a separate class on an as converted basis).

Redemption

The Series A, Series B and Series C convertible preferred units were not redeemable except in the event of certain effected deemed liquidation events. As of immediately prior to the our IPO on April 2, 2020 and December 31, 2019 we had classified convertible preferred units as temporary equity in accordance with authoritative guidance for the classification and measurement of potentially redeemable securities whose redemption is based upon certain change in control events outside of our control, including liquidation, sale or transfer of control of the Company. We did not adjust the carrying value of the convertible preferred units to the deemed redemption values of such units since a liquidation event was not probable.

Liquidation preference

In the event of the dissolution, liquidation, merger or winding up of the Company, the holders of Series C convertible preferred units were entitled to receive, on a pro rata basis in respect of each such Series C convertible preferred unit, a preference amount of $17.50 per Series C convertible unit (as adjusted for any unit splits, dividends, combinations, recapitalizations or the like).

Subsequent to the payment of the Series C convertible preferred unit preferences, Series A and Series B convertible preferred units were entitled to receive, on a pro rata basis in respect of each convertible preferred unit in proportion to the relative preference amount of each preferred unit, a preference amount of $11.60 and $12.43 per unit of Series A and Series B convertible preferred units (as adjusted for any units splits, dividend, combinations, recapitalizations of the like), respectively.

Subsequent to the payment of the Series C, Series A and Series B convertible preferred unit preferences, Series A, Series B and Series C convertible preferred units are entitled to receive, on an as converted to common unit pro rata basis, an amount equal to distributions made to Class A common units prior to all unit classes sharing in distributions on a pro rata basis. Thereafter, Series A, Series B and Series C convertible preferred units and Series A and Series B common units were entitled to receive the remaining assets of the Company available for distribution to its unit holders pro rata based on the number of common units held by each holder, treating for these purposes as if all units had been converted to common.

Voting Rights

The holders of all units other than Class B common units that were unvested shall were to vote together as a single class. Each holder of Series A, Series B and Series C convertible preferred units were entitled to the number of votes calculated on an as converted to Class A common unit basis.

9. Equity and Share-based Compensation

In November 2017, Zentalis Pharmaceuticals, LLC was formed in the state of Delaware. In conjunction with a corporate restructuring, Zeno Pharmaceuticals, Inc., a Delaware corporation formed in 2014, was acquired by the Company pursuant to a merger agreement and became a wholly owned subsidiary of the Company. Per the terms of the merger agreement, each share of Zeno Pharmaceuticals, Inc. common stock issued and outstanding immediately prior to the effective time of the merger was converted into the right to receive one Class A common unit and each share of Zeno Pharmaceuticals, Inc. Series A preferred stock issued and outstanding immediately prior to the effective date of the merger converted into the right to receive one Series A preferred unit. As of the effective time of the merger agreement, all outstanding options to purchase shares of Zeno Pharmaceuticals, Inc. common stock were cancelled and replaced with profit interest awards in the LLC.

In connection with the December 2017 corporate restructuring, we amended and restated the LLC agreement, and as amended, the capital units of the Company consisted of 1,638,000 authorized Series A preferred units, 3,621,000 authorized Series B preferred units, 15,000,000 authorized Class A common units and 872,620 authorized Class B common units.

Class A Common Units

In conjunction with the corporate restructuring in December 2017, 5,187,554 shares of common stock issued and outstanding and 406,831 shares of common stock subject to future vesting provisions of Zeno Pharmaceuticals, Inc. were converted into an equal number of Class A common units of Zentalis Pharmaceuticals, LLC. During the years ended December 31, 2020 and 2019, zero and 7,093 Class A common units were issued. As of December 31, 2020 and 2019, zero and 9,572 Class A common units were subject to future vesting conditions, respectively. In September 2019, the number of authorized Class A common units was increased to 20,000,000.

Class B Common Units

In conjunction with the corporate restructuring in December 2017, 703,000 options exercisable into Zeno Pharmaceuticals, Inc. common stock were converted into an equal number of Class B common units of Zentalis Pharmaceuticals, LLC. In September 2019, the number of authorized Class B common units was increased to 3,458,522.

IPO

On April 2, 2020 and immediately prior to the effectiveness of the Company's IPO, Zentalis Pharmaceuticals, LLC converted from a Delaware limited liability company into a Delaware corporation pursuant to a statutory conversion, and changed its name to Zentalis Pharmaceuticals, Inc. In order to consummate the corporate conversion, a certificate of conversion was filed with the Secretary of State of the State of Delaware. All of the outstanding units of Zentalis Pharmaceuticals, LLC converted into shares of common stock of Zentalis Pharmaceuticals, Inc. based upon the value of Zentalis Pharmaceuticals, Inc. at the time of the IPO with a value implied by the price of the shares of common stock sold in the IPO. No cash or fractional shares of common stock were issued in connection with the corporate conversion. Based on the IPO price of $18.00 per share of common stock, all of the outstanding units converted into an aggregate of 25,288,854 shares of common stock (including 1,160,277 shares of restricted common stock).

In connection with the completion of the IPO, the board and stockholders approved the certificate of incorporation to provide for 250,000,000 authorized shares of common stock with a par value of $0.001 per share and 10,000,000 authorized shares of preferred stock with a par value of $0.001 per share.

On April 7, 2020, the Company completed the IPO in which the Company issued and sold 10,557,000 shares of common stock (including 1,377,000 shares of common stock in connection with the full exercise of the underwriters' option to purchase additional shares) at a price of $18.00 per share. The Company's aggregate gross proceeds from the sale of shares in the IPO, including the sale of shares pursuant to the full exercise of the underwriters' option to purchase additional shares, was $190.0 million before fees and expenses of $17.6 million.

On August 3, 2020, the Company completed a follow-on offering in which the Company issued and sold 4,743,750 shares of common stock (including 618,750 shares of common stock in connection with the full exercise of the underwriters' option to purchase additional shares) at a public offering price of $35.00 per share. The Company's aggregate gross proceeds from the sale of shares in the follow-on offering, including the sale of shares pursuant to the exercise of the underwriters' option to purchase additional shares, was $166.0 million before fees and expenses of $10.8 million.

Share-based Compensation

In the Company's 2017 Profit Interest Plan ("the Plan") as approved and adopted by the Board of Directors on December 21, 2017, the Company was authorized to issue up to 3,458,522 shares of Class B common units ("profit interest award units"), subject to restrictions as described in the Plan.

In April 2020, the Plan was terminated and the Company's board of directors adopted, and the Company's stockholders approved the 2020 Incentive Award Plan ("the 2020 Plan"), which became effective upon the corporate conversion.

The number of common shares available for issuance under the 2020 Plan is the sum of (1) 5,600,000 shares of common stock; plus (2) any shares forfeited from the unvested restricted shares of our common stock issued upon conversion of unvested Class B common units (up to 1,250,000 shares); plus (3) an annual increase on the first day of each fiscal year beginning with the fiscal year ending December 31, 2021 and continuing to, and including, the fiscal year ending December 31, 2030, equal to the lesser of (a) 5% of the shares of common stock outstanding on the final day of the immediately preceding calendar year and (b) such smaller number of shares as determined by our board of directors.

In connection with the corporate conversion, each outstanding profits interest award unit was converted into a number of shares of common stock and restricted common stock based upon the IPO price. The restricted common stock issued in respect

of profits interest award units continues to be subject to vesting in accordance with the vesting schedule that was applicable to such profits interest award units.

Total share-based compensation expense related to share based awards was comprised of the following (in thousands):

	Year ended December 31,	
	2020	2019
Research and development expense	$ 7,296	$ 339
General and administrative expense	15,850	278
Total share-based compensation expense	$ 23,146	$ 617

Share-based compensation expense by type of share-based award (in thousands):

	Year ended December 31,	
	2020	2019
Profits interest award units	$ 329	$ 617
Stock options	6,925	—
RSAs and RSUs	15,892	—
	$ 23,146	$ 617

Total unrecognized estimated compensation cost by type of award and the weighted average requisite service period over which such expense is expected to be recognized (in thousands, unless otherwise noted):

	December 31, 2020	
	Unrecognized Expense	Remaining Weighted-Average Recognition Period (Years)
Stock options	$ 45,501	3.5
RSAs	2,197	2.5
RSUs	13,078	1.0

Profits Interest Award Units: The following table provides a summary of the profits interest units award activity under the Plan. The amounts include profits interest units granted to both employees and non-employees:

	Number of Units	Weighted Average Fair Value
Outstanding at December 31, 2018	1,612,311	$ 1.56
Granted	1,095,545	$ 2.73
Forfeited	(37,188)	$ 1.62
Outstanding at December 31, 2019	2,670,668	$ 2.04
Granted	70,000	$ 3.06
Cancelled upon conversion	(2,740,668)	$ 2.07
Outstanding at December 31, 2020	—	$ —

The fair value of the profits interest award units was estimated using an option pricing model with the following assumptions:

	Year ended December 31,	
	2020	2019
Members' equity value (in thousands)	$271,207	$197,041 - $271,207
Threshold amounts (in thousands)	$309,824	$143,800 - $309,824
Risk-free rate	1.5%	1.5%
Volatility	75.0%	75.0%
Time to liquidity (in years)	1.1	1.1 - 1.8
Lack of marketability discount	26.5%	18.8% - 26.4%
Grant date fair value	$3.06	$1.88 - $3.06

The Black-Scholes-Merton option pricing model ("Black-Scholes model) was used to estimate the fair value of each profit interest award units on the date of grant. The members' equity value was based on a recent enterprise valuation analysis performed. The threshold amounts were determined by the Board of Directors at the time of grant. The expected life of the profits interest award units granted during the period presented was determined based on an expected liquidation event under the plan. We applied the risk-free interest rate based on the U.S. Treasury yield in effect at the time of the grant consistent with the life of the award. The expected volatility was based on a peer group in the industry in which the Company does business consistent with the expected time to liquidity. The dividend yield was set at zero as the underlying security does not and is not expected to pay a dividend. The Finnerty model and the Asian Protective Put Model methods were used to estimate the discount for lack of marketability inherent to the awards.

Stock Options: The following table provides a summary of the stock option activity under the 2020 Plan. The amounts include incentive units granted to both employees and non-employees (in thousands, unless otherwise noted):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2019	—			
Granted	3,137,746			
Cancelled	(16,525)			
Outstanding at December 31, 2020	3,121,221	$ 25.45	9.4	$82,691
Vested and expected to vest at December 31, 2020	3,121,221	$ 25.45	9.4	$82,691
Exercisable at December 31, 2020	42,691	$ 22.07	9.3	$1,275

The weighted average grant date fair value of stock options granted during the year ended December 31, 2020 was $16.79.

The exercise price of stock options granted is equal to the closing price of the common stock on the date of grant. The fair value of each option award is estimated on the date of grant using the Black-Scholes model. Due to the Company's limited operating history and a lack of company specific historical and implied volatility data, the Company estimates expected volatility based on the historical volatility of a group of similar companies that are publicly traded. The historical volatility data was computed using the daily closing prices for the selected companies' shares during the equivalent period of the calculated expected term of the stock-based awards. The Company uses the "simplified method" for estimating the expected term of employee options, whereby the expected term equals the arithmetic average of the vesting term and the original contractual term of the option (generally 10 years). The risk-free interest rate is based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. The Company has not issued any dividends and does not expect to issue dividends over the life of the options. As a result, the Company has estimated the dividend yield to be zero. The fair value of the stock options granted during the year ended December 31, 2020 was determined with the following assumptions:

	Year ended December 31, 2020
Expected volatility	76.4% - 78.7%
Average expected term (in years)	1.0 - 6.0
Risk-free interest rate	0.1% - 0.5%
Expected dividend yield	—%

Restricted Stock Awards: RSAs are shares of our common stock subject to forfeiture restrictions that lapse based on the awardee's continued employment or service. The shares covered by a RSA cannot be sold, pledged or otherwise disposed of until the awards vest, and any unvested shares will be forfeited following the awardee's termination of service.

The following table provides a summary of the RSA activity. The amounts include incentive units granted to both employees and non-employees:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2019	—	$ —
Conversion of unvested profit interest award units into RSAs	1,160,277	$ 2.91
Vested	(409,259)	$ 2.70
Forfeited	(8,607)	$ 2.70
Outstanding at December 31, 2020	742,411	$ 3.03

The fair value of RSAs issued upon conversion of the unvested profit interest award units was based on a Black-Scholes pricing model. The estimated fair value of the RSAs for any future grants will be based on the closing market value of our common stock on the date of grant.

Restricted Stock Units: A RSU is a promise by us to issue a share of our common stock upon vesting of the unit.

The following table provides a summary of the restricted stock unit ("RSU") activity under the 2020 Plan. The amounts include incentive units granted to both employees and non-employees:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2019	—	$ —
Granted	1,145,875	$ 23.75
Vested	(426,625)	$ 23.75
Forfeited	(44,493)	$ 23.75
Outstanding at December 31, 2020	674,757	$ 23.75

The estimated fair value of the RSUs was based on the closing market value of our common stock on the date of grant.

Employee Stock Purchase Plan

In April 2020, the Company's board of directors adopted, and the Company's stockholders approved the 2020 Employee Stock Purchase Plan (the "2020 ESPP"), which became effective upon the corporate conversion. The number of common shares initially available for issuance under the 2020 ESPP was the sum of (1) 450,000 shares of common stock; plus (2) an annual increase on the first day of each fiscal year beginning with the fiscal year ending December 31, 2021 and continuing to, and including, the fiscal year ending December 31, 2030, equal to the least of (a) 1% of the shares of common stock outstanding on the final day of the immediately preceding calendar year, (b) 1,500,000 shares and (c) such smaller number of shares as determined by our board of directors. The 2020 ESPP was amended and restated effective March 15, 2021 to provide for a share reserve of 2,000,000 shares and the elimination of the evergreen provision, subject to stockholder approval.

In April 2020, the Company's board of directors adopted, and the Company's stockholders approved the 2020 Employee Stock Purchase Plan (the "2020 ESPP"), which became effective upon the corporate conversion. The number of common shares initially available for issuance under the 2020 ESPP was the sum of (1) 450,000 shares of common stock; plus (2) an annual increase on the first day of each fiscal year beginning with the fiscal year ending December 31, 2021 and continuing to, and including, the fiscal year ending December 31, 2030, equal to the least of (a) 1% of the shares of common stock outstanding on the final day of the immediately preceding calendar year, (b) 1,500,000 shares and (c) such smaller number of shares as determined by our board of directors. The 2020 ESPP was amended and restated effective March 15, 2021 to provide for a share reserve of 2,000,000 shares and the elimination of the evergreen provision, subject to stockholder approval.

10. Commitments and Contingencies

Legal Contingencies

From time to time, we may be involved in various disputes, including lawsuits and claims arising in the ordinary course of business, including actions with respect to intellectual property, employment and contractual matters. Any of these claims could subject us to costly legal expenses. The Company records a liability in its consolidated financial statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amounts of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss to the extent necessary to make the consolidated financial statements not misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in our consolidated financial statements. While we do generally believe that we have adequate insurance to cover many different types of liabilities, our insurance carriers may deny coverage, or our policy limits may be inadequate to fully satisfy any damage awards or settlements. If this were to happen, the payment of any such awards could have a material adverse effect on our consolidated results of operations and financial position. Additionally, any such claims, whether or not successful, could damage our reputation and business. We are currently not a party to any legal proceedings.

Operating Leases

We entered into a non-cancellable operating lease agreement in January 2016 to lease 11,121 square feet of laboratory and office space in San Diego. In December 2018, we entered into an amendment to the lease to extend the term of the agreement through June 2022. The lease is subject to further extension or earlier termination and subject to approximately 3.0% annual increases throughout the term of the lease. We also pay a pro rata share of operating costs, including utilities, maintenance, insurance costs and real property taxes. As part of the amendment, we received incentives in the form of a base rate abatement period.

In April 2019, we entered into a lease for approximately 4,800 square feet of office space in New York, New York. The lease commenced in May 2019 and continues through June 30, 2023. The lease is subject to approximately 3.0% annual increases throughout the term of the lease. We received lease incentives under the agreement, including tenant allowances and a free rent period. We also pay for various operating costs, including utilities and real property taxes. The agreement does not contain a renewal option but does contain an early termination provision.

In August 2019, we entered into a sublease for approximately 2,333 square feet of office space adjacent to the existing laboratory and office space in San Diego, California. The lease commenced in October 2019 and continues through February 2022. The lease is subject to approximately 3.0% annual increases throughout the term of the lease. We also pay for various operating costs, including utilities and real property taxes. The agreement does not contain a renewal option or an early termination provision.

In September 2020, we entered into a lease for approximately 117,929 square feet of laboratory and office space in San Diego. The lease is expected to commence in November 2021 and to continue through June 2032. The lease also included

access to a temporary space of 13,251 square feet of laboratory and office space in San Diego. This lease component commenced in November 2020 and is expected to continue through December 2021. The lease is subject to approximately 3.0% annual increases throughout the lease term. We also pay for various operating costs, including utilities and real property. The agreement includes two options to extend the lease for a period of five years each. When we determined our lease term for our operating lease right-of-use assets and lease liabilities for these leases, we did not include the extension options for this lease.

Rent expense recorded by the Company under the leases was approximately $1.1 million and $0.8 million for the years ended December 31, 2020 and 2019, respectively. We paid approximately $1.0 million and $0.7 million of lease payments, respectively, during the years ended December 31, 2020 and 2019.

The following table presents the weighted average remaining lease term and weighted average discount rates related to our operating leases as of December 31, 2020:

Weighted average remaining lease term (in years)	1.8
Weighted average discount rate	10.7%

Approximate annual future minimum operating lease payments as of December 31, 2020 are as follows (in thousands):

Year	Amount
2021	$ 1,052
2022	1,005
2023	187
Total minimum lease payments:	2,244
Less: imputed interest	245
Total operating lease liabilities	1,999
Less: current portion	902
Lease liability, net of current portion	$ 1,097

As of December 31, 2020, we have had one additional significant operating lease that had not yet commenced with total minimum lease payments of approximately $85.6 million.

11. Income Taxes

Pretax losses were generated by both domestic and foreign operations as follows (in thousands):

	Year ended December 31,	
	2020	2019
U.S. net loss before income taxes	$ (112,827)	$ (46,363)
Foreign net loss before income taxes	(5,277)	—
Net loss before income taxes	$ (118,104)	$ (46,363)

The following table presents the current and deferred income tax provision (benefit) for federal and state income taxes (in thousands):

	Year ended December 31,	
	2020	2019
Current tax provision:		
Federal	$ —	$ —
State	16	15
Foreign	410	—
Total current tax provision	426	15
Deferred tax provision:		
Federal	—	—
State	—	—
Foreign	18	—
Total deferred tax provision	18	—
Total provision for income taxes:	$ 444	$ 15

The following table is a reconciliation of the expected tax computed at the U.S. statutory federal income tax rate to the total provision for income taxes (in thousands):

	Year ended December 31,			
	2020		2019	
Expected tax at 21%	$ (24,802)	21.0 %	$ (9,730)	21.0 %
State income tax, net of federal tax	273	(0.3)%	(3,167)	6.8 %
Limited liability company loss	—	— %	4	— %
Non-deductible expenses	—	— %	164	(0.3)%
Research credits	(4,025)	3.4 %	(1,424)	3.1 %
Share-based compensation	(1,718)	1.5 %	—	— %
Other	146	(0.1)%	(2)	— %
Section 162(m) limitations	2,956	(2.5)%	—	— %
Change in valuation allowance	27,614	(23.4)%	14,170	(30.6)%
Provision for income taxes	$ 444	(0.4)%	$ 15	0.0 %

Deferred income taxes as of the following period reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of our net deferred tax asset or liability are as follows (in thousands):

	December 31,	
	2020	2019
Deferred tax assets		
Net operating loss	$ 45,730	$ 25,053
Compensation	892	148
Share-based compensation	1,691	—
ASC 842 lease liability	425	693
Accrued liabilities	632	1
Research credits	7,528	3,503
Total gross deferred tax assets	56,898	29,398
Valuation allowance	(56,261)	(28,647)
Net deferred tax assets	637	751
Deferred tax liabilities		
Depreciable assets	(145)	(97)
ASC 842 right of use asset	(502)	(654)
In-process research and development	(2,463)	(2,463)
Other	(7)	—
Deferred tax liabilities	(3,117)	(3,214)
Net deferred tax liabilities	$ (2,480)	$ (2,463)

Realization of a portion of our deferred tax assets is dependent upon our generating sufficient taxable income in future years to obtain benefit from the reversal of temporary differences. Management considered all available evidence under existing tax law and anticipated expiration of tax statutes and determined that a valuation allowance of $56.3 million and $28.6 million was required as of December 31, 2020 and 2019, for those deferred tax assets that are not expected to provide future tax benefits.

The acquisition of Kalyra resulted in an allocation of the purchase price to In-process Research and Development (IPR&D). Intangible assets acquired in a business combination that are used for IPR&D activities are considered indefinite lived until the completion or abandonment of the associated research and development efforts. As a result of being treated as an indefinite lived asset, the deferred tax liability is not considered to be a future source of taxable income for purposes of determining the Company's realizability of definite lived deferred tax assets and the amount of the valuation allowance to record. We have adopted an accounting policy to not consider indefinite lived deferred tax liabilities as a future source of taxable income with respect to determining the realizability of indefinite lived deferred tax assets and the amount of valuation allowance recorded against the deferred asset related to the federal net operating losses generated beginning January 1, 2018 and the California R&D tax credits, which do not expire.

At December 31, 2020, we have federal and state net operating loss ("NOL") carryforwards of approximately $183.0 million and $85.1 million, respectively. The federal NOL carryforwards generated prior to January 1, 2018 begin to expire in 2033. The federal NOL carryforwards generated after 2017 of $162.0 million can be carried forward indefinitely and can be available to offset future taxable income each year. The state NOL carryforwards begin to expire in 2033. At December 31, 2020, the Company has foreign NOL carryforwards related to Chinese operations of approximately $5.8 million that begin to expire in 2025.

At December 31, 2020, we have federal and state research tax credit carryforwards, net of reserves, of approximately $5.2 million and $2.3 million, respectively. The federal credit carryforwards begin to expire in 2033, and the state credit carryforwards do not expire and can be carried forward indefinitely until utilized.

We have not completed a study to determine whether an ownership change per the provisions of Section 382 of the Internal Revenue Code of 1986, as amended, as well as similar state provisions, has occurred. Utilization of our net operating loss and income tax credit carryforwards may be subject to a substantial annual limitation due to ownership changes that may have occurred or that could occur in the future. These ownership changes may limit the amount of the net operating loss and

income tax credit carryover that can be utilized annually to offset future taxable income. In general, an “ownership change” as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock of a company by certain stockholders.

Uncertain Tax Positions

In accordance with authoritative guidance, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

The following table reconciles the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
Gross unrecognized tax benefits at the beginning of the year	$ 1,124	$ 741
Increase related to current year tax positions	661	383
Increase related to prior year tax positions	197	—
Decrease related to prior year tax positions	(50)	—
Gross unrecognized tax benefits at end of the year	$ 1,932	$ 1,124

Included in the balance of unrecognized tax benefits at December 31, 2020 is $1.7 million that, if recognized, would not impact our income tax benefit or effective tax rate as long as our deferred tax asset remains subject to a valuation allowance. We do not expect any significant increases or decreases to our unrecognized tax benefits within the next 12 months.

We recognize interest and penalties related to unrecognized tax positions within the income tax expense line in the accompanying consolidated statements of operations. There were no accrued interest and penalties associated with uncertain tax positions as of December 31, 2020 or 2019.

The Company files federal and state income tax returns in the United States as well as income tax returns in Australia and China. Due to the Company's unutilized NOL carryforwards and credits in the United States, all years remain subject to income tax examination by authorities. The Company's Australian and Chinese tax returns remain subject to income tax examination by the taxing authorities for years beginning 2020. The Company is not currently under examination by federal, state or foreign jurisdictions.

In response to the COVID-19 pandemic, the Coronavirus Act, Relief and Economic Security Act (CARES Act) was signed into law in the U.S. in March 2020. The CARES Act adjusted a number of provisions of the tax code, including the eligibility of certain deductions and the treatment of net operating losses and tax credits. The enactment of the CARES Act did not result in any material adjustments to the Company's income tax provision for the year ended December 31, 2020, or to its deferred tax assets as of December 31, 2020.

California NOL carryforwards for any taxable year beginning on or after January 1, 2020, and before January 1, 2023 for any Corporation with a net business or modified adjusted gross income of more than $1.0 million for the taxable year. The bill also limits business credit utilization to offset a maximum of $5.0 million of California tax, including the California Research Credit. The Company does not expect any material impacts related to this tax law change.

12. Net Loss Per Common Share/Class A Common Unit

Basic and diluted net loss per common share/Class A common unit were calculated as follows (in thousands except per share amounts):

	Year ended December 31,	
	2020	2019
Numerator:		
Net loss attributable to Zentalis	$ (117,841)	$ (45,663)
Denominator:		
Weighted average number of common shares/Class A common units outstanding, basic and diluted	28,113	5,597
Net loss per common share	$ (4.19)	$ —
Net loss per Class A common unit	$ —	$ (8.16)

Our potential and dilutive securities, which include outstanding stock options, unvested RSAs, unvested RSUs and preferred units, have been excluded from the computation of diluted net loss per common share/Class A common unit as the effect would be anti-dilutive. We considered the impact of presenting a separate earnings per unit calculation for Class B common units. However, as earnings and losses are only allocable to Class B common units after the applicable threshold had been met, and such thresholds had not been met for earnings per unit purposes, no losses were allocated to Class B common units.

The following common stock/Class A common unit equivalents have been excluded from the calculations of diluted net loss per common share/Class A common unit because their inclusion would be antidilutive (in thousands).

	Year ended December 31,	
	2020	2019
Preferred units, as if converted to Class A common units	—	9,950
Incentive units—Class B common units	—	2,671
Outstanding stock options	3,121	—
Unvested RSAs	742	—
Unvested RSUs	675	—
	4,538	12,621

13. Employee Savings Plan

We have an employee savings plan pursuant to Section 401(k) of the Internal Revenue Code. All employees are eligible to participate provided that they meet the requirements of the plan. The Company did not begin making matching contributions under the plan until subsequent to December 31, 2020.

14. Related Party Disclosures

Kalyra Pharmaceuticals, Inc.

On December 21, 2017, we acquired 17,307,692 shares of Series B preferred stock of Kalyra Pharmaceuticals, Inc. for a per share price of twenty-six cents ($0.26) or approximately $4.5 million. The management team and stockholders of Kalyra are also stockholders of the Company.

Prior to the investment, we entered into a license agreement and a master services agreement with Kalyra. The license agreement was signed and commenced on December 31, 2014 for the exclusive rights to develop and commercialize products derived from Kalyra's technology in the initial area of oncology. The license agreement and all rights were subsequently sold from Kalyra to Recurium IP Holdings, LLC ("Recurium IP"), an entity with common ownership to Kalyra prior to the Zentalis investment. Under the agreement, we have agreed to make payments to Recurium IP based on specific milestones. In addition, the Company shall pay mid- to high-single digit percentage royalties on net product sales to Recurium IP and sublicense fees on any consideration paid to us by a sublicensor. All payments are based on Recurium Equity, LLC's, an affiliated company of Recurium IP, equity ownership stake in us as of December 2020. The license agreement will terminate upon the later of the last expiration of the patent rights or 15 years from the date of commencement.

The Master Services Agreement (“MSA”) was entered into in January 2015 and states that Kalyra may provide research and development services to us and that we shall reimburse such expenses on a time and materials basis based on the initial statements of work. For the years ended December 31, 2020 and 2019, we incurred approximately zero dollars and five thousand dollars of expense with Kalyra that was eliminated in consolidation for research and development services provided, respectively. As of December 31, 2020 and 2019, zero and seventeen thousand dollars was due to Kalyra and eliminated in consolidation.

We entered into an Intercompany Services Agreement (“ISA”) with Kalyra in January 2018 which states that we may provide research and development services to Kalyra and that Kalyra shall reimburse such expenses on a time and materials basis. For the years ended December 31, 2020 and 2019, we provided $0.2 million and $0.7 million of research and development services to Kalyra that was eliminated in consolidation, respectively. As of December 31, 2020 and 2019, twenty-two thousand dollars and $0.2 million was due from Kalyra and eliminated in consolidation, respectively.

On June 1, 2020, we entered into an equipment purchase and sale agreement with Kalyra to purchase $0.4 million of equipment and related intangible assets to be used in our operations. As of December 31, 2020, there was no balance due to Kalyra for this transaction.

Tempus

Kimberly Blackwell, M.D., is a member of the Company's board of directors and is also the Chief Medical Officer of Tempus Labs, Inc. ("Tempus"). The Company entered into a Master Services Agreement with Tempus in December 2020 to provide data licensing and research services. There were no fees incurred for services performed by Tempus for the years ended December 31, 2020 and 2019.

15. Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data is as follows:

	Three months ended			
	3/31/2020	6/30/2020	9/30/2020	12/31/2020
Operating Expenses				
Research and development	$ 13,258	$ 17,452	$ 24,670	$ 29,521
General and administrative	3,141	$ 9,924	$ 10,097	10,724
Total operating expenses	16,399	27,376	34,767	40,245
Operating loss	(16,399)	(27,376)	(34,767)	(40,245)
Other Income (Expense)				
Investment and other income (expense), net	164	$ 84	$ 120	315
Net loss before income taxes	(16,235)	(27,292)	(34,647)	(39,930)
Income tax expense	—	—	$ 18	426
Net loss	(16,235)	(27,292)	(34,665)	$— (40,356)
Net loss attributable to noncontrolling interests	(109)	(435)	(110)	(53)
Net loss attributable to Zentalis	$ (16,126)	$ (26,857)	$ (34,555)	$ (40,303)
Net loss per common share outstanding, basic and diluted		$ (0.78)	$ (0.91)	$ (1.01)
Net loss per Class A common unit outstanding, basic and diluted	$ (2.88)			
Common shares/units used in computing net loss per share/Class A common unit, basic and diluted	5,601	34,353	37,959	39,936

	Three months ended			
	3/31/2019	6/30/2019	9/30/2019	12/31/2019
Operating Expenses				
Research and development	$ 7,089	$ 8,689	$ 10,739	$ 11,869
General and administrative	1,633	1,946	1,844	3,036
Total operating expenses	8,722	10,635	12,583	14,905
Operating loss	(8,722)	(10,635)	(12,583)	(14,905)
Other Income (Expense)				
Investment and other income (expense), net	62	49	12	359
Net loss before income taxes	(8,660)	(10,586)	(12,571)	(14,546)
Income tax expense	3	11	1	—
Net loss	(8,663)	(10,597)	(12,572)	$— (14,546)
Net loss attributable to noncontrolling interests	(320)	(127)	(228)	(40)
Net loss attributable to Zentalis	$ (8,343)	$ (10,470)	$ (12,344)	$ (14,506)
Net loss per Class A common unit outstanding, basic and diluted	$ (1.49)	$ (1.87)	$ (2.20)	$ (2.59)
Common units used in computing net loss per Class A common unit, basic and diluted	5,594	5,594	5,599	5,601

16. Subsequent Events

New York Office Lease

In March 2021, we entered into a lease for approximately 31,362 square feet of office space in New York, New York. The targeted lease commencement date is November 2021 and will continue for 120 months thereafter. We also pay for various operating costs, including utilities and real property taxes. The agreement contains extension rights allowing us to extend the term of the lease for five years at the then market rate. The agreement contains an early termination provision exercisable after the eighth anniversary of the commencement date.

The expected future minimum lease obligation are as follows (in thousands):

Year-ending December 31,	Payment Amount
2021	**$** —
2022	1,458
2023	1,458
2024	1,459
2025	1,782
Thereafter	11,970
Total minimum lease payments:	**$ 18,127**

DESCRIPTION OF CAPITAL STOCK

The following description of the capital stock of Zentalis Pharmaceuticals, Inc. (the "Company," "we," "us," and "our") and certain provisions of our amended and restated certificate of incorporation (our "certificate of incorporation"), and amended and restated bylaws (our "bylaws") are summaries and are qualified in their entirety by reference to the full text of our amended and restated certificate of incorporation and amended and restated bylaws, each of which is filed as an exhibit to this Annual Report on Form 10-K, and applicable provisions of the General Corporation Law of the State of Delaware (the "DGCL").

General

Our authorized capital stock consists of 250,000,000 shares of common stock, par value $0.001 per share, and 10,000,000 shares of preferred stock, par value $0.001 per share.

Common Stock

Voting

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. An election of directors by our stockholders shall be determined by a plurality of the votes cast by the stockholders entitled to vote on the election. Subject to the supermajority votes for some matters, other matters shall be decided by the affirmative vote of our stockholders having a majority in voting power of the votes cast by the stockholders present or represented and voting on such matter. Our certificate of incorporation and bylaws provide that our directors may be removed only for cause and only by the affirmative vote of the holders of at least two-thirds in voting power of the outstanding shares of capital stock entitled to vote thereon. In addition, the affirmative vote of the holders of at least two-thirds in voting power of the outstanding shares of capital stock entitled to vote thereon is required to amend or repeal, or to adopt any provision inconsistent with, several of the provisions of our certificate of incorporation. See below under "—Anti-Takeover Provisions—Amendment of Charter Provisions."

Dividends

Holders of common stock are entitled to receive proportionately any dividends as may be declared by our board of directors, subject to any preferential dividend rights of any series of preferred stock that we may designate and issue in the future.

Liquidation

In the event of our liquidation or dissolution, the holders of our common stock are entitled to receive proportionately our net assets available for distribution to stockholders after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of our common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Rights and Preferences

Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking funds provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of share of any series of our preferred stock that we may designate and issue in the future.

Fully Paid and Nonassessable

All of our outstanding shares of common stock are fully paid and nonassessable.

Preferred Stock

Under the terms of our certificate of incorporation, our board of directors is authorized to direct us to issue shares of preferred stock in one or more series without stockholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third-party to acquire, or could discourage a third-party from seeking to acquire, a majority of our outstanding voting stock. We have no present plans to issue any shares of preferred stock.

Registration Rights

Under our Investors' Rights Agreement, certain holders of our common stock are entitled to certain rights with respect to the registration of certain shares held by such holders for public resale under the Securities Act, until the rights otherwise terminate pursuant to the terms of the Investors' Rights Agreement. The registration of shares of common stock as a result of the following rights being exercised would enable holders to trade these shares without restriction under the Securities Act when the applicable registration statement is declared effective.

Form S-1 Registration Rights

If the holders of registrable securities request in writing that we effect a registration with respect to all or part of such registrable securities then outstanding and having an anticipated aggregate offering price that would exceed $10,000,000, net of expenses, we may be required to register their shares. We are obligated to effect at most two registrations in response to these demand registration rights. If the holders requesting registration intend to distribute their shares by means of an underwriting, the managing underwriter of such offering will have the right to limit the numbers of shares to be underwritten for reasons related to the marketing of the shares.

Piggyback Registration Rights

If we propose to register any shares of our common stock under the Securities Act, subject to certain exceptions, the holders of registrable securities will be entitled to notice of the registration and to include their shares of registrable securities in the registration. If our proposed registration involves an underwriting, the managing underwriter of such offering will have the right to limit the number of shares to be underwritten for reasons related to the marketing of the shares.

Form S-3 Registration Rights

If, at any time after we become entitled under the Securities Act to register our shares on a registration statement on Form S-3, the holders of the registrable securities request in writing that we effect a registration with respect to registrable securities at an aggregate price to the public in the offering of at least $1,000,000, we will be required to effect such registration; provided, however, that we will not be required to effect such a registration if, within any twelve month period, we have already effected two registrations on Form S-3 for the holders of registrable securities.

Expenses and Indemnification

Ordinarily, other than underwriting discounts and commissions, we will be required to pay all expenses incurred by us related to any registration effected pursuant to the exercise of these registration rights. These expenses may include all registration and filing fees, printing expenses, fees and disbursements of our counsel, reasonable fees and disbursements of a counsel for the selling securityholders and blue sky fees and expenses. Additionally, we have agreed to indemnify selling stockholders for damages, and any legal or other expenses reasonably incurred, arising from or based upon any untrue statement of a material fact contained in any

registration statement, an omission or alleged omission to state a material fact in any registration statement or necessary to make the statements therein not misleading, or any violation or alleged violation by the indemnifying party of securities laws, subject to certain exceptions.

Termination of Registration Rights

The registration rights terminate upon the earliest of, with respect to a particular holder, (i) April 2, 2025, (ii) such time as that holder and its affiliates may sell all of their shares of common stock pursuant to Rule 144 under the Securities Act or similar exemption during a three-month period without registration, and (iii) the closing of a deemed liquidation event, as defined in the Investors' Rights Agreement.

Anti-Takeover Provisions

Some provisions of Delaware law and our certificate of incorporation and our bylaws could make the following transactions more difficult: an acquisition of us by means of a tender offer; an acquisition of us by means of a proxy contest or otherwise; or the removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interests or in our best interests, including transactions that provide for payment of a premium over the market price for our shares.

These provisions, summarized below, are intended to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of the increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

Undesignated Preferred Stock

The ability of our board of directors, without action by our stockholders, to issue up to 10,000,000 shares of undesignated preferred stock with voting or other rights or preferences as designated by our board of directors could impede the success of any attempt to effect a change in control of our company. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of our company.

Stockholder Meetings

Our bylaws provide that a special meeting of stockholders may be called only by the chairman of our board of directors, our chief executive officer or president (in the absence of a chief executive officer), or by a resolution adopted by a majority of our board of directors.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our bylaws contain advance notice procedures with respect to stockholder proposals to be brought before a stockholder meeting and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors of a committee of our board of directors.

Elimination of Stockholder Action by Written Consent

Our certificate of incorporation eliminates the right of stockholders to act by written consent without a meeting.

Staggered Board

Our board of directors is divided into three classes. The directors in each class will serve a three-year term, with one class being elected each year by our stockholders. This system of electing and removing directors

may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us, because it generally makes it more difficult for stockholders to replace a majority of the directors.

Removal of Directors

Our certificate of incorporation provides that no member of our board of directors may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of the holders of at least two-thirds in voting power of the outstanding shares of stock entitled to vote in the election of directors.

Stockholders Not Entitled to Cumulative Voting

Our certificate of incorporation does not permit stockholders to cumulate their votes in the election of directors. Accordingly, the holders of a majority of the outstanding shares of our common stock entitled to vote in any election of directors will be able to elect all of the directors standing for election, if they choose, other than any directors that holders of our convertible preferred stock may be entitled to elect.

Choice of Forum

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty or other wrongdoing by any of our directors, officers, employees or agents to us or our stockholders, (3) any action asserting a claim against us arising pursuant to any provision of the DGCL or our certificate of incorporation or bylaws, (4) any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws, or (5) any action asserting a claim governed by the internal affairs doctrine. Under our certificate of incorporation, this exclusive form provision does not apply to claims which are vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery of the State of Delaware, or for which the Court of Chancery of the State of Delaware does not have subject matter jurisdiction. For instance, the provision would not apply to actions arising under federal securities laws, including suits brought to enforce any liability or duty created by the Securities Act, the Exchange Act, or the rules and regulations thereunder. This provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act. In addition, our bylaws provide that the federal district courts of the United States are the exclusive forum for any complaint raising a cause of action arising under the Securities Act. Any person or entity holding, purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to these choice of forum provisions. It is possible that a court of law could find the choice of forum provisions contained in our certificate of incorporation or bylaws to be inapplicable or unenforceable if challenged in a proceeding or otherwise.

Amendment of Charter Provisions

The amendment of any of the above provisions, except for the provision making it possible for our board of directors to issue preferred stock and the provision prohibiting cumulative voting, requires approval by holders of at least two-thirds in voting power of the outstanding shares of stock entitled to vote thereon.

The provisions of Delaware law, and our certificate of incorporation and bylaws, could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the composition of our board and management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Section 203 of the Delaware General Corporation Law

We are subject to Section 203 of the DGCL, which prohibits persons deemed to be “interested stockholders” from engaging in a “business combination” with a publicly held Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the

transaction in which the person became an interested stockholder was, approved in a prescribed manner or another prescribed exception applies. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by our board of directors.

Limitations on Liability and Indemnification Matters

Our bylaws limit our directors' liability to the fullest extent permitted under Delaware law, which prohibits our bylaws from limiting the liability of our directors for the following:

- any breach of the director's duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our certificate of corporation and bylaws provide that we will indemnify our directors and officers to the fullest extent permitted under Delaware law and that we shall have the power to indemnify our employees and agents to the fullest extent permitted by law. Our bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in this capacity, regardless of whether we would have the power to indemnify such person against such expense, liability or loss under the DGCL.

We have also entered into separate indemnification agreements with each of our directors and executive officers, in addition to indemnification provided for in our bylaws. These agreements, among other things, provide for indemnification of our directors and executive officers for expenses, judgments, fines and settlement amounts incurred by such persons in any action or proceeding arising out of this person's services as a director or executive officer or at our request. We believe that these provisions in our certificate of incorporation and bylaws and indemnification agreements are necessary to attract and retain qualified persons as directors and executive officers.

The above description of the limitation of liability and indemnification provisions of our certificate of incorporation, our bylaws and our indemnification agreements is not complete and is qualified in its entirety by reference to these documents, each of which will be filed as an exhibit to this Annual Report on Form 10-K.

The limitation of liability and indemnification provisions in our bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

Listing

Our common stock is listed on The Nasdaq Global Market under the symbol “ZNTL.”

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust, LLC.

ZENTALIS PHARMACEUTICALS, INC.

NON-EMPLOYEE DIRECTOR COMPENSATION PROGRAM

Non-employee members of the board of directors (the "***Board***") of Zentalis Pharmaceuticals, Inc. (the "***Company***") shall receive cash and equity compensation as set forth in this Non-Employee Director Compensation Program (this "***Program***"), as amended by the Board effective March 18, 2021 (the "***Effective Date***"). This Program has been adopted under the Company's 2020 Incentive Award Plan (the "***Equity Plan***") and shall become effective on the Effective Date. The cash and equity compensation described in this Program shall be paid or be made, as applicable, automatically and without further action of the Board, to each member of the Board who is not an employee of the Company or any parent or subsidiary of the Company (each, a "***Non-Employee Director***") who is entitled to receive such cash or equity compensation, unless such Non-Employee Director declines the receipt of such cash or equity compensation by written notice to the Company. This Program shall remain in effect until it is revised or rescinded by further action of the Board. This Program may be amended, modified or terminated by the Board at any time in its sole discretion. The terms and conditions of this Program shall supersede any prior cash and/or equity compensation arrangements for service as a member of the Board between the Company and any of its Non-Employee Directors. No Non-Employee Director shall have any rights hereunder, except with respect to stock options granted pursuant to the Program. Capitalized terms not otherwise defined herein shall have the meanings ascribed in the Equity Plan.

1. Cash Compensation.

(a) Annual Retainers. Each Non-Employee Director shall receive an annual retainer of $40,000 for service on the Board.

(b) Additional Annual Retainers. In addition, each Non-Employee Director shall receive the following additional annual retainers, as applicable:

(i) Chairperson of the Board/Lead Independent Director. A Non-Employee Director serving as Chairperson of the Board or Lead Independent Director shall receive an additional annual retainer of $15,000 for such service.

(ii) Audit Committee. A Non-Employee Director serving as Chairperson of the Audit Committee shall receive an additional annual retainer of $20,000 for such service. A Non-Employee Director serving as a member of the Audit Committee (other than the Chairperson) shall receive an additional annual retainer of $10,000 for such service.

(iii) Compensation Committee. A Non-Employee Director serving as Chairperson of the Compensation Committee shall receive an additional annual retainer of $15,000 for such service. A Non-Employee Director serving as a member of the Compensation Committee (other than the Chairperson) shall receive an additional annual retainer of $7,500 for such service.

(iv) Nominating and Corporate Governance Committee. A Non-Employee Director serving as Chairperson of the Nominating and Corporate Governance Committee shall receive an additional annual retainer of $10,000 for such service. A Non-Employee Director serving as a member of the Nominating and Corporate Governance Committee (other than the Chairperson) shall receive an additional annual retainer of $5,000 for such service.

(c) Payment of Retainers. The annual retainers described in Sections 1(a) and 1(b) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than the fifteenth day following the end of each calendar quarter. In the event a Non-Employee Director does not serve as a Non-Employee Director, or in the applicable positions described in Section 1(b), for an entire calendar quarter, the retainer paid to such Non-Employee Director shall be prorated for the portion of such calendar quarter actually served as a Non-Employee Director, or in such position, as applicable.

2. Equity Compensation. Non-Employee Directors shall be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the Equity Plan, or any other applicable Company equity incentive plan then-maintained by the Company, and shall be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the forms previously approved by the Board. All applicable terms of the Equity Plan apply to this Program as if fully set forth herein, and all grants of stock options hereby are subject in all respects to the terms of the Equity Plan and the applicable award agreement. For the avoidance of doubt, the share numbers in this Section 2 shall be subject to adjustment as provided in the Equity Plan.

(a) Initial Awards. Each Non-Employee Director who is initially elected or appointed to the Board after the Effective Date shall receive an option under the Equity Plan, or any other applicable Company equity incentive plan then-maintained by the Company, to purchase 42,000 shares of the Company's common stock on the date of such initial election or appointment. The awards described in this Section 2(a) shall be referred to as "***Initial Awards***." No Non-Employee Director shall be granted more than one Initial Award.

(b) Subsequent Awards. A Non-Employee Director who (i) is serving on the Board as of the date of any annual meeting of the Company's stockholders after the Effective Date and has been serving as a Non-Employee Director for at least six months as of the date of such meeting, and (ii) will continue to serve as a Non-Employee Director immediately following such meeting, shall be automatically granted (A) an option under the Equity Plan, or any other applicable Company equity incentive plan then-maintained by the Company, to purchase 15,000 (or, with respect to the Non-Employee Director serving as Chairperson of the Board or Lead Independent Director, 22,500) shares of the Company's common stock on the date of such annual meeting (the "***Subsequent Options***"), and (B) 5,000 restricted stock units under the Equity Plan, or any other applicable Company equity incentive plan then-maintained by the Company (or, with respect to the Non-Employee Director serving as Chairperson of the Board or Lead Independent Director, 7,500 restricted stock units) on the date of such annual meeting (the "***Subsequent RSUs***"). The Subsequent Options and the Subsequent RSUs described in this Section 2(b) shall be referred to as "***Subsequent Awards***." For the avoidance of doubt, a Non-Employee Director elected for the first time to the Board at an annual meeting of the Company's stockholders shall only receive an Initial Award in connection with such election, and shall not receive any Subsequent Award on the date of such meeting as well.

(c) Termination of Employment of Employee Directors. Members of the Board who are employees of the Company or any parent or subsidiary of the Company who subsequently terminate their employment with the Company and any parent or subsidiary of the Company and remain on the Board will not receive an Initial Award pursuant to Section 2(a) above, but to the extent that they are otherwise entitled, will receive, after termination from employment with the Company and any parent or subsidiary of the Company, Subsequent Awards as described in Section 2(b) above.

(d) Terms of Awards Granted to Non-Employee Directors

(i) Purchase Price. The per share exercise price of each option granted to a Non-Employee Director shall equal the Fair Market Value of a share of common stock on the date the option is granted.

(ii) Vesting. Each Initial Award shall vest and become exercisable in substantially equal monthly installments over the thirty-six (36) months following the date of grant, subject to the Non-Employee Director continuing in service on the Board through each such vesting date. Each Subsequent Option shall vest vest and become exercisable in substantially equal monthly installments over the thirty-six (36) months following the date of grant, subject to the Non-Employee Director continuing in service on the Board through each such vesting date. Each Subsequent RSU shall vest on the first to occur of (A) the first anniversary of the date of grant or (B) the next occurring annual meeting of the Company's stockholders, subject to the Non-Employee Director continuing in service on the Board through such vesting date. Unless the Board otherwise determines, no portion of an Initial Award or Subsequent Award which is unvested and/or exercisable at the time of a Non-Employee Director's termination of service on the Board shall become vested and/or exercisable thereafter. Unless otherwise expressly provided in an award agreement or other written agreement between the Company and a Non-Employee Director, upon a Change in Control (as defined in the Equity Plan), all outstanding equity awards granted under the Equity Plan, and any other equity incentive plan maintained by the Company, that are held by a Non-Employee Director shall become fully vested and/or exercisable, irrespective of any other provisions of the Plan or any award agreement.

(iii) Term. The term of each stock option granted to a Non-Employee Director shall be ten (10) years from the date the option is granted.

3. Compensation Limits. Notwithstanding anything to the contrary in this Program, all compensation payable under this Program will be subject to any limits on the maximum amount of Non-Employee Director compensation set forth in the Equity Plan, as in effect from time to time.

4. Reimbursements. The Company shall reimburse each Non-Employee Director for all reasonable, documented, out-of-pocket travel and other business expenses incurred by such Non-Employee Director in the performance of his or her duties to the Company in accordance with the Company's applicable expense reimbursement policies and procedures as in effect from time to time.

* * * * *

AGREEMENT OF LEASE

ESRT 1359 BROADWAY, L.L.C., Landlord

and

ZENTALIS PHARMACEUTICALS, INC., Tenant

Premises: Suites 1710 and 1800
1359 Broadway
New York, New York 10018

Date: As of March 24, 2021

TABLE OF CONTENTS

AGREEMENT OF LEASE (this "Lease"), made as of this _____ day of March, 2021 (the "Effective Date"), between ESRT 1359 BROADWAY, L.L.C., a Delaware limited liability company, with an address c/o ESRT Management, L. L. C., 111 West 33rd Street, New York, New York 10120, hereinafter referred to as "Landlord" and ZENTALIS PHARMACEUTICALS, INC., a Delaware corporation with an address at 530 7th Ave, Suite 2201, New York, NY 10018, hereinafter referred to as "Tenant".

WITNESSETH:

WHEREAS, Landlord wishes to demise and let unto Tenant and Tenant desires to hire and take from Landlord, on the terms and subject to the conditions set forth herein, (i) a portion of the rentable area located on the 17th floor, and (ii) the entire rentable are located on the 18th floor, in the building that is known as and by the street address of 1359 Broadway, New York, New York 10018 (such building, the "Building"), identified as Suites 1710 and 1800, as more particularly shown on Exhibit "A" attached hereto and made a part hereof (such premises being referred to herein as the "Premises"; the Building together with the plot of land and the tax parcel on which the Building is constructed or installed, the "Real Property").

NOW, THEREFORE, in consideration of the Premises, and other good and valuable consideration, the mutual receipt and legal sufficiency of which the parties hereto hereby acknowledge, Landlord and Tenant hereby covenant and agree as follows:

1. DEMISE, TERM AND USE

A.

(i) Subject to the terms of this Lease, Landlord hereby demises and lets to Tenant and Tenant hereby hires and takes from Landlord the Premises for the Term (as hereinafter defined). Subject to the terms hereof, the Term shall commence upon the date on which Landlord's Work (as defined in Article 23 hereof) is Substantially Complete (as hereinafter defined) (such date, the "Commencement Date") and shall expire on the last day of the month in which the day immediately preceding the eleventh (11th) anniversary of the Commencement Date (as hereinafter defined) shall occur unless the same shall sooner terminate pursuant to terms hereof or pursuant to law (the last day of the month in which the day immediately preceding the eleventh (11th) anniversary of the Commencement Date shall occur, the "Fixed Expiration Date"; the Fixed Expiration Date, or such earlier or later date that the term of this Lease terminates pursuant to the terms hereof or pursuant to law, being referred to herein as the "Expiration Date"; the term commencing on the Commencement Date and ending on the Expiration Date being referred to herein as the "Term"). For all purposes of this Lease, the parties agree that the rentable square foot area of the Premises is deemed to be thirty-one thousand three hundred sixty-two (31,362) rentable square feet.

(ii) As used throughout this Lease, the term "Substantial Completion" or words of similar import shall mean that the applicable work has been substantially completed in accordance with the applicable plans and specifications, if any, and the provisions of Article 23 and Exhibits B-1, B-2 and B-3 attached hereto and made a part hereof with respect to Landlord's Work it being agreed that (i) such work shall be deemed substantially complete notwithstanding the fact that minor or insubstantial details of construction, mechanical adjustment or decorative items remain to be performed that do not prevent Tenant from commencing its business operations in the Premises, and (ii) with respect to work that is being performed in the Premises, such work shall be deemed substantially complete only if the incomplete elements thereof do not interfere materially with Tenant's use and occupancy of the Premises for the conduct of business; provided that (A) all such work shall be completed within sixty (60) days after the delivery of the Substantial Completion Notice (as defined below), and (B) Landlord will coordinate the completion of such work with Tenant and shall perform such work outside of Business Hours (as hereinafter defined) unless otherwise agreed by Tenant. Landlord shall deliver notice to Tenant at least five (5) days prior to the date that Landlord reasonably anticipates Landlord's Work shall be Substantially Complete (such notice, the "Substantial Completion Notice"); it being understood, however, that notwithstanding the provisions of Article 28 hereof to the contrary, Landlord may provide such notice to Tenant's designated representative Sean Owsley - Director Operations via electronic mail, at sowsley@zentalis.com (such designated representative, "Tenant's Designated Representative", provided Tenant shall have the right to change Tenant's Designated Representative upon notice to Landlord); but the failure to give such notice shall not result in any adjournment, postponement, or extension of the Commencement Date or the Rent Commencement Date. Notwithstanding the foregoing to the contrary, in no event shall Landlord have any obligation to notify Tenant as aforesaid if Tenant has entered onto the

Premises for purposes of creating the Punch List (as hereinafter defined) or otherwise taken possession of the Premises; it being understood that if Tenant has so entered onto the Premises or otherwise taken possession thereof, the Commencement Date and the Rent Commencement Date shall in no way be conditioned or otherwise contingent upon the delivery of the Substantial Completion Notice.

(iii) Landlord shall endeavor to substantially complete Landlord's Work on or about the date that is two hundred seventy (270) days following the Effective Date (as such date shall be extended by one (1) day for each day of delay due to casualty, condemnation, Tenant Work Delays, Unavoidable Delays, delays in connection with items of Long Lead Work and any other cause beyond Landlord's reasonable control (including any delay in the surrender of the Premises by the existing tenants and occupants thereof), the "Target Date"); provided, however, Landlord shall not be required to incur any additional costs or expenses in connection therewith and, except as otherwise expressly set forth in Sections 1.A(iv) and 1.A(v) below, Landlord shall have no liability to Tenant, and Tenant shall not be entitled to any penalties, credits, abatements or any other amounts or remedies if Landlord's Work is not substantially completed by the Target Date (or by any other date, except as expressly set forth below).

(iv) If the Commencement Date has not occurred (or has not been deemed to have occurred) on or prior to the date that is thirty (30) days following the Target Date (as such date shall be extended one (1) day for each day of delay due to casualty, condemnation, Unavoidable Delays, Tenant Work Delays, and/or delays in connection with items of Long Lead Work (as such terms are hereinafter defined), the "Outside Date"), and such failure actually delays Tenant's ability to occupy the Premises for the conduct of business therein, then, as Tenant's sole remedy in connection therewith (except as otherwise provided in Section 1.A(v) below), the Initial Abatement Period (as hereinafter defined) shall be increased by one (1) day for each day following the Outside Date until the Commencement Date occurs (or is deemed to have occurred).

B. Tenant shall use the Premises solely as general, administrative and executive offices for the conduct of Tenant's business, and for lawful purposes reasonably incidental thereto and for no other purpose; provided any such incidental use (i) complies with the Building's certificate of occupancy (as the same may be modified from time to time) and other applicable Requirements (as such term is defined in Article 15 hereof), and (ii) does not materially and adversely impact the Building or the use and enjoyment of the Building by other occupants thereof. Without limiting the generality of the foregoing, it is expressly understood that no portion of the Premises shall be used as, by or for (a) a telemarketing agency or call center, (b) the conduct of any retail or wholesale trade or services (including, without limitation, any business with, or which is open to, the general public on an off-the-street retail basis), (c) a travel or tourist agency, (d) an employment agency, executive search firm (except that an executive search firm of the type that is typically found in first-class office buildings in the vicinity of the Building (as reasonably determined by Landlord) shall not be deemed to be prohibited pursuant to the terms hereof), labor union, school, or vocational training center (except for incidental and occasional training of Tenant's employees who are employed at the Premises), (e) a commercial document reproduction or offset printing service, (f) any Governmental Authority (as such term is defined in Article 15 hereof) or embassy or consular office of any country or other quasi-autonomous or sovereign organization or any Person (as hereinafter defined), organization, association or other agency immune from service or suit in the courts of the State of New York or the assets of which may be exempt from execution by Landlord in any action for damages, (g) a kitchen, cafeteria or restaurant or otherwise for the sale, storage, warming, service or consumption of food or beverages in any manner whatsoever (except that Tenant may store, prepare, and serve food and beverages, by reasonable means consistent with typical pantry use (including, without limitation, by means of customary vending machines), for consumption by such Tenants' employees and guests), (h) a firm whose principal business is commercial real estate brokerage (provided in no event shall Tenant or any of Tenant's Affiliates, Permitted Successors, assignees or sublessees or any Person in a capacity acting by or on their behalf, who (in any of the foregoing cases) is a commercial real estate broker, canvas or solicit the other tenants and/or occupants of the Building for real estate or any other purpose), (i) the business of renting office or desk space, (j) a factory of any kind, or for any manufacturing purpose, (k) any use to which increased security costs or insurance premiums payable by Landlord may be attributed, (l) a payroll office or check cashing operation, (m) any medical use or purpose whatsoever, including without limitation, use as a pharmacy or clinic (or other facility performing medical, therapeutic or rehabilitative procedures of any type or providing counseling of any kind); it being expressly understood that the Premises may not be used for patient visits, consultations, exams or evaluations of any type (psychological, physical, etc.), (n) clinical and/or experimental or pharmaceutical research, (o) a laboratory of any kind (including, without limitation, a research or pharmaceutical laboratory), (p) focus groups, (q) a film, radio or video production or broadcasting studio, (r) gaming or gambling, or

any pornographic or obscene purpose, (s) any commercial sex establishment, any pornographic, obscene, nude or semi-nude performances, modeling or sexual conduct of any kind, (t) public assembly, (u) showrooms (except that showroom of the type that is typically found in first-class office buildings in the vicinity of the Building (as reasonably determined by Landlord) shall not be deemed to be prohibited pursuant to the terms hereof) or (v) any use which could be reasonably expected to have an adverse impact on the Building (other than to a de minimis extent), any Building system or any other Building occupant. Any use of all or any portion of the Premises for residential brokerage services, if otherwise permitted under this Lease, shall not (a) generate significantly more traffic into and out of the Building and/or the Premises and/or (b) generate significantly more use of the passenger elevators servicing the Building than the traffic and/or use normally generated by tenants with a similar executive, administrative and general office use. The term "Person" shall mean any natural person or persons or any legal form of association, including, without limitation, a partnership, a limited partnership, a corporation, and/or a limited liability company.

2. RENT

a. General:

a. Tenant agrees to pay all Rental (as hereinafter defined) as herein provided at the office of Landlord or at such other place as Landlord may designate, in lawful money of the United States of America that is legal tender of all debts and dues, public or private, at the time of payment, and without any notice (except as may be specifically set forth herein), credit, abatement (except as may be specifically set forth herein), set-off, deduction or reduction whatsoever.

b. The term "Additional Rent" shall mean any and all amounts, sums, fees or other charges payable by Tenant to Landlord hereunder specifically including, without limitation, Escalation Rent (as defined below) but specifically excluding Fixed Annual Rent (as hereinafter defined) and use and occupancy charges following any holdover. Unless otherwise expressly set forth herein, Additional Rent shall be due within thirty (30) days after Landlord gives Tenant notice thereof. Landlord shall have the same rights and remedies provided herein or by law with respect to Tenant's non-payment of Additional Rent as it has with respect to Tenant's non-payment of Fixed Annual Rent.

c. The term "Applicable Rate" shall mean, at any particular time, the lesser of (x) eight hundred (800) basis points above the Base Rate (as defined below) at such time, and (y) the maximum rate permitted by applicable law at such time.

d. The term "Base Rate" shall mean the rate of interest announced publicly from time to time by JP Morgan Chase Bank, N.A., or its successor, as its "prime lending rate" (or such other term as may be used by JP Morgan Chase Bank, N.A. (or its successor), from time to time, for the rate presently referred to as its "prime lending rate").

e. The term "Escalation Rent" shall mean the Additional Rent payable pursuant to Sections 2.C. and 2.D. hereof.

f. The term "Rental" shall mean collectively, Additional Rent and Fixed Annual Rent.

b. Fixed Annual Rent:

a. The annual fixed rent for the Premises (the annual fixed rent payable hereunder for the Premises at any particular time being referred to herein as the "Fixed Annual Rent") shall be an amount equal to:

(a) One Million Nine Hundred Forty-Four Thousand Four Hundred Forty-Four and 00/100 Dollars ($1,944,444.00) per annum for the period commencing on the Commencement Date through and including the day immediately preceding the sixth (6^{th}) anniversary of the Commencement Date ($162,037.00 per month); it being understood and agreed, that if no Default (as such term is defined in

Article 5 hereof) has occurred and is then continuing, the Fixed Annual Rent for (w) the period commencing on the Commencement Date and ending on the day that is ninety (90) days following the Commencement Date (the "Initial Abatement Period"), (x) the period commencing on the first (1st) anniversary of the Commencement Date and ending on the day that is ninety (90) days following the first (1st) anniversary of the Commencement Date, (y) the period commencing on the second (2nd) anniversary of the Commencement Date and ending on the day that is ninety (90) days following the second (2nd) anniversary of the Commencement Date, and (z) the period commencing on the thirty (3rd) anniversary of the Commencement Date and ending on the day that is ninety (90) days following the thirty (3rd) anniversary of the Commencement Date, shall be abated; it being expressly acknowledged and agreed however, that Tenant shall continue to be responsible for paying all other Rental (specifically including, without limitation, any and all charges for electricity) without any credit, set off, deduction or reduction during the aforesaid periods; and

(b) Two Million One Hundred One Thousand Two Hundred Fifty-Four and 00/100 Dollars ($2,101,254.00) per annum for the period commencing on the sixth (6th) anniversary of the Commencement Date through and including the Fixed Expiration Date ($175,104.50 per month).

b. Tenant shall pay to Landlord Fixed Annual Rent in advance for the Fixed Annual Rent due for the month immediately following the expiration of the Initial Abatement Period and on the first (1st) day of each month thereafter throughout the Term, in equal monthly installments, without notice, credit, set off, deduction, counterclaim or reduction (except to extent otherwise expressly set forth herein).

c. Simultaneously with Tenant's execution hereof, Tenant shall pay to Landlord an amount equal to $162,037.00, which Landlord shall apply to the Fixed Annual Rent first becoming due hereunder.

d. Should the date on which Tenant is obligated to commence paying Fixed Annual Rent hereunder occur on any day other than the first day of a month, then (i) the Fixed Annual Rent due hereunder for the calendar month during which such date occurs shall be adjusted appropriately based on the number of days in such calendar month and (ii) subject to Section 2.B.(iii) hereof, Tenant shall pay to Landlord such amount (adjusted as aforesaid for such calendar month) on such date. Provided that no Default has occurred and is then continuing, if the Expiration Date is not the last day of a calendar month, then the Fixed Annual Rent due hereunder for the calendar month during which the Expiration Date occurs shall be adjusted appropriately based on the number of days in such calendar month.

c. Operating Expense Escalations:

a. Tenant shall pay to Landlord, as Additional Rent, operating expense escalations in accordance with this Section 2.C.

b. The following terms shall have the following meanings:

i. The term "Base Expenses" shall mean the Expenses (defined below) for the Base Expense Year.

ii. The term "Base Expense Year" shall mean the calendar year 2022.

iii. The term "Building Electricity Payment" shall mean fifty percent (50%) of the Building's payment to the utility company or companies for the provision, supply and distribution of electricity to the entire Building irrespective of the actual allocation of electric service between leasable space and other portions of the Building and Building systems.

iv. The term "Comparative Year" shall mean each calendar year commencing on or after January 1, 2023, in which occurs any part of the Term.

v. The term "Expenses" shall mean the total of all costs and expenses paid, incurred or borne by or on behalf of Landlord in insuring, maintaining, repairing, managing and operating the Real Property and providing services therein; it being understood that Expenses shall include, without limitation, the Building Electricity Payment and management fees to the extent such management fees are reasonably consistent with rates then customarily charged for building management for buildings of like class, amenities and character. Expenses shall exclude or have deducted from them, as the case may be and as shall be appropriate the Standard Expense Exclusions (as hereinafter defined).

vi. The "Expense Statement" shall mean a statement in writing issued by Landlord or the Building's managing agent from time to time during the Term, setting forth the amount payable by Tenant for a specified Comparative Year pursuant to Section 2.C.(v) below.

vii. The term "Standard Expense Exclusions" shall have the meaning set forth on Exhibit "C" attached hereto and made a part hereof.

viii. The term "Tenant's Expense Share" shall mean six and eighty-six hundredths percent (6.86%) which represents a fraction, the numerator of which is the rentable square foot area of the Premises (31,362) and the denominator of which is the rentable square foot area of the Building excluding the retail portion thereof (456,884) as of the date hereof.

c. If (i) Landlord makes an improvement to the Building or the land upon which the Building is constructed, or a replacement of equipment at the Building or the land upon which the Building is constructed, in either case, in connection with the maintenance, repair, management or operation thereof, (ii) generally accepted accounting principles ("GAAP") require Landlord to capitalize the cost of such improvement or such replacement, and (iii) such improvement or replacement is made (a) to comply with a Requirement, (b) in lieu of repairs which repairs are not reasonably possible or practicable under the circumstances (as reasonably determined by Landlord), or (c) for the purpose of saving or reducing Expenses (such as, for example, an improvement that reduces labor costs or an improvement that saves energy costs), then Landlord shall have the right to include in Expenses the amount that amortizes the cost of such improvement or such replacement, together with interest on the unamortized portion thereof that is calculated at the Base Rate from the time of Landlord's having incurred said expenditure, in equal annual installments over the shorter of (x) the useful life of such improvement or such equipment as determined in accordance with GAAP, (y) 10 years, or (z) the Payback Period (as defined below) (in any case, until the cost of such improvement or such equipment is amortized fully); provided, however, that for any such improvement or replacement that Landlord makes in lieu of a repair (and that Landlord does not make to comply with a Requirement or for the purpose of saving or reducing Expenses), the aforesaid amount that Landlord includes in Base Expenses or any particular Comparative Year shall not exceed the cost of the repairs that Landlord would have otherwise made if Landlord did not make such improvement or replacement, as reasonably estimated by Landlord. Notwithstanding anything to the contrary contained in this Lease, Landlord shall have the right, in Landlord's sole discretion, to exclude from Expenses the costs of certain non-recurring capital expenditures and/or the costs of certain non-recurring repairs (including the then remaining unamortized costs of any such non-recurring expenditure or repair incurred prior to the Term) which Landlord would otherwise have the right to include in Expenses pursuant to the terms of this Article 2; it being understood and agreed, however, that if Landlord elects to exclude any such costs, the same shall be excluded from the Base Expense Year and any subsequent Comparative

Years occurring during the Term. As used herein, the term "Payback Period" means the length of time (expressed in months) obtained by multiplying (x) the quotient of (i) the aggregate costs of any such capital improvement, divided by (ii) the Projected Annual Savings, times (y) twelve (12). By way of example: if the aggregate costs of such capital improvement are $2,000,000 and the Projected Annual Savings are $500,000, then the simple payback period for such capital improvement is forty-eight (48) months. The term "Projected Annual Savings" means the anticipated or estimated average annual savings (whether or not actually realized) in Expenses (subject to reasonable assumptions and qualifications of the Building's operating costs (such as utility costs, steam costs, etc.), determined using commonly applied engineering methods by an independent engineer selected by Landlord.

d. If during all or part of the Base Expense Year or any Comparative Year, Landlord shall not furnish any particular item(s) of work or service (which would constitute an Expense hereunder) to portions of the Building due to the fact that such portions are not occupied or leased, or because such item of work or service is not required or desired by the tenant of such portion, or such tenant is itself obtaining and providing such item of work or service, or for other reasons, then, for the purposes of computing the Additional Rent payable under this Section 2.C, the amount of the Base Expenses and/or the Expenses for any such Comparative Year, as applicable, shall be increased by an amount equal to the Expenses which would reasonably have been incurred during such period by Landlord if it had at its own expense furnished such item of work or services that had not been provided to such portion of the Real Property; it being understood and agreed that if Landlord increases the Expenses for a particular Comparative Year as contemplated herein, Landlord shall also increase the Base Expenses by such amount.

e. Tenant shall pay the Expense Payment (as hereinafter defined) to Landlord as Additional Rent in accordance with the terms of this Section 2.C.(v). The term "Expense Payment" shall mean an amount equal to the product obtained by multiplying (A) the excess (if any) of (i) the Expenses for such Comparative Year, over (ii) the Base Expenses, by (B) Tenant's Expense Share. Landlord shall have the right to give a statement to Tenant from time to time pursuant to which Landlord sets forth Landlord's good faith estimate of the Expense Payment for a particular Comparative Year (any such statement that Landlord gives to Tenant being referred to herein as a "Prospective Expense Statement"; one-twelfth (1/12th) of the Expense Payment shown on a Prospective Expense Statement being referred to herein as the "Monthly Expense Payment Amount"). If Landlord gives to Tenant a Prospective Expense Statement, Tenant shall pay to Landlord, as Additional Rent, on account of the Expense Payment due hereunder for such Comparative Year, the Monthly Expense Payment Amount, on the first (1st) day of each subsequent calendar month for the remainder of such Comparative Year (without Landlord being required to send any further notice thereof), unless and until a new adjustment of the Expense Payment becomes effective pursuant to the provisions of this Section 2.C.(v) based upon Landlord's issuance of an updated Expense Statement. Tenant shall pay the Monthly Expense Payment Amount in the same manner as the monthly installments of the Fixed Annual Rent hereunder. If Landlord gives Tenant a Prospective Expense Statement after the first (1st) day of the applicable Comparative Year to which it relates, then Tenant shall also pay to Landlord, within thirty (30) days after the date that Landlord gives the Prospective Expense Statement to Tenant, an amount equal to the excess of (I) the product obtained by multiplying (x) the Monthly Expense Payment Amount, by (y) the number of calendar months that have theretofore elapsed during such Comparative Year, over (II) the aggregate amount theretofore paid by Tenant to Landlord on account of the Expense Payment for such Comparative Year.

f. Following the expiration of the Base Expense Year and each Comparative Year, Landlord shall submit to Tenant an Expense Statement setting forth the Base Expenses, and the Expense Payment, if any, due to Landlord from Tenant for such Comparative Year under

this Section 2.C (i.e., a true-up statement). Within thirty (30) days after Landlord's rendering of such Expense Statement, Tenant shall pay to Landlord as part of the Expense Payment for the Comparative Year to which such Expense Statement relates, an amount equal to the excess (if any) of the Expense Payment for such Comparative Year, as set forth in the Expense Statement, over the Expense Payment previously collected from Tenant for such Comparative Year pursuant to the terms of this Section 2.C. Provided that no Default has occurred and is then continuing, if the Expense Payment for any Comparative Year, as set forth in the true-up statement, shall be less than the amount of the Expense Payment previously paid by Tenant pursuant to this Section 2.C for such Comparative Year, the difference shall be credited against amounts thereafter payable by Tenant pursuant to this Section 2.C. If (x) Tenant is entitled to a credit pursuant to this subparagraph (vi), and (y) the Expiration Date occurs prior to the date that such credit is exhausted, then Landlord shall pay to Tenant the unused portion of such credit (less any amounts that may then remain due and payable pursuant to the terms of this Lease) on or prior to the thirtieth (30th) day after the Expiration Date (and Landlord's obligation to make such payment shall survive the Expiration Date). Notwithstanding the foregoing to the contrary, Landlord shall have no obligation to credit or refund to Tenant any amounts paid hereunder which were paid by or on behalf of a Person other than Tenant (i.e. a predecessor tenant under this Lease).

g.

i. Any Expense Statement that Landlord gives to Tenant shall be binding upon Tenant conclusively unless, within thirty (30) days after the date that Landlord gives Tenant such Expense Statement, Tenant gives a notice (an "Audit Notice") to Landlord objecting to such Expense Statement which notice shall specify the particular respects in which Tenant objects to such Expense Statement. Tenant's right to give an Audit Notice (and conduct the audit contemplated by this subparagraph 2.C.(vii)) shall survive the Expiration Date (to the extent that the Expiration Date occurs earlier than the thirtieth (30th) day after the date that Landlord gives the applicable Expense Statement to Tenant). Tenant shall have the right to audit the Base Expenses as contemplated by this subparagraph 2.C.(vii) only after receiving the first Expense Statement that sets forth the Base Expenses, and, accordingly, once Tenant's right to so audit the Base Expenses lapses, Tenant shall not have the right to thereafter audit the Base Expenses, notwithstanding that the Base Expenses are included in the calculation of the Expense Payment for Comparative Years**.** If Tenant gives an Audit Notice to Landlord, then, subject to the terms of this subparagraph 2.C.(vii), Tenant may examine Landlord's books and records relating to such Expense Statement to determine the accuracy thereof, provided that (x) Tenant commences such audit within thirty (30) days following the date Tenant gives Landlord an Audit Notice and (y) such audit is completed within sixty (60) days following the date Tenant gives Landlord an Audit Notice. Time shall be of the essence with respect to all time periods set forth in this Section 2.C.(vii). Tenant may perform such examination on reasonable advance notice to Landlord, at reasonable times, in Landlord's office or, at Landlord's option, at the office of Landlord's managing agent or accountants located in New York City; it being expressly understood that Tenant shall not be permitted to copy, reproduce or otherwise transcribe any portion of Landlord's books and records. Tenant shall not have the right to conduct an audit of Landlord's books and records as described in this subparagraph Section 2.C. (vii) during the period that a monetary default or material non-monetary default has occurred and is continuing beyond the expiration of any applicable notice and cure periods. Tenant shall have the right to conduct such examination using Tenant's own employees. Tenant, in performing such examination, shall also have the right to be accompanied by a certified public accountant from one of the "big-4" firms of certified public accountants (or their successors), or, at Tenant's option, a certified public accountant from a reputable firm that is reasonably acceptable to Landlord; provided, however, that Tenant shall not be entitled to be so accompanied by any certified public accountant unless Tenant and such certified public

accountant certify to Landlord in a written instrument that is reasonably satisfactory to Landlord that the compensation being paid by Tenant to such certified public accountant is not conditioned or otherwise contingent (in whole or in part) on the extent of any reduction in the Expense Payment that derives from such examination. Tenant shall not have the right to conduct any such audit unless and until Tenant delivers to Landlord an executed confidentiality agreement, in a form reasonably designated by Landlord, signed by Tenant and Tenant's certified public accountant to which such books and records are proposed to be disclosed, pursuant to which Tenant and such certified public accountants agree to maintain the information obtained from such examination in confidence (subject, however, to the disclosure of the information that Tenant or Tenant's certified public accountant derive from such examination as required by law or to Tenant's counsel or other professional advisors that, in either case, agree to maintain such information in confidence).

ii. If it is determined ultimately that (i) Landlord, in an Expense Statement, overstated the Expense Payment, and (ii) Tenant overpaid the Expense Payment for a particular Comparative Year, then Tenant shall be entitled to credit the amount of such overpayment of the Expense Payment against the Fixed Annual Rent thereafter coming due hereunder. If (x) Tenant is entitled to a credit against Fixed Annual Rent pursuant to this subparagraph (vii)(b), and (y) the Expiration Date occurs prior to the date that such credit is exhausted, then Landlord shall pay to Tenant the unused portion of such credit (less any amounts that may then remain due and payable pursuant to the terms of this Lease) on or prior to the thirtieth (30th) day after the Expiration Date (and Landlord's obligation to make such payment shall survive the Expiration Date) it being agreed that if it is finally determined that the Expenses reported by Landlord in any particular Expense Statement are in excess of one hundred five percent (105%) of the actual amount of Expenses for the Comparative Year in question, then Tenant’s reasonable out-of-pocket costs of said audit shall be payable by Landlord within forty-five (45) days after written demand (it being understood that Landlord shall pay such amount within forty-five (45) days after Tenant gives to Landlord reasonable supporting documentation describing the aforesaid costs of Tenant’s audit).

iii. Pending the resolution of any audit contemplated in this subparagraph (vii), Tenant shall pay the Expense Payment to Landlord in accordance with the Expense Statement furnished by Landlord.

iv. Notwithstanding anything contained herein to the contrary, Tenant shall have no obligation to make any Expense Payments with respect to periods prior to the first (1st) anniversary of the Commencement Date.

d. **Tax Escalation**. Tenant shall pay to Landlord, as Additional Rent, tax escalation in accordance with this Section 2.D.

a. For the purposes of this Section 2.D, the following definitions shall apply:

i. The term "Base Year Taxes" shall mean the Real Estate Taxes for the Base Tax Year.

ii. The term "Base Tax Year" shall mean the Tax Year commencing on July 1, 2021 and ending on June 30, 2022.

iii. The term "Comparative Tax Year" shall mean each Tax Year commencing on or after July 1, 2022 (or such other twelve (12) month period commencing on or after July 1, 2022 adopted by the City of New York as its fiscal Tax Year).

iv. The term "Comparative Year Taxes" shall mean the Real Estate Taxes for the Comparative Tax Year.

v. The term "Excluded Amounts" shall mean (v) any taxes imposed on Landlord's income, (w) franchise, estate, inheritance, capital stock, excise, excess profits, gift, payroll or stamp taxes imposed on Landlord, (x) any transfer taxes or mortgage taxes that are imposed on Landlord in connection with the conveyance of the Real Property or granting or recording a mortgage lien thereon, (y) any fine, penalties or interest incurred solely as a result of Landlord's failure to pay Real Estate Taxes when due, and (z) any other similar taxes imposed on Landlord.

vi. The term "Real Estate Taxes" shall mean the total of all taxes, fees and special or other assessments levied, assessed or imposed at any time by any Governmental Authority upon or against the Real Property (including, without limitation, any taxes, fees and assessments that are levied based on the use of water or energy by Landlord and/or the Building). Notwithstanding the foregoing, Real Estate Taxes shall be calculated without taking into account (i) any discount that Landlord receives by virtue of any early payment of Real Estate Taxes, (ii) any penalties or interest that the applicable Governmental Authority imposes for the late payment of such real estate taxes or assessments, (iii) any abatement, exemption, deferral or credit of Real Estate Taxes to which the Real Property is entitled to, or (iv) any Excluded Amounts. If because of any change in the taxation of real estate or in the taxing authority, or for any other reason, any other tax or assessment, however denominated (including, without limitation, any franchise, income, profits, sales, use, occupancy, gross receipts or rental tax), is imposed upon the Real Property, the owner thereof, or the occupancy, rents or income derived therefrom, in substitution in whole or in part for the Real Estate Taxes, or in lieu of additions to or increases of said Real Estate Taxes (whether or not the enabling legislation states that such tax is in substitution in whole or in part for the Real Estate Taxes, or in lieu of additions to or increases of said Real Estate Taxes), then such other tax or assessment to the extent substituted shall be included within the definition of Real Estate Taxes for the purposes hereof. As to special assessments which are payable over a period of time extending beyond the Term, only a pro rata portion thereof covering the portion of the Term unexpired at the time of the imposition of such assessment, shall be included in Real Estate Taxes. If by law, any assessment may be paid in installments, then, for the purposes hereof (i) such assessment shall be deemed to have been payable in the maximum number of installments permitted by law and (ii) there shall be included in Real Estate Taxes, for each Comparative Tax Year in which such installments may be paid, the installments of such assessment so becoming payable during such Comparative Tax Year, together with interest payable during such Comparative Tax Year in respect of any such installment.

vii. The term "Tax Payment" shall mean, with respect to any Comparative Tax Year, the product obtained by multiplying (i) the excess of (A) the applicable Comparative Year Taxes, over (B) the Base Year Taxes, by (ii) Tenant's Tax Share.

viii. The term "Tax Year" means each period from July 1 through June 30 (or such other period as hereinafter may be duly adopted by the Governmental Authority then imposing Real Estate Taxes as its fiscal year for real estate tax purposes).

ix. The term "Tenant's Tax Share" shall mean six and forty-seven hundredths percent (6.47%) which represents a fraction, the numerator of which is the rentable square foot area of the Premises (31,362) and the denominator of which is the rentable square foot area of the Building (484,390) as of the date hereof.

b.

i. Subject to the terms of this Section 2.D., Tenant shall pay the Tax Payment to Landlord, as Additional Rent. Before or after the start of each Comparative Tax Year, Landlord shall furnish to Tenant a statement of the Comparative Year Taxes, and a statement of the Base Year Taxes. If the Comparative Year Taxes exceed the Base Year Taxes, an amount equal to the Tax Payment shall be due from Tenant to Landlord, and such

Additional Rent shall be payable by Tenant to Landlord in equal monthly installments each equal to one-twelfth (1/12th) of the Tax Payment, each payable with the monthly installment of Fixed Annual Rent. If such statement is tendered to Tenant after the commencement of any Comparative Tax Year, Tenant shall pay to Landlord within thirty (30) days after such statement is tendered, a lump sum equal to the product resulting from multiplying the Tax Payment, by a fraction the numerator of which is the number of full and partial months elapsed from the commencement of the relevant Comparative Tax Year and the denominator of which is twelve (12). Thereafter, Tenant shall commence paying the monthly installments of the Tax Payment with the next installment of Fixed Annual Rent next due and continue paying the same on a monthly basis in accordance with the terms hereof until a subsequent statement with respect thereto is rendered by Landlord.

ii. Should the Base Year Taxes be reduced by final determination of legal or administrative proceedings, settlement or otherwise, then the Base Year Taxes shall be correspondingly revised, the Additional Rent theretofore paid or payable hereunder for all Comparative Tax Years shall be recomputed on the basis of such reduction, and Tenant shall pay to Landlord as Additional Rent, within thirty (30) days after being billed therefor, any deficiency between the amount of such Additional Rent as theretofore computed and the amount thereof due as the result of such recomputations.

iii. If Tenant shall have made a payment of Additional Rent under this Section 2.D and Landlord shall receive during the Term a refund of any portion of the Real Estate Taxes paid for any Comparative Tax Year after the Base Tax Year on which such payment of Additional Rent shall have been based, as a result of a reduction of such Real Estate Taxes by final determination of legal proceedings, settlement or otherwise, Landlord shall, promptly after receiving the refund, credit to Tenant, Tenant's Tax Share of the refund less Tenant's Tax Share of expenses (including reasonable attorneys', consultants' and appraisers' fees) incurred by Landlord in connection with any such application, settlement, negotiation or proceeding (unless previously included in Real Estate Taxes for the Comparative Tax Year to which such expenses relate). If prior to the payment of taxes for any Comparative Tax Year, Landlord shall have obtained a reduction of that Comparative Tax Year's assessed valuation of the Real Property, and therefore of said taxes, then the Real Estate Taxes for that Comparative Tax Year shall be deemed to include the amount of Landlord's expenses in obtaining such reduction in assessed valuation, including reasonable attorneys', consultants' and appraisers' fees. If (i) Tenant is entitled to a credit pursuant to this subparagraph (c), and (ii) the Expiration Date occurs prior to the date that such credit is exhausted, then Landlord shall pay to Tenant the unused portion of such credit (less any amounts that may then remain due and payable pursuant to the terms of this Lease) on or prior to the thirtieth (30th) day after the Expiration Date (and Landlord's obligation to make such payment shall survive the Expiration Date). Notwithstanding the foregoing to the contrary, Landlord shall have no obligation to credit or refund to Tenant any amounts paid hereunder which were paid by or on behalf of a Person other than Tenant (i.e. a predecessor tenant under this Lease).

iv. Additionally, Tenant shall pay to Landlord, on demand, a sum equal to Tenant's Tax Share of any business improvement district assessment (whether currently existing or established at any time hereafter) payable with respect to or imposed upon Landlord and/or the Real Property in any year.

v. Tenant hereby agrees, at no cost or expense to Tenant, to comply and cooperate with Landlord's efforts, if any, to obtain any current or future tax incentive benefits, exemptions or abatements which Landlord may now or hereafter be entitled to at law or otherwise.

vi. Notwithstanding anything contained herein to the contrary, Tenant shall have no obligation to make any payments on account of escalations in Real Estate Taxes with respect to the period prior to the first (1st) anniversary of the Commencement Date.

e. **No Right to Apply Security**: Tenant shall not have the right to apply any security deposited to assure Tenant's faithful performance of Tenant's obligation hereunder to the payment of any installment of Fixed Annual Rent or Additional Rent.

f. **No Reduction in Fixed Annual Rent, Etc.**: In no event shall the Fixed Annual Rent under this Lease be reduced by virtue of any decrease in the amount of any Additional Rent payment under this Article or any other provision of this Lease.

g. **Failure to Pay Rental in Full:** If Landlord receives from Tenant any payment less than the total Rental then due and owing pursuant to this Lease, Tenant hereby waives its right, if any, to designate the items to which such payment shall be applied and agrees that Landlord in its sole discretion may apply such payment in whole or in part to any Fixed Annual Rent, Escalation Rent, or any other item of Rental payable hereunder or to any combination thereof then due and payable hereunder; it being understood and agreed that the foregoing shall not limit or impair Landlord's rights or remedies in the event of any Default.

h. **Payment of Rental by Another Person:** Unless Landlord shall otherwise expressly agree in writing, acceptance of any portion of the Rental from any Person other than Tenant shall not relieve Tenant of any of its other obligations under this Lease, including the obligation to pay other Rental, and Landlord shall have the right at any time, upon notice to Tenant, to require Tenant (rather than someone other than Tenant) to pay the Rental payable hereunder directly to Landlord. Furthermore, such acceptance of Rental shall not be deemed to constitute an assignment of this Lease, a subletting of the Premises or Landlord's consent to an assignment of this Lease or a subletting or other occupancy of the Premises by any Person other than Tenant, nor a waiver of any of Landlord's rights or Tenant's obligations under this Lease.

i. **Partial Comparative Year**: If the Commencement Date shall occur during a Comparative Year or a Comparative Tax Year commencing prior to the Term, then the Additional Rent due under any paragraph of this Article 2 for such first Comparative Year or Comparative Tax Year (as the case may be) shall be prorated based upon the length of time that the Term will be in existence during such first Comparative Year or Comparative Tax Year, as the case may be. Subject to the provisions of Article 6 hereof, if the Expiration Date is not the last day of a Comparative Tax Year or the last day of a Comparative Year, then upon the Expiration Date, the Additional Rent due under any paragraph of this Article 2 shall be prorated based upon the length of time that the Term will be in existence during such Comparative Year or Comparative Tax Year, as the case may be and such prorated amount shall immediately become due and payable by Tenant to Landlord, if it was not theretofore already billed and paid. Landlord shall, as soon as reasonably practicable, compute the Additional Rent due from Tenant, as aforesaid, which computations shall either be based on the particular Comparative Year's or Comparative Tax Year's actual figures or be estimated based upon the most recent statements theretofore prepared by Landlord and furnished to Tenant as may be required under any paragraph in this Article. If an estimate is used, then Landlord shall cause statements to be prepared on the basis of the particular Comparative Year's or Comparative Tax Year's actual figures promptly after they are available, and thereupon, Landlord and Tenant shall make appropriate adjustments of any estimated payments theretofore made.

3. **ELECTRICITY**

a. Intentionally omitted.

b. Intentionally omitted.

c. Submetering:

i. For the purposes of this Section 3.C., the following definitions shall apply:

i."Landlord’s Cost" for redistributed electricity means the product of (1) Landlord’s Cost Rates for the relevant Utility Billing Period multiplied by (2) Tenant’s electricity consumption (i.e., energy and demand) based on the meter readings referred to below.

ii. "Landlord's Cost Rates" means the sum of "Landlord's Electricity Consumption Cost" and "Landlord's Electricity Demand Cost".

iii. "Landlord's Electricity Consumption," for any given Utility Billing Period means the number of kilowatt-hours of electricity consumed in and for the Building (including common areas, tenantable areas and mechanical areas) during said Utility Billing Period, as indicated on the applicable utility bills.

iv. "Landlord's Electricity Consumption Cost," (Landlord's cost per KWH) for any given Utility Billing Period means the amount arrived at by dividing (x) Landlord's KWH cost, as imposed by the utility company (inclusive of any taxes, including any taxes included in the computation of said utility bills) for Landlord's Electricity Consumption for said Utility Billing Period, inclusive of any fuel adjustments or rate adjustments contained in said utility bill allocable to Landlord's Electricity Consumption, by (y) Landlord's Electricity Consumption (KWH) as indicated on said bills.

v. "Landlord's Electricity Demand" for any given Utility Billing Period means the number of kilowatts of electricity demanded in and for the Building (including, without limitation, common areas, tenantable areas and mechanical areas) during said Utility Billing Period, as indicated on the applicable utility bill.

vi. "Landlord's Electricity Demand Cost" (Landlord's Cost per KW) for any given Utility Billing Period means the amount arrived at by dividing (x) Landlord's KW cost, as imposed by the utility company (inclusive of any taxes, including any taxes included in the computation of said utility bill) for Landlord's Electricity Demand for said Utility Billing Period, inclusive of any rate adjustments allocable to Landlord's Electricity Demand (provided that same have not been included in the computation of Landlord's Electricity Consumption Cost), by (y) Landlord's Electricity Demand (KW) as indicated on said bill.

vii. "Utility Billing Period" means the respective period of electricity consumption and demand for which Landlord is charged on each successive bill from the utility company furnishing electricity to the Building.

c. Subject to the terms of this Lease, Landlord shall, during the Term, provide electricity to the Premises (with Landlord providing an average connected load of six (6) watts of electricity per usable square foot of the Premises exclusive of the electrical capacity that is required to operate the base Building HVAC system (the "Maximum Capacity"), which shall be the maximum electric service Landlord shall be obligated to redistribute to the Premises) on a submetering basis, Tenant covenants and agrees to purchase the same from Landlord or Landlord's designated agent at Landlord's Cost plus five percent (5%) thereof.

Where more than one meter measures the service of Tenant in the Building, the KWH and KW recorded by each meter shall be added and the aggregate shall be billed as if measured by a single meter (provided that such separate meters shall not measure duplicative usage). Bills therefor shall be rendered at such times as Landlord may elect and the amount, as computed from a meter or meters and determined by a reputable electrical consultant, selected by Landlord ("Landlord's Electrical Consultant") in accordance with this Article 3, shall be deemed to be, and be paid as, Additional Rent. For purposes of determining Landlord's Electricity Consumption Cost and Landlord's Electricity Demand Cost, each amount appearing on any utility bill for demand, energy, fuel or rate adjustments shall be taken into account (where it cannot be determined from the utility bill whether such amount relates to consumption or to demand, it shall be deemed to relate to demand). If any submeter shall measure Tenant and any other tenant's consumption of electricity, the cost of all such electricity consumption shall be allocated among Tenant and all other tenants whose electricity consumption is being measured by such submeter based upon the ratio of rentable square feet (as measured using the same methodology as used to calculate the rentable square feet in the Premises for the purposes of this Lease) in each of the Premises and those portions of such other tenants' premises served by such submeter bears to the total number of rentable square feet served by such submeter.

a. If the submeter or submeters to measure Tenant's KW and KWH has not or have not been installed, connected and/or is not or are not yet functioning, Tenant shall pay for the distribution of electric

power and use of Landlord's facilities to provide electrical power to the Premises, a charge equal to the amount that results from (a) multiplying One and 50/100 Dollars ($1.50) by the number of rentable square feet within the Premises, (b) dividing such result by 365 and (c) multiplying the result of (b) by the number of days until the date on which the appropriate submeter(s) are installed, connected and functioning; provided, however, that if Tenant fails to connect the applicable submeter or submeters on or prior to the date which is sixty (60) days after the date that Tenant moves into the Premises, the aforesaid amount of One and 50/100 Dollars ($1.50) shall be increased to Three and 25/100 Dollars ($3.25) from and after such thirty (30) day period until the submeters are connected.

b. On the Commencement Date, a submeter or submeters measuring Tenant's demand for and consumption of electricity within the Premises shall be installed, connected and functioning.

d. **General Conditions**:

c. All determinations (which may be presented or communicated in the form of an invoice, report, survey or letter notification to Tenant) by Landlord's Electrical Consultant shall be binding and conclusive on Tenant from and after the delivery of a copy of each presentation or communication of the relevant determination to Tenant, unless, within thirty (30) days after delivery thereof, time being of the essence, Tenant notifies Landlord that Tenant disputes such determination (such notice, an "Electricity Dispute Notice"). If Tenant so disputes any such determination, within thirty (30) days following the date Tenant gives Landlord the Electricity Dispute Notice, Tenant shall, at Tenant's own cost and expense, obtain from a reputable, independent electrical consultant Tenant's own determination in accordance with the provisions of this Article 3 and deliver a copy of such determination (showing material calculations, data and describing all material assumptions and criteria used to make such determination) to Landlord. Tenant's consultant and Landlord's Electrical Consultant then shall seek to agree on the disputed items set forth in the Electricity Dispute Notice. If they cannot agree within thirty (30) days after the day Tenant gives Landlord Tenant's determination as provided above, Landlord and Tenant shall choose a third reputable electrical consultant, whose cost shall be shared equally by the parties, to make similar determinations that shall be controlling. If Landlord and Tenant cannot agree on such third consultant within thirty (30) days, then either party may apply to the Supreme Court in the County of New York for such appointment. TENANT AGREES THAT IF TENANT SHALL FAIL TO DISPUTE WITHIN THE AFORESAID THIRTY (30) DAY PERIOD ANY DETERMINATION BY LANDLORD'S ELECTRICAL CONSULTANT, OR TENANT SHALL FAIL TO COMPLY WITH ANY OTHER TIME PERIOD SET FORTH IN THIS SECTION 3.D (E.G., THE THIRTY (30) DAY PERIOD TO DELIVER TENANT'S OWN DETERMINATION AS AFORESAID), TIME BEING OF THE ESSENCE, TENANT SHALL HAVE IRREVOCABLY AND CONCLUSIVELY WAIVED THE RIGHT TO DISPUTE THE RELEVANT DETERMINATION. The fact that Landlord's electrical consultant is or has been employed by or is or has been retained by Landlord or Landlord's affiliates to perform services for it or them (and irrespective of however long such relationship may have existed), shall not be a reason to dispute (or be a defense to) any determination made by such Landlord's electrical consultant or disqualify Landlord's consultant from performing any act or service contemplated by this Article 3.

d. As a condition to Tenant's right to initiate and maintain any such dispute of any such determination, bill or charge made or rendered by or for the benefit of Landlord, Tenant shall pay to Landlord the amount of Additional Rent in accordance with the determinations made by Landlord's Electrical Consultant or pursuant to any other Landlord's bill until any such dispute has been finally determined in accordance with procedures specified in this Section 3.D. If the controlling determinations differ from Landlord's Electrical Consultant or Landlord's bill or charge, then the parties shall promptly make adjustment for any deficiency owed by Tenant or overage paid by Tenant. Notwithstanding anything to the contrary contained herein, Tenant shall not have the right to initiate any dispute hereunder during the period that a monetary default or material non-monetary default has occurred and is continuing beyond the expiration of any applicable notice and cure periods.

e. At the option of Landlord, Tenant agrees to purchase from Landlord or its agents all lamps and bulbs used in the Premises and to pay for the cost of installation thereof. If and to the extent required due to Tenant's negligence, willful misconduct or misuse thereof, Tenant shall also pay as Additional Rent hereunder all sums incurred by Landlord to install, repair, maintain or replace any meter or sub-meter serving the Premises. If all or part of the submetering Additional Rent payable in accordance with this Article 3 becomes uncollectable or reduced or refunded by virtue of any Requirements, the parties agree that, at Landlord's option, in lieu of submetering Additional Rent, and in consideration of Tenant's use of the Building's electrical distribution system and receipt of redistributed electricity and payment by Landlord of consultants' fees and other redistribution costs,

the Fixed Annual Rent shall be increased by an "alternative charge" which shall be an amount equal to the average cost per rentable square foot of the Premises per year, as was paid by Tenant for electricity on a submetered basis during the immediately preceding twelve (12) month period (unless Tenant was not operating its business in the Premises for the duration of the immediately preceding twelve (12) month period, in which case, the aforesaid "alternative charge" shall be an amount equal to the average cost per rentable square foot as was paid for comparable sized office tenants in comparable industries during the immediately preceding twelve (12) months) which amount shall be increased in the same percentage as any increases in the actual cost to Landlord for electricity for the entire Building subsequent thereto because of electric rate or service classification or market price changes, as hereinabove provided. Notwithstanding anything herein set forth to the contrary, Additional Rent under this Article 3 shall commence on the date that Landlord tenders possession of the Premises to Tenant

f. Subject to Article 22 and Section 42.G. hereof, Landlord shall not be liable to Tenant for any failure or defect in the supply or character of electricity furnished to the Building, except to the extent that such failure or defect results from Landlord's negligence or willful misconduct. Tenant covenants and agrees that at all times its use of electric current shall never exceed (x) the Maximum Capacity or (y) the capacity of existing feeders to the Building or the risers or wiring installation. Tenant agrees not to connect any additional electrical equipment to the Building electric distribution system which shall increase consumption or demand beyond the Maximum Capacity, and the capacity and rating of the electrical system directly servicing the Premises. The parties acknowledge that they understand that it is anticipated that electric rates, charges, etc., may be changed by virtue of time-of-day rates, or other methods of billing, electricity purchases and the redistribution thereof, and fluctuations in the market price of electricity, and that the references in the foregoing paragraphs to changes in methods of or rules on billing are intended to include any such change. Notwithstanding anything to the contrary contained in this Section 3.D, in no event is the submetering Additional Rent, or any "alternative charge", to be less than an amount equal to the total of Landlord's payments to public utilities and/or others for the electricity consumed by Tenant (and any taxes on Landlord's purchase of the same or on redistribution of same) plus five (5%) percent.

g. Notwithstanding anything to the contrary contained in this Lease, Landlord reserves the right to terminate the furnishing of electricity on a submetering basis, at any time upon at least thirty (30) days' prior notice, if and to the extent required by applicable Requirements, in which event Tenant shall make application directly to the public utility and/or other providers for Tenant's entire separate supply of electric current and Landlord shall permit its wires and conduits, to the extent available and safely capable, to be used for such purpose and only to the extent of Tenant's then authorized connected load. Any meters, risers, or other equipment or connections necessary to enable Tenant to obtain electric current directly from such utility shall be installed at Tenant's sole cost and expense, subject to and in accordance with all applicable provisions of this Lease; it being expressly understood that Landlord shall have no obligations or liability with respect to any such meters, risers, or other equipment or connections. Only rigid conduit or electricity metal tubing (EMT) will be allowed. If Landlord is required by any Requirement to discontinue furnishing electricity to the Premises as contemplated by this Lease, then this Lease shall continue in full force and effect and shall be unaffected thereby, except that from and after the effective date of any such Requirement or such later date that Landlord discontinues providing electricity to Tenant, as the case may be, (x) Landlord shall not be obligated to furnish electricity to the Premises, and (y) Tenant shall not be obligated to pay to Landlord the charges for electricity as described in this Article 3. Landlord shall provide Tenant with notice at least thirty (30) days prior to the effective date of any such Requirement. Landlord shall not discontinue furnishing electricity to the Premises as contemplated by this Section 3.D(v) (to the extent permitted by applicable Requirements) until Tenant obtains electric service directly from the utility company; it being understood, however, that Tenant shall use Tenant's diligent efforts to obtain electricity for the Premises directly from the utility company as contemplated herein.

h. Landlord may, from time to time, following the expiration of the thirty sixth (36th) full month of the Term (but not more frequently than one (1) time in any twelve (12) month period), cause Landlord's Electrical Consultant to determine Tenant's actual electrical requirements for the Premises over the twelve (12) months immediately preceding each such determination. If Landlord's Electrical Consultant shall determine that Tenant's maximum demand at any time shall not have exceeded the Maximum Capacity (the difference between the Maximum Capacity and such highest demand being the "excess electrical capacity"), then Landlord may, in its sole discretion and at its sole cost and expense, at any time following the thirtieth (30th) day after giving Tenant written notice (hereinafter referred to as the "Electric Recapture Notice") of Landlord's intent to do so, reduce the available electric service to the Premises so that the electric service to be provided to the Premises shall be not less

(but need not be more) than the capacity represented by the highest demand recorded or determined to have been required by Tenant in the Premises during such previous twelve (12) month period, unless Tenant shall have objected to such reduction in the manner hereinafter provided within such thirty (30) day period, time being of the essence. The Electric Recapture Notice shall be (a) given not later than six (6) months following the determination of such excess electrical capacity for the Premises and (b) accompanied by an explanation in reasonable detail of how the determination of such excess electrical capacity was made. Any objection to such reduction of all or any portion of excess electrical capacity shall be in writing specifying in reasonable detail the reasons for such objection, including, without limitation, calculations of Tenant's electrical requirements prepared by a licensed electrical engineer ("Capacity Notice"). Any such dispute shall be resolved pursuant to the dispute resolution provisions of Section 3.D.(i) above. If it then shall be determined that excess electrical capacity exists and the Capacity Notice fails to demonstrate Tenant's need for all or a portion of such excess electrical capacity in the succeeding twelve (12) month period, then Landlord, at Landlord's expense, may then take such steps as it deems appropriate to effect such reduction in electric service. Such reduction may be effected by Landlord replacing or otherwise changing any component of the electrical system serving the Premises, at Landlord's sole cost and expense. From and after the date of such reduction, the Maximum Capacity shall be deemed reduced by the excess electrical capacity recaptured pursuant to this Section 3(D)(vi) for all purposes of this Lease; provided, however, that if Tenant subsequently demonstrates to Landlord's reasonable satisfaction (as evidenced by a load letter on Landlord's standard form thereof prepared by an electrical consultant reasonably acceptable to Landlord) that it requires electrical capacity in excess of that then being provided by Landlord to Tenant, then Landlord, at Landlord's sole cost and expenses, shall again make available to Tenant the additional electricity demonstrated by Tenant to be required by it, subject, however, to the Maximum Capacity that Landlord has agreed to provide pursuant to this Article 3. Tenant acknowledges that the purpose of this subsection (vi) is to foster conservation of electric consumption in the Building and to reserve electric capacity in the Building for future planning and leasing and that Landlord's recapturing such excess capacity is a reasonable means to accomplish such goals. Notwithstanding anything contained herein to the contrary, if at any time the electrical service available to the Premises shall exceed the Maximum Capacity, Landlord may at any time (without being subject to dispute and irrespective of Tenant's actual use or peak demand) reduce the electric service available to the Premises; provided that the electric service shall not be less than the Maximum Capacity. If such required electric service shall also result in excess electrical capacity, Landlord may further reduce such electric service pursuant to the terms of the preceding provisions of this subsection (vi). Nothing contained in this Section 3.D.(vi) (including, without limitation, references herein to excess electrical capacity) shall be construed to grant Tenant permission or any rights to use any electrical capacity in excess of the Maximum Capacity.

i. Tenant acknowledges that amounts payable pursuant to this Article 3 are not intended merely to reimburse Landlord for Landlord's actual costs.

j. Notwithstanding anything herein set forth to the contrary, if permitted by Requirements, Landlord may (x) contract separately with one or more other providers to provide one or more of the component services which together make up the entire package of electric service (e.g., transmission, generation, distribution and ancillary services) to the Building or (y) make other arrangements to transmit, generate and/or distribute electricity to satisfy all or a portion of the requirements of the Building (any such other provider or Landlord (or Landlord's designee), if Landlord makes such arrangements, as the case may be, is hereinafter referred to as an "Alternative Service Provider"); provided, however, that in either event, (i) the charges imposed by such Alternative Service Provider shall be included in the calculation of Landlord's Electricity Consumption Cost and Landlord's Electricity Demand Cost to the extent that such charges do not exceed the charges that Landlord would have otherwise incurred if Landlord had made arrangements to satisfy all of the Building's electrical requirements from a local electrical energy distribution company and a competitive energy provider (such costs that Landlord would have otherwise incurred "Market Electricity Costs"); it being understood and agreed, however that to the extent such Alternative Service Provider reduces Landlord's Cost below Market Electricity Costs, Landlord shall have the right to bill Tenant and Tenant shall continue to pay to Landlord, the Market Electricity Costs, i.e., Landlord shall have no obligation to pass through such savings to Tenant pursuant to this Article 3 and (ii) references throughout this Lease to "utility company" or the "public utility" shall be deemed to refer to such Alternative Service Provider. If Landlord elects to contract with another Alternative Service Provider, Tenant shall cooperate with Landlord and each such Alternative Service Provider, at no additional cost or expense to Tenant, to effect any change to the method or means of providing and distributing electricity service to the Premises or any other portion of the Building by reason of such change in the provision of electricity. Such cooperation shall

include but not be limited to providing Landlord or any such Alternative Service Provider and either of their respective designees access to the Premises and to all wiring, conduit, lines, feeders, cable, electricity panel boxes and any other component of the electrical distribution system within or adjacent to the Premises. Subject to Article 22 and Section 42.G. hereof, Landlord shall not be liable to Tenant for any loss or damage or expense which Tenant may sustain or incur if such change shall interfere with Tenant's business except to the extent that loss or damage or expense results from Landlord's negligence or willful misconduct, nor shall any such interference, change, interruption, constitute an actual or constructive eviction of Tenant.

k. Landlord reserves the right to install a separate submeter or submeter(s) on any high electrical load consuming equipment (e.g. heavy server loads connected to an uninterrupted power supply) to separately measure Tenant's demand for and consumption of electricity in connection therewith; it being understood, that if any such separate submeter is required, Landlord shall notify Tenant thereof and thereafter, Landlord shall install the same, at Tenant's sole cost and expense, and Tenant shall reimburse Landlord for all of Landlord's actual out-of-pocket costs incurred in connection therewith within thirty (30) days following receipt of Landlord's invoice therefor. For the avoidance of any doubt, Tenant shall continue to pay for Tenant's demand for and consumption of electricity in connection with any such high electrical load consuming equipment as contemplated in Section 3.C. hereof.

4. ASSIGNMENT AND SUBLETTING

a. Tenant, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns, expressly covenants that it shall not assign, mortgage or encumber this Lease, nor underlet, or suffer or permit the Premises or any part thereof to be used or occupied by others, without the prior written consent of Landlord in each instance, which consent Landlord may withhold for any or no reason whatsoever, subject however, to the provisions of Sections 4.D. hereof and the other provisions of this Article 4. Subject to Section 4.H. hereof, the direct or indirect transfer of the beneficial or record ownership of (i) a majority of the issued and outstanding capital stock of any corporate tenant or subtenant of this Lease or (ii) a majority of the total equity or voting interests or rights in any partnership or limited liability company tenant or subtenant or any other form of entity or organization, however accomplished, and whether in a single transaction or in a series of related or unrelated transactions, or the conversion of a tenant or subtenant entity to another form of entity, including, without limitation, a limited liability company or a limited liability partnership, or any transfer of Control (as hereinafter defined) of any entity shall, in each case, be deemed an assignment of this Lease or of such sublease. Notwithstanding the foregoing to the contrary, the transfer of outstanding capital stock of any corporate tenant, for purposes of this Article, shall not include any sale of such stock effected through the "overthecounter market" or through any recognized stock exchange by persons other than those deemed "insiders" within the meaning of the Securities Exchange Act of 1934 as amended. Subject to Section 4.I hereof, the merger or consolidation of a tenant or subtenant, whether a corporation, partnership, limited liability company or other form of entity or organization, shall be deemed an assignment of this Lease or of such sublease. If this Lease be assigned, or if the Premises or any part thereof be underlet or occupied by anybody other than Tenant, Landlord may, after default by Tenant, collect rent from the assignee, undertenant or occupant, and apply the net amount collected to the Rental herein reserved, but no assignment, underletting, occupancy or collection shall be deemed a waiver of the provisions hereof, the acceptance of the assignee, undertenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. Any agreement pursuant to which (x) Tenant is relieved from the obligation to pay, or a third party agrees to pay on Tenant's behalf, all or a part of the Fixed Annual Rent or Additional Rent under this Lease, and/or (y) such third party undertakes or is granted any right to assign or attempt to assign this Lease or sublet or attempt to sublet all or any portion of the Premises, shall be deemed an assignment of this Lease or a sublease, as applicable, which shall be subject to the provisions of this Article 4. The consent by Landlord to an assignment or underletting shall not in any way be construed to relieve Tenant from obtaining the express consent in writing of Landlord to any further assignment or underletting. Except as otherwise expressly set forth herein, in no event shall any permitted subtenant assign or encumber its sublease or further sublet all or any portion of its sublet space, or otherwise suffer or permit the sublet space or any part thereof to be used or occupied by others. Any modification, amendment or extension of a sublease (other than a modification or amendment made merely to document the exercise a right granted under the sublease) shall be deemed a sublease and shall be subject to Landlord's consent in accordance with this Section 4; provided however, that no such modification or amendment shall be subject to Section 4(B) below except if such modification relates to the subleasing of additional portions of the Premises that are not originally the subject of such sublease. In addition No assignment or subletting shall be

made by the legal representatives of Tenant or by any person to whom Tenant's interest under this Lease passes by operation of law, except in compliance with the provisions of this Article 4. For the purposes of this Article, an "interest" shall mean an estate, license, easement, use, profit or other claim with respect to real property or a right to participate, directly or indirectly, through one or more intermediaries, nominees, trustees or agents, in the decision making respecting any entity or other organization.

b.

a. Except as otherwise expressly set forth in Sections 4.F, G, H and I hereof, if Tenant desires to assign this Lease or to sublet all or any portion of the Premises, it shall first submit in writing to Landlord the documents described in Section 4.C below, and shall offer in writing, (a) with respect to a prospective assignment, to terminate this Lease without any payment of moneys or other consideration therefor except as provided herein, or, (b) with respect to a prospective subletting, to sublet to Landlord (or its designee) the portion of the Premises involved (hereinafter referred to as the "Leaseback Area") for the term specified by Tenant in its proposed sublease (subject to the last sentence of this Section 4.B.(i)), and at Tenant's proposed sublease rental (including provisions relating to escalation rents), and in each case, on the same terms, covenants and conditions, as are contained herein and as are allocable and applicable to the portion of the Premises to be covered by such subletting. The offer shall specify the date when the Leaseback Area will be made available to Landlord (or its designee), which date shall be in no event earlier than sixty (60) days nor later than one hundred eighty (180) days following the acceptance of the offer.

b. Landlord shall have a period of thirty (30) days from the receipt of such offer to either accept or reject the same; it being understood and agreed, however, that the aforesaid time period shall not commence unless and until Landlord has received all documents and information required under Section 4.C. below. If Landlord shall accept such offer Tenant shall then execute and deliver to Landlord, or to anyone designated or named by Landlord, (A) a termination agreement in a form reasonably satisfactory to Landlord and Tenant (in the case of a proposed assignment of this Lease) or (B) a sublease in a form reasonably satisfactory to Landlord and Tenant, and which is subject to the terms of Section 4.B.(iii) hereof.

c. If a sublease with Landlord or its designee is so made it shall expressly:

i. permit Landlord or its designee, at Landlord's option, to make further subleases of all or any part of the Leaseback Area and to make and authorize any and all changes, alterations, installations and improvements in such space as necessary or desirable, including, without limitation, the changes, alterations, installations and improvements if any, that the proposed sublease contemplated would be made to prepare the Premises (or the applicable portion thereof involved in the proposed sublease) for the transferee's initial occupancy or otherwise (such changes, alterations, installations and improvements contemplated in the proposed sublease, the "Proposed Sublease Alterations");

ii. provide that Tenant will at all times permit reasonably appropriate means of ingress to and egress from the Leaseback Area;

iii. negate any intention that the estate created under such sublease be merged with any other estate held by either of the parties;

iv. provide that Landlord (or its designee) shall accept the Leaseback Area "as is" except that Landlord (or its designee), at Tenant's expense, shall perform all such work and make all such Alterations (as hereinafter defined) (the "Sublease Separation Work") as may be required (i) to physically separate the Leaseback Area from the remainder of the Premises (including, without limitation, separation of building systems and associated wiring, duct work and piping) and to permit lawful occupancy and (ii) if applicable, to make the floor properly and legally usable as a multi-tenanted floor, including, without limitation, any work needed to restore public corridors and bathrooms (using Building standard fixtures and finishes), except to the extent Tenant otherwise pays Landlord for the cost of such work, as contemplated in Section 4.B.(ii) hereof, in which event Landlord shall perform such work, at Landlord's own cost and expense, and

v. provide that at the expiration of the term of such sublease, Tenant will accept the Leaseback Area in its then existing condition "as-is", casualty and ordinary wear and tear excepted and subject to the obligations of Landlord (or its designee) to restore only those changes, alterations, installations and improvements other than the Proposed Sublease Alterations, if any, made by Landlord or its designee; provided, however, except with respect to the Sublease Separation Work (which shall be restored by Tenant at the end of the Term if Landlord provides Tenant with notice of such required restoration prior to the performance of such work), in no event shall Tenant be required to remove or restore any changes, alterations, installations or improvements at the end of the Term of this Lease that were made by Landlord or anyone claiming by, through or under Landlord with respect to the Leaseback Area.

d. Subject to the foregoing, performance by Landlord, or its designee, under a sublease of the Leaseback Area shall be deemed performance by Tenant of any similar obligation under this Lease and any default under any such sublease shall not give rise to a default under a similar obligation contained in this Lease, nor shall Tenant be liable for any default under this Lease or deemed to be in default hereunder if such default is occasioned by or arises from any act or omission of the subtenant under such sublease or is occasioned by or arises from any act or omission of any occupant holding under or pursuant to any such sublease. During the term of any such sublease of the Leaseback Area, if and to the extent that Landlord or its designee, as subtenant, fails to pay to Tenant any amount that the subtenant is required to pay to Tenant pursuant the applicable sublease agreement after the expiration of any applicable notice and cure periods, then Tenant shall have the right to give Landlord or its designee a second notice advising that such amounts are due and payable and expressly referencing this Section 4.B.(iv) and if Landlord or its designee shall fail to make the applicable payment within five (5) Business Days after receipt of such second notice and provided that such amounts are not subject to dispute, Tenant shall have the right to credit such amounts against the then next installment(s) of Base Rent payable by Tenant under this Lease.

c. If Tenant requests Landlord's consent to an assignment or subletting to a specific party, or in any other circumstance where Tenant is required to provide the information described in this Section 4.C, Tenant shall submit in writing to Landlord (i) the name and address of the proposed assignee or subtenant, (ii) a duly executed counterpart of the proposed agreement of assignment or sublease, (iii) reasonably satisfactory information as to the nature and character of the business of the proposed assignee or subtenant, and as to the nature of its proposed use of the space, (iv) a detailed calculation confirming the amount of profit, if any, that the applicable sublease or assignment is expected to generate as contemplated in Section 4.J. hereof, or in the alternative, written certification that the applicable sublease or assignment will not generate any such profit and (v) banking, financial or other credit information relating to the proposed assignee or subtenant reasonably sufficient to enable Landlord to determine the financial responsibility and character of the proposed assignee or subtenant.

d. Notwithstanding anything to the contrary set forth herein, if Landlord shall not have accepted Tenant's offer, as provided in Section 4.B hereof, then Landlord shall not unreasonably withhold, condition or delay its consent to a specific assignment or subletting proposed to be consummated directly by Tenant provided that:

a. any such sublease expressly provides that the subtenant shall comply with all applicable terms and conditions of this Lease to be performed by Tenant hereunder and any assignment of this Lease shall contain an assumption by the assignee of all of the obligations of Tenant under this Lease;

b. Tenant shall not advertise (but may list with brokers) its space for assignment or subletting at a rental rate lower than the prevailing rental rate set by Landlord for comparable space in the Building, or, if there is no comparable space, the prevailing rental rate reasonably determined by Landlord;

c. the proposed subtenant or assignee or any Affiliate of the proposed subtenant or assignee, does not lease or occupy any space in the Building;

d. the proposed subtenant or assignee or any Affiliate of the proposed subtenant or assignee has not dealt with Landlord or its Affiliates or any agent thereof (directly or through a broker) with respect to space in the Building during the six (6) months immediately preceding Tenant's request for Landlord's consent unless Landlord does not then have, nor reasonably expect to have, within six (6) months thereafter, space available in the Building that is Reasonably Comparable to the Premises (or the portion thereof involved in the Transfer). In no

event shall Landlord have any obligation to consent to any proposed transferee with whom Landlord is then engaged in bona fide negotiations regarding leasing or subleasing of space in the Building. For purposes hereof, the term "Reasonably Comparable" shall mean that a particular space has a rentable area which does not vary from the rentable area of the Premises (or the portion thereof involved in the Transfer) by more than twenty-five (25%) percent;

e. intentionally omitted;

f. the proposed assignee or subtenant (or any Affiliate of the proposed subtenant or assignee) is not primarily engaged in the ownership, management, leasing, operation and/or development of commercial real estate;

g. no monetary or material non-monetary default has occurred and is then continuing beyond the expiration of any applicable notice and cure periods;

h. the proposed subtenant or assignee will operate its business in the Premises in a manner which is in keeping with the standards and the general character of the Building and the business of such proposed subtenant or assignee will not violate any then existing restrictive covenant or use restriction contained in any lease or other agreement affecting the Building;

i. if the proposed transfer is a sublease, (y) the proposed transfer will not result in more than two (2) occupants (including Tenant) occupying the Premises located on the 17th Floor, and (z) the proposed transfer will not result in more than three (3) occupants (including Tenant) occupying the Premises located on the 18th Floor;

j. the proposed assignee or subtenant has a financial standing that is reasonably satisfactory to Landlord;

k. if the proposed transfer is a sublease, the sublease term shall expire at least one (1) day prior to the Fixed Expiration Date;

l. the proposed assignee or subtenant will not use the Premises for any use other than the uses expressly permitted pursuant to Article 1 hereof;

m. any sublease shall provide that such sublease is subject and subordinate to the terms of this Lease and if this Lease is terminated for any reason whatsoever, Landlord, at Landlord's option may take over all of the right, title and interest of the transferor under the sublease and the transferee, at Landlord's option, shall attorn to Landlord and perform for Landlord’s benefit all the terms, covenants and conditions of such sublease as if such sublease were a direct lease between Landlord and such subtenant provided however, Landlord shall not be (1) liable for any act or omission of the transferor under such sublease (except for any such acts or omissions that (x) continue after the date that Landlord succeeds to the interest of the transferor under such sublease, and (y) may be remedied by providing a service or performing a repair), (2) subject to any defense or offsets which the transferee may have against the transferor that accrue prior to the date that Landlord succeeds to the interest of the transferor, (3) bound by any previous payment that the transferee made to the transferor more than thirty (30) days in advance of the date that such payment was due, (4) bound by any obligation to make any payment to or on behalf of the transferee that accrues prior to the date that Landlord succeeds to the interest of the transferor under such sublease, (5) bound by any obligation to perform any work or to make improvements to the Premises, or the applicable portion thereof demised by such sublease (other than the obligation to perform maintenance, repairs or restoration that in each case first becomes necessary from and after the date that Landlord succeeds to the interest of the transferor under such sublease), (6) bound by any amendment or modification of such sublease made without Landlord's consent (it being agreed that no such consent shall be required pursuant to this subclause (6) for any amendment or modification of such sublease expressly contemplated in the terms of such sublease previously approved by Landlord (e.g., a renewal right), and (7) bound to return the transferee's security deposit, if any, until such deposit has come into Landlord's actual possession and the transferee is entitled to such security deposit pursuant to the terms of such sublease (the requirements of a proposed sublease as set forth in this Section 4.D.(xiii) being collectively referred to herein as the "Basic Sublease Provisions"). If this Lease shall be rejected pursuant to Section 365 of the Bankruptcy Code (as hereinafter defined) or any similar or successor statute, such

rejection shall be treated by the subtenant as a termination of the Term notwithstanding any contrary interpretation given by law to such rejection and the provisions of this Section 4.D.(xiii) shall be applicable thereto; and

n. the applicable transferor and transferee executes and delivers to Landlord a consent to the applicable sublease or assignment in a form reasonably designated by Landlord.

c. Notwithstanding anything to the contrary set forth in this Lease, no assignment of less than all of Tenant's interest in this Lease shall be permitted under any circumstance.

f. Notwithstanding anything to the contrary contained herein (but subject to the provisions of Sections 4.E. above and 4.R. below), Tenant shall have the right to assign Tenant's entire interest under this Lease to an Affiliate of Tenant without (i) Landlord's prior approval, (ii) Landlord having the rights set forth in Section 4.B. above (offer back provisions) and (iii) Tenant being required to pay the amounts set forth in Section 4.J below (profit sharing), provided that in each case (w) no monetary or material non-monetary default has occurred and is then continuing as of the effective date of any such assignment, (x) Tenant gives notice thereof to Landlord, not later than the tenth (10th) Business Day prior to the effective date of any such assignment together with an instrument, duly executed by Tenant and the aforesaid Affiliate, in form reasonably satisfactory to Landlord, to the effect that such Affiliate assumes all of the obligations of Tenant under this Lease to the extent arising from and after the effective date of such assignment, and (y) Tenant, together with the copy of such assignment, provides Landlord with evidence that such entity constitutes an Affiliate of Tenant. The term "Affiliate" shall mean an individual or an entity that (A) Controls, (B) is under the Control of, or (C) is under common Control with, the individual or entity in question. The term "Control" shall mean the direct or indirect ownership of more than fifty percent (50%) of the outstanding voting stock of a corporation or other majority equity interest if not a corporation and the possession of power to direct or cause the direction of the management and policy of such corporation or other entity, whether through the ownership of voting securities, by statute or by contract. The term "Net Worth Requirement" shall mean the requirement that Tenant has provided to Landlord, not later than the tenth (10th) Business Day prior to the effective date of the applicable assignment (subject to subclause (x) of Section 4.I. hereof), a balance sheet for Tenant and the assignee that in either case is dated no earlier than the last day of the most recently ended fiscal quarter (or the last day of the fiscal quarter that immediately precedes the most recently ended fiscal quarter, if the applicable assignment occurs less than sixty (60) days after the last day of the most recently ended fiscal quarter) that is either audited or certified by the chief financial officer of the Tenant or the assignee (as applicable) (or, if Tenant or the assignee does not have a chief financial officer, an executive level officer whose job responsibilities include primary oversight of the preparation of financial statements) and that reflects that the assignee's tangible net worth immediately following the effective date of the proposed assignment, as determined in accordance with GAAP, is (or will be immediately following the effective date of the proposed assignment) equal to or greater than the tangible net worth of Tenant on the Commencement Date.

g. Notwithstanding anything to the contrary contained herein (but subject to the provisions of Sections 4.D.(ix), 4.E. above and 4.R. and 4.S. below), Tenant shall have the right to sublease or license the Premises to an Affiliate of Tenant, without (i) Landlord's prior approval, (ii) Landlord having the rights set forth in Section 4.B. above (offer back provisions) and (iii) Tenant being required to pay the amounts set forth in Section 4.J below (profit sharing), provided that in each case, (v) if Tenant subleases or licenses only a portion of the rentable area of the Premises to an Affiliate and erects a demising wall in connection therewith, the provisions of Section 4.D.(ix) are satisfied in connection therewith, (w) no monetary or material non-monetary default has occurred and is then continuing as of the effective date of any such sublease or license, as the case may be, (x) Tenant gives to Landlord a copy of such sublease or license, not later than the tenth (10th) Business Day prior to the effective date of any such sublease or license, (y) Tenant, with such copy of such sublease or license, provides Landlord with reasonable evidence to the effect that the Person to which Tenant is so subleasing or licensing the Premises constitutes an Affiliate of Tenant, and (z) such sublease includes the Basic Sublease Provisions.

h. Notwithstanding anything to the contrary contained herein (but subject to the provisions of Sections 4.E. above and 4.R. below), the assignment of Tenant's entire interest under this Lease in connection with the sale of all or substantially all of the assets of Tenant shall be permitted without (i) Landlord's prior approval, (ii) Landlord having the rights set forth in Section 4.B. above (offer back provisions) and (iii) Tenant being required to pay the amounts set forth in Section 4.J below (profit sharing), provided that in each case (w) no monetary or material non-monetary default has occurred and is then continuing as of the effective date of any such assignment, (x) Tenant gives notice thereof to Landlord, not later than the tenth (10th) Business Day prior to the date of any such

assignment is consummated, together with an instrument, duly executed by the Tenant and such assignee, in form reasonably satisfactory to Landlord, to the effect that such assignee assumes all of the obligations of Tenant to the extent arising under the Lease from and after the effective date of such assignment, (y) such sale of all or substantially all of the assets of Tenant is not principally for the purpose of transferring Tenant's interest in this Lease, and (z) the Net Worth Requirement is satisfied.

i. Notwithstanding anything to the contrary contained herein (but subject to the provisions of Sections 4.E. above and 4.R. below), the merger or consolidation of Tenant into or with another Person shall be permitted without (i) Landlord's prior approval, (ii) Landlord having the rights set forth in Section 4.B. above (offer back provisions) and (iii) Tenant being required to pay the amounts set forth in Section 4.J below (profit sharing), provided that in each case (w) no monetary or material non-monetary default has occurred and is then continuing as of the effective date of any such merger or consolidation, (x) Tenant gives Landlord notice of such merger or consolidation not later than the tenth (10^{th}) Business Day prior to the date such merger or consolidation is anticipated to be consummated (unless prohibited by Requirements, in which case, Tenant shall give notice to Landlord of such merger or consolidation no later than the fifth (5^{th}) Business Day following the date such merger or consolidation is consummated), (y) such merger or consolidation is not principally for the purpose of transferring Tenant's interest in this Lease, and (z) except with respect to a transfer to an Affiliate of Tenant, the Net Worth Requirement is satisfied; it being understood and agreed that the surviving entity shall be deemed the assignee for all purposes of the Net Worth Requirement and the merger or consolidation, as the case may be, shall be deemed the assignment.

j. If Landlord shall not have accepted any required Tenant's offer pursuant to Section 4.B and if Tenant effects any assignment or subletting, then except as otherwise expressly set forth herein, Tenant thereafter shall pay to Landlord a sum equal to fifty percent (50%) of (i) any rent or other consideration (including, without limitation, sums for fixtures, furniture, equipment and other personal property in excess of the fair market value thereof) paid to Tenant by any subtenant or assignee with respect to the Premises (or the applicable portion thereof) and/or with respect to the use and occupancy of the Premises (or the applicable portion thereof) which (after deducting the reasonable out-of-pocket costs, if any, in effecting the assignment or sublease, including reasonable alteration costs, commissions and legal fees, which costs shall be amortized on a straight line basis over the term of the sublease or then remaining term of this Lease if the applicable transfer is an assignment) is in excess of the Rental allocable strictly on a *per* square foot basis (calculated by dividing aggregate consideration by the number of rentable square feet in the area so subleased, without regard to any other allocation of value, which is then being paid by Tenant to Landlord pursuant to the terms hereof with respect to the same area, allocable strictly on a *per* square foot basis utilizing the same methodology which Landlord is then using in the Building to determine space measurements), and (ii) any other net profit or gain realized by Tenant from any such subletting or assignment. All sums payable hereunder by Tenant shall be payable to Landlord as Additional Rent upon receipt thereof by Tenant. Tenant hereby expressly acknowledges and agrees that all assignments and sublettings (and all related transactions with any assignee or subtenant or their affiliates) shall be structured in a manner that shall not be a subterfuge solely or primarily for purposes of decreasing the amounts payable by Tenant to Landlord hereunder.

k. Notwithstanding any subletting to any subtenant (other than a subletting to Landlord or its designee pursuant to Section 4.B) and/or acceptance of Rental by Landlord from any subtenant, Tenant shall and will remain fully liable for the payment of the Fixed Annual Rent, Additional Rent and any other charge due and to become due hereunder and for the performance of all of the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be observed and performed and for all of the acts and omissions of any licensee, subtenant, or any other person claiming under or through any subtenant that shall be in violation of any of the obligations of this Lease, and any such violation shall be deemed to be a violation by Tenant.

l. Tenant covenants that, notwithstanding any assignment or transfer whether or not in violation of the provisions hereof, and notwithstanding the acceptance of Fixed Annual Rent and/or Additional Rent by Landlord from an assignee, transferee or any other party, Tenant shall not be released and shall remain fully liable for the payment of the Rental and for the other obligations of this Lease on the part of Tenant to be performed or observed.

m. If Landlord shall decline to give consent to any proposed assignment or sublease, or if Landlord shall exercise any of Landlord’s rights under Section 4.B of this Article, Tenant shall indemnify, defend and hold Landlord harmless from and against any and all losses, liabilities, costs and expenses (including reasonable attorneys’ fees) resulting from any claims that may be made against Landlord by the proposed assignee or subtenant or by any brokers or other persons claiming a commission or similar compensation in connection with the proposed

assignment or sublease. This provision shall survive the expiration or sooner termination of the Term. Tenant shall pay to Landlord on demand Landlord's reasonable, out-of-pocket costs (including, without limitation, reasonable architectural, engineering and legal fees) incurred in connection with reviewing Tenant's request for any such consent, which costs shall not exceed $5,000.00 in connection with any particular request for consent.

n. The joint and several liability of Tenant and any immediate or remote successor in interest to Tenant, and the due performance of the obligations of this Lease on Tenant's part to be performed or observed, shall not be discharged, released or impaired in any respect by any agreement or stipulation made by Landlord extending the time of, or modifying any of the obligations of, this Lease, or by any waiver or failure of Landlord to enforce any of the obligations of this Lease.

o. Neither the listing of a name other than that of Tenant named herein, whether on the doors of the Premises, the Building directory or otherwise, nor the issuance of an ID badge or Building pass, shall vest any right or interest in this Lease or the Premises, and shall not be deemed to be the consent of Landlord to any assignment or transfer of this Lease, to any sublease or licensing of the Premises, or to any use or occupancy thereof by anyone other than Tenant named herein.

p. Under no circumstance may this Lease be assigned or the Premises be sublet in whole or in part to a Prohibited Person (as defined in Article 47).

q. The term "Tenant" when used in this Article shall include the originally denominated Tenant and each proximate or remote assignee thereof or successor in interest thereto. Wherever in this Article Tenant or any other person is required to provide Landlord with banking, financial or other credit information such information shall include, without limitation, a balance sheet (in reasonable detail, listing all assets and liabilities and prepared in accordance with generally accepted accounting principles) of each relevant party to the transaction in question certified to Landlord by an independent certified public accountant.

r. Notwithstanding anything to the contrary contained herein, Tenant shall not, and Tenant shall not permit any other party permitted to occupy the Premises pursuant to this Article 4 to, enter into any lease, sublease, license, concession or other agreement for use or occupancy of the Premises or any portion thereof which provides for a rental or other payment for such use or occupancy based in whole or in part on the net income or profits derived by any Person from the property leased, occupied or used, or which would require the payment of any consideration that would not qualify as "rents from real property," as that term is defined in Section 856(d) of the Internal Revenue Code of 1986, as amended.

s. On or prior to the Expiration Date, Tenant shall, at Tenant's sole cost and expense, remove any demising walls erected in the Premises and any other Alterations made in connection with any sublease and repair any and all damage resulting from such removal; it being understood and agreed that any such work shall be performed subject to and in accordance with the provisions of this Article 4 and Article 8 hereof.

t. Tenant may permit portions of the Premises to be occupied, at any time and from time to time, by Persons who are not members, officers or employees of Tenant (each such Person who is permitted to occupy portions of the Premises pursuant to this Section 4.T. being referred to herein as a "Special Occupant"), without (i) Landlord's prior approval, (ii) Landlord having the rights set forth in Section 4.B. above (offer back provisions) and (iii) Tenant being required to pay the amounts set forth in Section 4.J above (profit sharing), provided that, in each case, (a) no demising walls are erected in the Premises separating the space used by a Special Occupant from the remainder of the Premises, (b) the Special Occupant uses the Premises in conformity with all applicable provisions of this Lease, (c) the use of any portion of the Premises by any Special Occupant shall not create any right, title or interest of the Special Occupant in or to the Premises, (d) the portion of the Premises used by all Special Occupants at any given time shall not exceed fifteen percent (15%) of the rentable area of the Premises, (e) such Person maintains a business relationship with Tenant (other than by virtue of such occupancy) and such business relationship extends during the term of such occupancy, (f) the Special Occupant does not pay for its occupancy rights an amount greater than the Rental that is reasonably allocable to the portion of the Premises that the Special Occupant has the right to occupy, (g) such arrangement with a Special Occupant shall terminate automatically upon the expiration or earlier termination of this Lease and (h) at least five (5) Business Days prior to a Special Occupant taking occupancy of a portion of the Premises, Tenant gives notice to Landlord advising Landlord of (1) the name and address of such Special Occupant, (2) the character and nature of the business to be conducted by such Special

Occupant, (3) the number of square feet of rentable area to be occupied by such Special Occupant, (4) the anticipated duration of such occupancy, and (5) the rent, if any, to be paid by such Special Occupant for its use of the applicable portion of the Premises. Within ten (10) Business Days after request by Landlord from time to time, Tenant shall provide Landlord with a list of the names of all Special Occupants then occupying any portion of the Premises and a description of the spaces occupied thereby.

5. INSOLVENCY & DEFAULT

a. This Lease shall terminate automatically upon the occurrence of any Insolvency Event (as hereinafter defined). The term "Insolvency Event" shall mean any of the following events: (i) a Tenant Obligor (as hereinafter defined) commences or institutes any case, proceeding or other action (a) seeking relief on its behalf as debtor, or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, or (b) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property; or (ii) a Tenant Obligor makes a general assignment for the benefit of creditors; or (iii) any case, proceeding or other action is commenced or instituted against a Tenant Obligor (a) seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, or (b) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, which in either of such cases (I) results in any such entry of an order for relief, adjudication of bankruptcy or insolvency or such an appointment or the issuance or entry of any other order having a similar effect, and (II) remains undismissed for a period of sixty (60) days; or (iv) any case, proceeding or other action is commenced or instituted against a Tenant Obligor seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which is not vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (v) a Tenant Obligor takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clauses (i), (ii), (iii), or (iv) above; or (vi) a trustee, receiver or other custodian is appointed for any substantial part of a Tenant Obligor's assets, and such appointment is not vacated or stayed within fifteen (15) Business Days. The term "Tenant Obligor" shall mean (a) Tenant, (b) any Person that comprises Tenant, (c) any Person that has guaranteed all or any part of the obligations of Tenant hereunder, and (d) any Person that previously constituted Tenant hereunder who has not been expressly released from its obligations under this Lease; provided that if a predecessor to Tenant is involved in an Insolvency Event, but Tenant is not, this Lease shall not be affected thereby, as long as Tenant’s tangible net worth, immediately following such Insolvency Event, as determined in accordance with GAAP, is substantially the same as it was on the date when such tenant originally became the tenant under this Lease and Tenant provides Landlord with evidence thereof which is reasonably acceptable to Landlord (within ten (10) Business Days following such Insolvency Event). If this Lease terminates pursuant to this Section 5.A, then (I) Tenant shall immediately quit and surrender the Premises, and (II) Tenant shall nonetheless remain liable for all of its obligations hereunder, as provided in Article 6 hereof.

b. If (i) Tenant is not the Person that constituted Tenant initially, and (ii) either (I) this Lease is disaffirmed or rejected pursuant to the Bankruptcy Code, or (II) this Lease terminates by reason of occurrence of an Insolvency Event, then, subject to the terms of this Section 5.B, the Persons that constituted Tenant hereunder previously, including, without limitation, the Person that constituted Tenant initially (each such Person that previously constituted Tenant hereunder (but does not then constitute Tenant hereunder) who has not been expressly released from its obligations under this Lease, and with respect to which Landlord exercises Landlord's rights under this Section 5.B, being referred to herein as a "Predecessor Tenant") shall (1) pay to Landlord the aggregate Rental that is then due and owing by Tenant to Landlord under this Lease to and including the date of such disaffirmance, rejection or termination, and (2) enter into a new lease, between Landlord, as landlord, and the Predecessor Tenant, as tenant, for the Premises, and for a term commencing on the effective date of such disaffirmance, rejection or termination and ending on the Fixed Expiration Date (or the last day of the Renewal Term, if such disaffirmance, rejection or termination occurs during the Renewal Term), at the same Fixed Annual Rent and upon the then executory terms that are contained in this Lease, except that (a) the Predecessor Tenant's rights under the new lease shall be subject to the possessory rights of Tenant under this Lease and the possessory rights of any Person claiming

by, through or under Tenant or by virtue of any statute or of any order of any court, and (b) such new lease shall require all defaults existing under this Lease to be cured by the Predecessor Tenant with reasonable diligence. Landlord shall have the right to require the Predecessor Tenant to execute and deliver such new lease on the terms set forth in this Section 5.B only by giving notice thereof to the Predecessor Tenant within thirty (30) days after Landlord receives notice of any such disaffirmance or rejection (or, if this Lease terminates by reason of Landlord making an election to do so, then Landlord may exercise such right only by giving such notice to the Predecessor Tenant within thirty (30) days after this Lease so terminates). If the Predecessor Tenant defaults in its obligation to enter into said new lease for a period of thirty (30) days following Landlord's request therefor, then, in addition to all other rights and remedies by reason of such default, either at law or in equity, Landlord shall have the same rights and remedies against such Predecessor Tenant as if such Predecessor Tenant had entered into such new lease and such new lease had thereafter been terminated as of the commencement date thereof by reason of such Predecessor Tenant's default thereunder. The term "Bankruptcy Code" shall mean 11 U.S.C. Section 101 et seq., or any statute of similar nature and purpose.

c. The term "Default" shall mean any of the following events: (i) if any installment of Fixed Annual Rent or Additional Rent or any other payment due hereunder is not paid when due and such failure continues for three (3) days after the date Landlord gives Tenant notice thereof; (ii) intentionally deleted; (iii) Tenant defaults in respect of Tenant's obligations under Section8.F.(ii) and such default continues for more than five (5) days following notice thereof; (iv) Tenant defaults in respect of any of Tenant's obligations under Sections 8.E.(iii), Article 9, and/or Article 13 hereof for which a time period is set forth therein to fulfill such obligation and such default continues for more than ten (10) days following notice thereof; (v) an Insolvency Event occurs; (vi) if Tenant's interest under this Lease (or a subtenant's interest under a sublease that Tenant consummates in accordance with Article 4 hereof) devolves upon or passes to any other Person, whether by operation of law, or otherwise, except as expressly permitted in Article 4 hereof, and such transfer is not reversed within twenty (20) days after the date such transfer occurs; (vii) intentionally omitted*;* (viii) if Tenant shall have made a material misrepresentation herein on which Landlord shall have relied to its detriment or the detriment of its affiliates; (ix) intentionally omitted; and/or (x) unless otherwise specified elsewhere in this Lease, if Tenant defaults in the observance or performance of any other covenant of this Lease on Tenant's part to be observed or performed and Tenant fails to remedy such default within thirty (30) days after Landlord gives Tenant notice thereof, except that if (a) such default cannot be remedied using reasonable diligence during such period of thirty (30) days, (b) Tenant takes reasonable steps during such period of thirty (30) days to commence Tenant's remedying of such default, and (c) Tenant diligently and continuously prosecutes Tenant's remedying of such default to completion, then a Default shall not occur by reason of such default. For all purposes of this Lease other than Section 5.D. and Article 6 hereof, the term "Default" as referred to in this Section 5.C. shall be deemed to include Tenant's failure to pay any item of Rental following receipt of a rent demand therefor and the lapse of any cure period specified therein.

d. If (i) a Default (other than an Insolvency Event) occurs, and Landlord, at any time thereafter, at Landlord's option, gives a notice to Tenant stating that this Lease and the Term shall expire and terminate on the third (3rd) Business Day after the date that Landlord gives Tenant such notice, or (ii) an Insolvency Event occurs, then this Lease and the Term and all rights of Tenant under this Lease shall expire and terminate as of the third (3rd) Business Day after the date that Landlord gives Tenant such notice, or on the date that the Insolvency Event occurs, as the case may be, without the need for any further act as if such date were the Fixed Expiration Date, and Tenant immediately shall quit and surrender the Premises, but Tenant shall nonetheless remain liable for all of its obligations hereunder, and Landlord may institute summary or other proceedings to repossess the Premises or re-enter and take possession of the Premises by any means permitted by law.

e. TENANT HEREBY EXPRESSLY WAIVES ITS RIGHT TO BRING A DECLARATORY JUDGMENT ACTION AND/OR TO SEEK INJUNCTIVE RELIEF WITH RESPECT TO ANY PROVISION OF THIS LEASE (EXCEPT AS EXPRESSLY PROVIDED IN ARTICLE 25 HEREOF) OR WITH RESPECT TO ANY NOTICE SENT PURSUANT TO THE PROVISIONS OF THIS LEASE. ANY BREACH OF THIS PARAGRAPH SHALL CONSTITUTE A BREACH OF SUBSTANTIAL OBLIGATIONS OF THE TENANCY, AND SHALL BE GROUNDS FOR THE IMMEDIATE TERMINATION OF THIS LEASE. IT IS FURTHER AGREED THAT IN THE EVENT ANY INJUNCTIVE RELIEF IS SOUGHT BY TENANT AND SUCH RELIEF SHALL BE DENIED, THE OWNER SHALL BE ENTITLED TO RECOVER THE COSTS OF OPPOSING SUCH AN APPLICATION, OR ACTION, INCLUDING ITS ATTORNEY’S FEES ACTUALLY INCURRED, IT IS

THE INTENTION OF THE PARTIES HERETO THAT ANY CLAIMS LANDLORD MAY HAVE AGAINST TENANT BE ADJUDICATED VIA SUMMARY PROCEEDINGS.

6. REMEDIES AND DAMAGES.

a. Tenant, on its own behalf and on behalf of all Persons claiming by, through or under Tenant, including all creditors, does hereby waive any and all rights which Tenant and all such Persons might have under any present or future law to redeem the Premises, or to re-enter or repossess the Premises, or to restore the operation of this Lease, after (i) Tenant has been dispossessed by a judgment or by warrant of any court or judge, or (ii) any re-entry by Landlord, or (iii) any expiration or termination of this Lease and the Term, whether such dispossess, re-entry, expiration or termination is by operation of law or pursuant to the provisions of this Lease. The words "re-enter," "re-entry" and "re-entered" as used in this Lease shall not be deemed to be restricted to their technical legal meanings.

b. In the event of a breach or threatened breach by Tenant, or any Persons claiming by, through or under Tenant, of any term, covenant or condition of this Lease, Landlord shall have the right to (i) enjoin or restrain such breach, (ii) invoke any other remedy allowed by law or in equity as if re-entry, summary proceedings and other special remedies were not provided in this Lease for such breach, and (iii) seek any declaratory, injunctive or other equitable relief, and specifically enforce this Lease.

c. If a Default occurs and this Lease and the Term terminate as provided in Article 5 hereof or by or under any summary proceeding or any action or proceeding, then in any of said events:

o. Tenant shall immediately quit and peacefully surrender the Premises to Landlord, and Landlord and its agents may, without prejudice to any other remedy which Landlord may have, (x) re-enter the Premises or any part thereof, without notice, either by summary proceedings, or by any other applicable action or proceeding, or by lawful force (without being liable to indictment, prosecution or damages therefor), (y) repossess the Premises and dispossess Tenant and any other Persons from the Premises, and (z) remove any and all of their property and effects from the Premises; and

p. Landlord, at Landlord's option, may relet the whole or any portion or portions of the Premises from time to time, either in the name of Landlord or otherwise, to such tenant or tenants, for such term or terms ending before, on or after the Fixed Expiration Date, at such rental or rentals and upon such other conditions, which may include concessions and free rent periods, as Landlord, in its sole discretion, may determine; provided, however, that Landlord shall have no obligation to relet the Premises or any part thereof and shall not be liable for refusal or failure to relet the Premises or any part thereof, or, in the event of any such reletting, for refusal or failure to collect any rent due upon any such reletting. Any such refusal or failure on Landlord's part shall not relieve Tenant of any liability under this Lease or otherwise affect any such liability. Landlord, at Landlord's option, may make such repairs, replacements, alterations, additions, improvements, decorations and other physical changes in and to the Premises as Landlord, in its sole discretion, considers advisable or necessary in connection with any such reletting or proposed reletting, without relieving Tenant of any liability under this Lease or otherwise affecting any such liability.

d. If this Lease and the Term shall terminate and come to an end as provided in Article 5 hereof, or by or under any summary proceeding or any other action or proceeding, then, in any of said events, then Tenant shall pay to Landlord, on demand, and Landlord shall be entitled to recover:

q. all Rental payable under this Lease by Tenant to Landlord (x) to the date that this Lease terminates, or (y) to the date of re-entry upon the Premises by Landlord, as the case may be;

r. the excess of (x) the Rental for the period which otherwise would have constituted the unexpired portion of the Term, over (y) the net amount, if any, of rents collected under any reletting effected pursuant to the provisions of clause (ii) of Section 6.C. hereof for any part of such period, but subject to Section 6.E. hereof (such excess being referred to herein as a "Deficiency"), as damages (it being understood and agreed that (I) such net amount described in clause (y) above shall be calculated by deducting from the rents collected under any such reletting all of Landlord's expenses in connection with the termination of this Lease, Landlord's re-entry upon the Premises and such reletting, including, but not limited to, all repossession costs, brokerage commissions, legal expenses, reasonable attorneys' fees and disbursements, alteration costs, contributions to work and other expenses of

preparing the Premises for such reletting, including without limitation, advertising expenses; (II) any such Deficiency shall be paid in monthly installments by Tenant on the days specified in this Lease for payment of installments of Fixed Annual Rent or Escalation Rent (as the case may be), and (III) Landlord shall be entitled to recover from Tenant each monthly Deficiency as it arises, and no action or proceeding to collect the amount of the Deficiency for any month shall prejudice Landlord's right to collect the Deficiency for any subsequent month by a similar action or proceeding); and

s. regardless of whether Landlord has collected any monthly Deficiency as aforesaid, and in lieu of any further Deficiency, as and for liquidated and agreed final damages, an amount equal to the excess (if any) of (x) the Rental for the period which otherwise would have constituted the unexpired portion of the Term (commencing on the date immediately succeeding the last date with respect to which a Deficiency, if any, was collected), over (y) the then fair and reasonable net effective rental value of the Premises for the same period (which is calculated by (I) deducting from the fair and reasonable rental value of the Premises the expenses that Landlord would reasonably expect to incur in reletting the Premises, including, but not limited to, all repossession costs, brokerage commissions, legal expenses, reasonable attorneys' fees and disbursements, alteration costs, contributions to work and other expenses of preparing the Premises for such reletting, and (II) taking into account the time period that Landlord would reasonably require to consummate a reletting of the Premises to a new tenant), both discounted to present value at the Base Rate. Any such valuation of the then fair and reasonable net effective rental value of the Premises made by Landlord which is based upon a valuation made by any of the ten (10) largest (as measured by gross leasable square feet for which leasing commissions were earned during the most recent calendar year preceding the date of Tenant’s default) brokerage/leasing companies in the City of New York shall be conclusive and binding upon Tenant and not subject to review by any court or arbitration panel.

e. If the Premises, or any part thereof, are relet together with other space in the Building, then the rents collected or reserved under any such reletting and the expenses of any such reletting shall be equitably apportioned for the purposes of Section 6.D hereof. In no event shall Tenant be entitled to a credit or repayment for re-rental income which exceed the sums payable by Tenant hereunder or which covers a period after the original Term. Nothing contained in this Article 6 shall be deemed to limit or preclude the recovery by Landlord from Tenant of the maximum amount allowed to be obtained as damages by any applicable statute or rule of law, or of any sums or damages to which Landlord may be lawfully entitled in addition to the damages set forth in Section 6.D hereof.

f. The exercise of any remedy under this Lease whether in this Article 6 or elsewhere shall not preclude Landlord from simultaneously therewith or subsequent thereto, exercising any and all other remedies permitted by law or in equity. Any and all such remedies are deemed to be cumulative and non-exclusive. Landlord need not apply any security hereunder to cure a default by Tenant as a condition precedent to exercising any other right or remedy and the application of any such security shall not preclude the exercise of any other remedy.

g. The provisions of this Article 6 shall survive the Expiration Date.

7. LANDLORD'S COSTS.

a. If Tenant shall default in performing any covenant or condition of this Lease, Landlord may, in addition to the rights heretofore set forth in Articles 5 and 6, exercise any other remedy provided in this Lease, at law or in equity and/or perform the same for the account of Tenant, and if Landlord, in connection therewith, or in connection with any default by Tenant, makes any out-of-pocket expenditures, including, but not limited, to reasonable attorneys' fees, Tenant shall pay to Landlord an amount equal to such expenditures so paid and/or the obligations so incurred together with interest thereon calculated at the Applicable Rate from the date that Landlord incurs such expenditures or obligations, within five (5) Business Days after Landlord gives to Tenant an invoice therefor (it being understood and agreed that Landlord shall have the right to collect such amount from Tenant as Additional Rent to the extent that Landlord incurs such costs during the Term and as damages to the extent that Landlord incurs such costs after the Expiration Date).

b. Tenant shall pay to Landlord an amount equal to the actual out-of-pocket costs (including, but not limited, to reasonable attorneys' fees) that Landlord incurs in defending successfully against a claim made by Tenant (or any other Person claiming by, through or under Tenant) against Landlord that relates to this Lease in a legal

action or proceeding, together with interest thereon calculated at the Applicable Rate from the date that Landlord incurs such costs, within five (5) Business Days after Landlord gives to Tenant an invoice therefor (it being understood and agreed that (i) Landlord shall have the right to collect such amount from Tenant as Additional Rent to the extent that Landlord incurs such costs during the Term and as damages to the extent that Landlord incurs such costs after the Expiration Date, and (ii) the amount that Landlord has the right to collect from Tenant under this Section 7.B. shall be adjusted appropriately to reflect the extent to which Landlord is successful in such legal proceeding).

c. The provisions of this Article 7 shall survive the Expiration Date.

8. ALTERATIONS

a. Except as otherwise provided in this Article 8, no Alterations shall be made without the prior written consent of Landlord subject to the provisions of Section 8.C hereof, and then only with such materials as shall be approved by Landlord. Notwithstanding the foregoing to the contrary, Tenant may make Decorative Alterations (as hereinafter defined) without Landlord's prior written consent subject to the terms of this Article 8.

b. (i) The term "Alterations" shall mean alterations, installations, improvements, additions or other physical changes, in each case, in or to the Premises that are made by, or on behalf of Tenant or any other Person claiming by, through or under Tenant (or otherwise engaged by or on behalf of Tenant or any other Person claiming by, through or under Tenant).

(ii) The term "Decorative Alterations" shall mean Alterations costing less than $150,000.00 in each case and that constitute merely decorative and cosmetic changes to the Premises (such as, for example, the installation of carpeting or other customary floor coverings or painting or the installation of customary wall coverings) that in each case do not require any permits from any Governmental Authority; it being understood and agreed, however, that Decorative Alterations shall specifically exclude window film/glass film and white boards.

t. The term "Initial Installation Work " shall mean the Alterations, if any, to prepare the Premises for Tenant's initial occupancy.

u. The term "Specialty Alterations" shall mean Alterations that (a) perforate a floor slab in the Premises or a wall that encloses the core of the Building, (b) require the reinforcement of a floor slab in the Premises, (c) consist of the installation of a raised flooring system, (d) consist of the installation of a vault or other similar device or system that is intended to secure the Premises or a portion thereof in a manner that exceeds the level of security that a reasonable Person uses for ordinary office space, (e) involve material plumbing connections (such as cooking kitchens, showers and executive bathrooms), or (f) constitute non-customary office installations.

v. The term "Tenant's Property" shall mean Tenant's personal property (other than non-movable fixtures and built-ins), including, without limitation, Tenant's movable fixtures, movable partitions, telephone equipment, audio-visual, computer equipment, furniture, furnishings and decorations.

c. Subject to the terms of this Article 8, Landlord shall not unreasonably withhold, condition or delay its consent to any proposed Alteration provided that such Alteration (i) is not visible from the outside of the Building at street level, (ii) does not affect adversely any part of the Building, (iii) does not require any alterations, installations, improvements, additions or other physical changes to be performed in or made to any portion of the Building other than the Premises, (iv) does not affect any Building system, (v) does not reduce the value or utility of the Building, (vi) does not affect the structure of the Building and does not require the installation of floor support or other structural support, (vii) does not impede Landlord's access to Reserved Areas (as hereinafter defined) in any material respect, and (viii) does not violate (or require any amendment to) or render invalid the certificate of occupancy for the Building or any part thereof (any Alteration that satisfies the requirements described in clauses (i) through (viii) above being referred to herein as a "Basic Alteration"). Nothing in this Section 8.C. limits the provisions of Section 8.H. hereof.

d.

w. Tenant shall not perform any Alteration (other than Decorative Alterations) unless Tenant first gives to Landlord a notice thereof (an "Alterations Notice") that (a) refers specifically to this Section 8.D., (b) includes three (3) copies of the plans and specifications for the proposed Alteration (including, without limitation, layout, architectural, mechanical and structural drawings, to the extent applicable) that contain sufficient detail for Landlord and Landlord's consultants to reasonably assess the proposed Alteration, and that are otherwise suitable for filing, stamped and certified by an architect or engineer duly licensed in the State of New York and approved by Landlord and (c) indicates whether Tenant considers the proposed Alterations to constitute a Basic Alteration. Tenant acknowledges and agrees that specific delivery requirements apply with respect to Alterations Notices, as set forth in Article 28 hereof.

x. Landlord shall have the right to (a) disapprove any plans and specifications for a particular Alteration in part, (b) reserve Landlord's approval of items shown on such plans and specifications pending Landlord's review of other plans and specifications that Tenant is otherwise required to provide to Landlord hereunder, and (c) condition Landlord's approval of such plans and specifications upon Tenant's making revisions to the plans and specifications or supplying additional information (which Landlord shall have the right to request only reasonably if the applicable Alteration constitutes a Basic Alteration). Nothing contained in this Section 8.D.(ii) limits the provisions of Section 8.C. hereof.

y. Tenant acknowledges that (a) the review of plans or specifications for an Alteration by or on behalf of Landlord, or (b) the preparation of plans or specifications for an Alteration by Landlord's architect or engineer (or any architect or engineer designated by Landlord), is solely for Landlord's benefit, and, accordingly, Landlord makes no representation or warranty that such plans or specifications comply with any Requirements or are otherwise adequate or correct.

z. If (a) Tenant gives Landlord an Alterations Notice, and (b) Landlord fails to respond within ten (10) Business Days after Tenant gives the Alterations Notice to Landlord, then Tenant, following the expiration of such ten (10) Business Day period, shall be entitled to give a second Alterations Notice to Landlord that provides in bold and capital letters: "**SECOND NOTICE: LANDLORD'S FAILURE TO RESPOND TO THIS SECOND ALTERATIONS NOTICE WITHIN FIVE (5) BUSINESS DAYS AFTER THE DATE THAT TENANT GIVES THIS SECOND ALTERATIONS NOTICE TO LANDLORD SHALL BE DEEMED TO BE LANDLORD'S CONSENT TO THE BASIC ALTERATIONS DESCRIBED HEREIN**". If Tenant gives such second Alterations Notice to Landlord as aforesaid and Landlord fails to so respond to the first or second Alterations Notice within five (5) Business Days after Tenant gives the second Alterations Notice to Landlord, then Landlord shall be deemed to have consented to the Alteration(s) described in such Alterations Notice only to the extent such Alterations constitute Basic Alterations. In no event shall Landlord's consent be deemed granted to any Specialty Alterations.

aa. If (a) Tenant resubmits any Alterations Notice to Landlord in accordance with this Section 8.D., and (b) Landlord fails to respond within five (5) Business Days after Tenant gives the resubmitted Alterations Notice to Landlord, then Tenant, following the expiration of such five (5) Business Day period, shall be entitled to give a second resubmitted Alterations Notice to Landlord that provides in bold and capital letters: "**SECOND NOTICE: LANDLORD'S FAILURE TO RESPOND TO THIS SECOND RESUBMITTED ALTERATIONS NOTICE WITHIN FIVE (5) BUSINESS DAYS AFTER THE DATE THAT TENANT GIVES THIS SECOND RESUBMITTED ALTERATIONS NOTICE TO LANDLORD SHALL BE DEEMED TO BE LANDLORD'S CONSENT TO THE BASIC ALTERATIONS DESCRIBED THEREIN**." If Tenant gives such second resubmitted Alterations Notice to Landlord as aforesaid and Landlord fails to respond to the first or second resubmitted Alterations Notice within five (5) Business Days after Tenant gives the second resubmitted Alterations Notice to Landlord, then Landlord shall be deemed to have consented to the Alteration(s) described in such resubmitted Alterations Notice only to the extent such Alterations constitute Basic Alterations. In no event shall Landlord's consent be deemed granted to any Specialty Alterations..

e.

ab. All Alterations (other than Decorative Alterations) shall be performed in accordance with the plans and specifications therefor as approved by Landlord. No Alteration(s) may result in the reduction of any environmental rating for the Building which may now or hereafter be made, such as any rating made pursuant to LEED (Leadership in Energy and Environmental Design), Green Globes or Energy Star.

ac. All Alterations shall be performed (x) in a good and workmanlike manner and (y) subject to and in accordance with all Building rules and regulations (including the specific rules and regulations governing construction, and the rules and regulations governing materials and finishes criteria adopted by Landlord for the Building) as the same may be amended from time to time, all applicable Requirements, and all other applicable provisions of this Lease (including, without limitation, the ESRT High Performance Design and Construction Guidelines set forth on Exhibit "D" attached hereto and made a part hereof, as the same may be amended from time to time (the "Design Guidelines")). In connection with Landlord's review of Tenant's proposed Alterations pursuant to the terms hereof, if it can reasonably determined at such time, Landlord shall advise Tenant if such Alterations are not in accordance with the Designee Guidelines and/or if any modifications are required in order to comply with the Design Guidelines. In performing any Alterations, Tenant shall use, to the fullest commercially reasonable, materials from sustainable sources. Tenant shall not bring or permit any Person engaged by or on behalf of Tenant or any Person claiming by, through or under Tenant, to bring any hazardous materials into the Premises or the Building other than cleaning solvents and other chemicals that are permitted to be used pursuant to applicable laws and which are customarily used in an office setting or cleaning purposes.

ad. Tenant shall, at Tenant's sole cost and expense, ensure that the Premises comply, at all times during the Term, with the Design Guidelines; provided, however, Tenant shall not be obligated to perform Alterations solely to comply with the Design Guidelines, unless (a) such Alteration or other change is required by reason of Alterations having been performed by Tenant (or another Person claiming by, through or under Tenant), or (b) such Alteration or other change is required by reason of the specific nature or manner of use of the Premises or type of business operated by Tenant (or another Person claiming by, through or under Tenant) in the Premises (as opposed to the use of the Premises for the general purposes otherwise permitted under Section 1.B. hereof), or (c) such Alteration or other change is required or necessitated by Tenant's acts or omissions and/or the acts or omissions of any other Person claiming by, through or under Tenant, or (d) such Alteration or other change is required by Requirements. Within ten (10) Business Days following request from Landlord (or any member of Landlord's property management team) or Landlord's agent, which request may be made, from time to time, and may be made verbally or via electronic mail to the Person employed by Tenant with whom Landlord's representative ordinarily discusses matters relating to the Premises, Tenant shall confirm in a writing reasonably acceptable to Landlord and signed by an authorized representative of Tenant, that (x) any Alterations theretofore made in the Premises complied with the Design Guidelines then in effect at the time such Alteration was constructed (or in the alternative, that no Alterations have theretofore been made in the Premises), (y) Tenant has not taken any action (or allowed any Person claiming by, through or under Tenant to take any such action) to override, inhibit, preempt or otherwise reduce the efficacy of any energy efficiency or sustainability measures which have theretofore been implemented in the Building and/or the Premises and (z) the Premises are then in compliance with the Design Guidelines to the extent required by this Section 8.E.(iii). Landlord (and/or its designee) shall have the right to enter the Premises (which entry shall be subject to the provisions of Article 19 hereof) for purposes of confirming Tenant's compliance with the foregoing; it being understood and agreed that in the event that Landlord determines the Premises do not then comply with the Design Guidelines to the extent required by this Section 8.E.(iii) and/or that Tenant has taken any action (or allowed any Person claiming by, through or under Tenant to take any such action) to override, inhibit, preempt or otherwise reduce the efficacy of any energy efficiency or sustainability measures which have theretofore been implemented in the Building and/or the Premises, Landlord shall have the right to perform any and all work necessary to cause the Premises to comply with the Design Guidelines, and Tenant shall reimburse Landlord for any and all out-of-pocket costs incurred in connection therewith, together with all of Landlord's out-of-pocket costs incurred in making such determination within thirty (30) days following receipt of Landlord's invoice therefor.

ae. Prior to the commencement of any Alteration(s), Tenant, at Tenant's sole cost and expense, shall obtain all permits, approvals and certificates required by any Governmental Authorities in connection therewith and provide copies thereof to Landlord's property management team for the Building; it being expressly understood however, that Landlord shall designate the expeditor to be used by Tenant to obtain any required certifications provided that such expeditor charges rates that are reasonably competitive with expeditors of comparable skill and experience operating within the vicinity of the Building.

af. Prior to performing any Alteration (and for the duration of the performance thereof), Tenant shall maintain on behalf of its contractors (of any tier) and vendors or cause its contractors (of any tier) and vendors to maintain the following insurance, (a) worker's compensation and disability insurance in amounts not

less than the statutory limits required by Requirements (covering all persons to be employed by Tenant, and Tenant's contractors, subcontractors, and vendors in connection with such Alteration); (b) commercial general liability insurance (covering bodily injury including death, personal injury and property damage), in each case in customary form, and in amounts that are not less than Five Million Dollars ($5,000,000) per occurrence and in the annual policy aggregate with respect to general contractors and Three Million Dollars ($3,000,000) per occurrence and in the annual policy aggregate with respect to subcontractors (or such higher amounts as Landlord may reasonably elect given the scope of the particular Alteration); it being understood and agreed that the foregoing insurance shall be required in addition to Tenant's Liability Policy; (c) builder's risk insurance in an amount reasonably satisfactory to Landlord; and (d) commercial automobile liability insurance if the contractor or vendor uses a vehicle at the Real Property, covering all vehicles with a minimum combined single limit of One Million Dollars ($1,000,000). The policies set forth in (b) through (d) of this Section 8.E. (v) shall be endorsed to name the specific Landlord Parties designated by Landlord or Landlord's representative as additional insureds (the "Designated Landlord Parties"). A contractor's or vendor's liability shall in no way be limited by the amount of insurance recovery or the amount of insurance in force, or available, or required by any provisions of this Lease. The limits listed above are minimum requirements only. The liabilities of any contractor or vendor shall survive and not be terminated, reduced or otherwise limited by any expiration or termination of such insurance coverage. Prior to the start of any such Alterations and prior to the expiration of any policy, Tenant shall deliver to Landlord certificates of insurance (on a form reasonably acceptable to Landlord) along with copies of endorsements naming the Designated Landlord Parties as additional insureds. Neither approval nor failure to disapprove insurance furnished by the contractor or vendor shall relieve the contractor, its subcontractors or vendors from responsibility to provide insurance as required herein. In addition, prior to commencing the performance of any Alterations (other than Decorative Alterations), upon Landlord's request, Tenant shall deliver performance bond and a payment bond that covers Tenant's obligation to pay the applicable contractor and the applicable contractor's obligation to pay its subcontractors (in either case issued by a surety company and in an amount and form reasonably satisfactory to Landlord), or such other security that Landlord deems acceptable, in Landlord's sole discretion.

ag. Notwithstanding anything herein set forth to the contrary, within thirty (30) days after Substantial Completion of any Alteration, Tenant, at Tenant's own cost and expense, shall deliver to Landlord (a) hard copies of the final "as-built" record drawings of the Alteration which indicate accurately the layout and systems of the Premises together with a furniture plan, if available or applicable; it being understood and agreed that Tenant shall also require its architect to load and maintain such record drawings in CAD and portable document format (or in another electronic format so designated by Landlord) (provided such drawings shall not be required to be provided with respect to any Decorative Alterations with respect to which Tenant did not otherwise prepare drawings), (b) a summary by trade of the costs incurred in performing such work and such other records as Landlord may require to document such costs, all certified (if so requested by Landlord) by a reputable, independent certified public accountant, (c) evidence reasonably satisfactory to Landlord that Tenant has obtained all required final approvals from applicable Governmental Authorities in connection with the Alterations, including, without limitation, letters of completion from the New York City Department of Buildings for all work permits Tenant has obtained in connection with the performance of the Alteration, (d) to the extent applicable, any owner and/or maintenance manuals and any warranties received by Tenant in connection with the Alterations and (e) final, unconditional waivers of lien from all contractors, subcontractors, materialmen, architects, engineers and other Persons who may file a lien against the Real Property in connection with such Alterations. For the avoidance of doubt, the requirements set forth in clauses (a)-(c) shall not apply with respect to Decorative Alterations.

ah. No demolition, trenching, or welding shall be permitted between the hours of 7:00 a.m. and 6:00 p.m. on Business Days; it being expressly understood, however, that core drilling is not permitted. If the performance of any other Alterations during the aforesaid time periods interferes with or interrupts the maintenance, repair, management or operation of the Building in any material respect or interferes with or interrupts the use and occupancy of the Building by other tenants in the Building in any material respect, then Landlord shall have the right to require Tenant to perform such Alteration at such other times that Landlord designates from time to time.

a.

a. All Alterations shall be performed only under the supervision of a licensed architect that Landlord approves, which approval Landlord shall not unreasonably withhold, condition or delay. All work shall be performed with union labor having the proper jurisdictional qualifications and only by contractors, subcontractors,

mechanics, engineers and laborers approved by Landlord, which approval Landlord shall not unreasonably withhold, condition or delay; it being understood and agreed, however, that (x) if an Alteration affects any structural portion of the Building, any Building system, or any portion of the Building outside of the Premises, Landlord (if Landlord has consented thereto) shall have the right to designate (i) the engineer that designs the applicable Alteration (or the portion thereof that affects such structural portion of the Building, Building system, or portion of the Building outside of the Premises), and (ii) the contractors, subcontractors and/or laborers that performs the Alteration (or the portion thereof that affects such structural portion of the Building, Building system, or portion of the Building outside of the Premises), provided that any such engineer, contractor, subcontractor or laborer, as applicable, charges rates that are reasonably competitive with engineers, contractors, subcontractors or laborers (as applicable) of comparable skill and experience operating within the vicinity of the Building. If Landlord and Tenant cannot agree on whether the prices being charged by the engineer, contractor, subcontractor or laborer (as applicable) designated by the Landlord are reasonably competitive to those charged by such other engineers, contractors, subcontractors or laborers (as applicable), Landlord or Tenant may submit such dispute to a Streamlined Arbitration Proceeding (as hereinafter defined) pursuant to Article 41 hereof.

b. If (a) Tenant employs, or permits the employment of, any contractor, subcontractors, engineer, mechanic or laborer in the Premises, whether in connection with any Alteration or otherwise, and regardless of whether Landlord has approved such contractor, subcontractor, mechanic, or laborer, (b) such employment interferes or causes any conflict with other contractors, subcontractors, engineers, mechanics or laborers engaged in the maintenance, repair, management or operation of the Building or any adjacent property owned or managed by Landlord, and (c) Landlord gives Tenant notice thereof (which notice may be given verbally to the Person employed by Tenant with whom Landlord's representative ordinarily discusses matters relating to the Premises), then Tenant shall cause all contractors, subcontractors, mechanics or laborers causing such interference or conflict to leave the Building promptly and shall take such other immediate action as may be reasonably necessary to resolve such conflict.

c. In any case under this Article 8 or any other provision of this Lease it shall be required that Landlord’s consent is required for the use or employment of any contractor, subcontractor, vendor or other supplier of labor or material, Tenant acknowledges and agrees that any such consent shall under no circumstance be deemed a warranty, assurance or guarantee that such contractor, subcontractor, vendor or supplier is qualified for the work or engagement for which Tenant is retaining such contractor, vendor or supplier or that the work, services or materials being provided shall be in compliance with Tenant’s plans and specifications or comply with Requirements or that any work shall be performed in a workmanlike fashion free of any defect. Tenant specifically disclaims and waives any right, claim or cause of action against Landlord based upon any such contractor, vendor or supplier’s defective work, material or service or failure to perform any work in accordance with any agreement, Requirement or professional standard. The provisions of this Section 8.F.(iii) shall be controlling whether or not any consent by Landlord to any such contractor, subcontractor, vendor or supplier contains any such or similar disclaimer or waiver of liability or any such contractor, vendor or supplier is related to Landlord or its managing agent.

g. Tenant shall pay to Landlord, as Additional Rent, the actual out-of-pocket costs and expenses incurred by Landlord in connection with any Alterations (including without limitation, the actual out-of-pocket costs and expenses that Landlord incurs in reviewing the plans and specifications for any such Alterations and inspecting the progress of such Alterations) within thirty (30) days after Landlord gives Tenant an invoice therefore together with reasonable supporting documentation for the charges set forth therein; it being agreed that, except as expressly set forth in this Article 8, no profit, charge or fee (including supervisory fees) shall be payable to Landlord by Tenant in connection with any Alterations performed by or on behalf of Tenant. If (I) as a result of any Alterations, any alterations, installations, improvements, additions or other physical changes are required to be performed (x) to any Building systems, or (y) in order to comply with any Requirements, to any portion of the Building other than the Premises (any such alterations, installations, improvements, additions or changes being referred to herein as an "Additional Change"), and (II) such Additional Change would not otherwise have had to be performed or made at such time, then (a) Landlord may perform such Additional Change, and (b) Tenant shall pay to Landlord the reasonable out-of-pocket costs thereof, as Additional Rent, within ten (10) Business Days after Landlord gives to Tenant an invoice therefor together with reasonable supporting documentation for the charges set forth therein. Landlord shall seek to accomplish any such Additional Change in a manner that minimizes the cost thereof to the extent reasonably practicable. Landlord shall give Tenant reasonable advance notice of Landlord's performance of

the Additional Change (which notice (notwithstanding the provisions of Article 28 hereof to the contrary) may be provided verbally or via electronic mail by any member of Landlord's property management team to Tenant's representative with whom Landlord's property management team ordinarily discusses matters pertaining to the Premises).

h. Notwithstanding anything to the contrary contained in this Lease, (i) under no circumstances may Tenant or any other Person claiming by, through or under Tenant, install roll down gates and/or any other kind of exterior gates in or about the Premises or the Building or any exterior portion thereof and (ii) Tenant shall install on the windows of the Premises only the curtains, blinds, shades, or screens that Landlord designates reasonably.

I. Subject to the provisions of Article 27 hereof, Tenant shall not affix any sign, logo, emblem, banner, plaque or symbol on any exterior window, on any door opening on to a corridor, on any exterior wall demising the Premises or on or about any portion of the Premises in such a fashion as any sign, logo, emblem, banner, plaque or symbol is visible beyond the Premises.

J. (i) All Alterations to the Premises, (including, without limitation, fixtures, equipment (including window and central air conditioning equipment and duct work, if any) and built-ins), shall, upon installation in the Premises, become the property of Landlord, and shall, if Landlord so elects by notice given to Tenant at any time prior to the Expiration Date, be surrendered with the Premises on the Expiration Date. Notwithstanding the foregoing to the contrary, on or prior to the Expiration Date, Tenant, at Tenant's sole cost and expense, shall (i) remove any Tenant's Property together with any Alterations (as and to the extent required to be removed pursuant to this Section 8) and (ii) repair and restore in good and workmanlike manner to good condition, any damage to the Premises or the Building caused by such removal, subject to and in accordance with this Article 8. In the event that Tenant fails to comply with the provisions of this Section 8.J, Landlord shall have the right to remove such Tenant's Property and/or Alterations and restore such damage, at Tenant's sole cost and expense; it being understood and agreed that Tenant shall pay the costs thereof as Additional Rent, upon demand and Tenant shall remain liable to Landlord for any default of Tenant in respect of Tenant's obligations hereunder. The provisions of this Section 8.J shall survive the Expiration Date.

(ii) Prior to Tenant's performance of any Alteration, Tenant shall have the right to request (simultaneously with Tenant's submission to Landlord of an Alterations Notice) that Landlord advise Tenant if Tenant shall be required to remove (or pay the cost to remove) such Alteration upon the Expiration Date or earlier termination of the Term, provided, however, that such request shall state in bold capital letters as follows: **"LANDLORD TO ADVISE TENANT IF TENANT SHALL BE OBLIGATED TO REMOVE THE ALTERATION(S) DESCRIBED HEREIN AT THE EXPIRATION OR EARLIER TERMINATION OF THE TERM."** If (a) Tenant gives Landlord the foregoing request, and (b) Landlord fails to respond within ten (10) Business Days after Tenant gives the request to Landlord, then Tenant, following the expiration of such ten (10) Business Day period, shall be entitled to give a second request to Landlord that provides in bold and capital letters: **"LANDLORD TO ADVISE TENANT IF TENANT SHALL BE OBLIGATED TO REMOVE THE ALTERATION(S) DESCRIBED HEREIN AT THE EXPIRATION OR EARLIER TERMINATION OF THE TERM AND LANDLORD'S FAILURE TO RESPOND TO THIS ALTERATIONS REMOVAL REQUEST WITHIN TEN (10) BUSINESS DAYS SHALL BE DEEMED TO INDICATE THAT LANDLORD SHALL NOT REQUIRE REMOVAL OF THE ALTERATION(S) DESCRIBED HEREIN."** Other than as expressly set forth in the preceding sentence hereof, Landlord shall have the right to require removal of the applicable Alteration(s) upon the expiration or earlier termination of the Term in Landlord's sole discretion. If (i) Tenant makes any such request, and (ii) Landlord advises Tenant in writing that removal shall not be required, or if Landlord fails to respond to Tenant within ten (10) Business Days following such second request as otherwise set forth above (it being understood that Landlord’s failure to respond to such second request within such ten (10) Business Day period shall be deemed to indicate that Tenant is not required to remove the Alterations described in such request), then Landlord shall not have the right to require Tenant to remove (or pay the cost to remove) such Alteration upon the Expiration Date or earlier termination of the Term.

K. Tenant hereby acknowledges and agrees that if any Alterations are discontinued or abandoned, then promptly following Landlord's request therefor, Tenant shall, at Tenant's sole cost and expense, use all commercially reasonable efforts to cause all of its contractors and subcontractors (of any level), architects, engineers, designers and consultants, as the case may be, to remove any and all plans and specifications for the

applicable Alterations from filings with any Governmental Authorities and otherwise cooperate reasonably with Landlord in connection with closing out the applicable work.

L. Notwithstanding anything to the contrary contained herein, including, without limitation, the provisions of Section 8.J. hereof, if and to the extent that any telecom equipment and/or wiring, are installed in or about the Premises by Tenant (or anyone claiming by, through or under Tenant), then on or prior the Expiration Date, Tenant, at Tenant's sole cost and expense, shall remove such installations, and repair any damage to the Premises or the Building caused by such removal; it being understood and agreed that the provisions of this Article 8 shall govern with respect to the installation and/or removal of any such items. In the event that Tenant fails to comply with the provisions of this Section 8.L, Landlord shall have the right to remove such Tenant's Property and Alterations and restore such damage, at Tenant's sole cost and expense; it being understood and agreed that Tenant shall pay the costs thereof as Additional Rent, upon demand and Tenant shall remain liable to Landlord for any default of Tenant in respect of Tenant's obligations hereunder. The provisions of this Section 8.L shall survive the Expiration Date.

9. LIENS

Tenant shall not permit any materials or equipment that are incorporated as fixtures into the Premises in connection with any Alterations to be subject to any lien, encumbrance, chattel mortgage or title retention or security agreement. Notwithstanding the foregoing, Tenant shall discharge of record any mechanic's lien or other lien that is filed against the Real Property for work claimed to have been done for, services performed for, or for materials claimed to have been furnished to, Tenant (or any Person claiming by, through or under Tenant) within thirty (30) days after Tenant has received notice thereof, at Tenant's expense, by payment or filing the bond required by law. Nothing contained in this Article 9 (x) limits Tenant's right to challenge the claim that is made by the Person that files such a lien, provided that Tenant discharges such lien of record as aforesaid, or (y) obligates Tenant to discharge of record any lien that derives from Landlord's acts or omissions.

10. REPAIRS

a. Subject to the terms of this Article 10 and to Articles 11, 14 and 31 hereof, Tenant, at Tenant's expense, shall take good care of the Premises (including, without limitation, (i) the fixtures that are installed in the Premises by Tenant (or anyone claiming by, through or under Tenant) on or after the Commencement Date, (ii) the Alterations, and (iii) the systems exclusively serving the Premises that distribute heat, ventilation, and air-conditioning ("HVAC"), electricity and water within the Premises). Tenant shall make all repairs to the Premises as and when needed to preserve the Premises in good condition, except for reasonable wear and tear, obsolescence and damage for which Tenant is not responsible pursuant to the provisions of Article 11 hereof. Notwithstanding anything herein to the contrary set forth, Tenant shall not commit waste or cause any damage to any portion of the Building irrespective of whether within or without the Premises. Tenant shall perform any repairs required to be performed by Tenant pursuant to this Article 10 in accordance with the provisions of Article 8 hereof, including, without limitation, Sections 8.C. and 8.F. thereof. Nothing contained in this Section 10.A shall require Tenant to perform any repairs to the Premises that are Landlord's obligation to perform under Section 10.B hereof. All repairs made by Tenant as contemplated by this Section 10.A shall be in conformity with the standards applicable to comparable office buildings in Manhattan. Tenant shall give Landlord prompt notice of any defective condition in the Building or in any Building system located in, servicing or passing through the Premises.

b. Subject to the terms of this Article 10 and to Articles 11, 14 and 31 hereof, Landlord shall maintain and make all necessary repairs to and replacements of (i) the part of the Building systems which provide electricity, HVAC and water service to the Premises (but not to the distribution portions of such Building systems located solely within and exclusively serving the Premises), (ii) the structural portions of the Building including, without limitation, foundation, and slab, (iii) the roof (including roof membrane) of the Building, (iv) the sidewalks that are adjacent to the Building, (v) the exterior walls of the Premises, (vi) the exterior perimeter windows of the Premises, and (vii) the public portions of the Building, in each case, in conformance with standards applicable to comparable office buildings in Manhattan. Nothing contained in this Section 10.B requires Landlord to maintain or repair the systems within the Premises that distribute electricity, HVAC (except that, subject to the provisions of Article 31 hereof, Landlord shall maintain and repair the A/C Equipment at Tenant's sole cost and expense) and

water exclusively within the Premises. Landlord shall have no obligation to employ contractors or labor at overtime or premium pay rates in connection with Landlord's making repairs as contemplated by this Article 10.

c. Notwithstanding the provisions of Section 10.A. hereof and Section 10.B. hereof to the contrary, (I) all damage or injury to the Premises or to any other part of the Building and Building systems, whether requiring structural or nonstructural repairs, to the extent caused by or resulting from the acts or omissions of Tenant (or any Person claiming by, through or under Tenant), or the performance of any Alterations, shall be repaired, at Tenant's sole cost and expense, (x) by Tenant, to the reasonable satisfaction of Landlord, if Tenant is obligated to perform such repair pursuant to Section 10.A. hereof, or (y) by Landlord, if Tenant is not otherwise obligated to perform such repair pursuant to Section 10.A. hereof, in which case, Tenant shall reimburse Landlord for all actual out-of-pocket costs incurred in connection with the performance of any such repairs as Additional Rent within thirty (30) days following receipt of Landlord's invoice therefor and such obligation shall survive the Expiration Date and (II) all damage or injury to the Premises, whether requiring structural or nonstructural repairs, to the extent caused by or resulting from negligence or willful misconduct of Landlord, or Landlord's entry into the Premises for purposes of making repairs or replacements made as contemplated in Article 19 hereof, shall be repaired, at Landlord's sole cost and expense, by Landlord to the reasonable satisfaction of Tenant; provided, however, that nothing contained in this Section 10.C. limits the provisions of Section 42.G. hereof.

11. CASUALTY; DESTRUCTION

A. Tenant shall give Landlord prompt notice of any fire or other casualty in or to the Premises of which Tenant has actual knowledge. Subject to the terms of this Article 11, if the Premises (including Alterations that Tenant has theretofore completed in accordance with Article 8 hereof and/or Landlord's Work) are damaged by fire or other casualty, then, subject to the provisions of this Article 11, Landlord shall diligently repair the damage, with such modifications required to comply with Requirements, to substantially the condition which existed immediately prior to such fire or other casualty; it being understood and agreed that (i) Landlord shall have the right to make such modifications to the Premises required to comply with Requirements, (ii) Landlord shall have no liability to Tenant for Landlord's failure to commence any such repair to the extent Tenant fails to give such notice to Landlord of such fire or other casualty and (iii) Landlord shall not be required to repair or restore any of Tenant's Property or any Specialty Alteration. From and after the date of such fire or casualty until such repairs which are required to be performed by Landlord are Substantially Completed, the Fixed Annual Rent and the Escalation Rent payable pursuant to Article 2 hereof shall be reduced in the proportion which the area of the part of the Premises which is not usable by Tenant bears to the total area of the Premises immediately prior to such casualty; it being understood that the Substantial Completion of such repairs shall be deemed to have occurred on the date the same would have otherwise occurred but for the acts or omissions of Tenant, its agents, employees, contractors (of any tier) or any other Person claiming by, through, or under Tenant that delay Landlord in the performance thereof. Landlord shall not be obligated to repair any damage to, or to replace, any Alterations if Landlord's insurer fails to make insurance proceeds available to Landlord to cover the cost of repairing such Alterations (excluding Landlord's deductible) by reason of the failure of Tenant to have notified Landlord of the completion of such Alterations and the cost thereof or to have maintained adequate records with respect to such Alterations. In the event of a fire or casualty which affects a portion of the Premises only, Landlord shall use reasonable efforts to minimize interference with Tenant's use and occupancy of the balance of the Premises in making any repairs pursuant to this Article 11. Landlord shall not be obligated to restore the Premises as provided in this Section 11.A. to the extent that this Lease terminates by reason of such fire or other casualty subject to and in accordance with the terms of this Article 11.

B. If (i) the Premises are rendered wholly or substantially untenantable by fire or other casualty and if Landlord shall decide not to restore the Premises (as contemplated hereby), or (ii) if the Building is so damaged by fire or other casualty that that Landlord shall decide to substantially alter, demolish or reconstruct the Building (regardless of whether the Premises have been damaged or rendered untenantable), then Landlord may terminate this Lease, by giving Tenant notice thereof on or prior to the ninetieth (90th) day following such damage. If Landlord elects to terminate this Lease as aforesaid, then the Term shall expire upon a date set by Landlord, but not sooner than the tenth (10th) day after Landlord gives such notice and Tenant, on such date, shall vacate and surrender possession of the Premises to Landlord in accordance with the provisions of Article 12 hereof.

C. Subject to the terms of this Section 11.C, if the Premises are substantially damaged by a fire or other casualty that occurs during the period of twelve (12) months immediately preceding the Fixed Expiration Date, or the last day of the Renewal Term, as the case may be, then either Landlord or Tenant may elect to terminate this

Lease by notice given to the other party within thirty (30) days after such fire or other casualty occurs. If either party makes such election, then the Term shall expire on the tenth (10th) day after the notice of such election is given, and, accordingly, Tenant, on or prior to such tenth (10th) day, shall vacate the Premises and surrender the Premises to Landlord in accordance with Article 12 hereof. For purposes of this Section 11.C, the term "substantially damaged" shall mean that in Landlord's reasonable judgment: (a) a fire or other casualty precludes Tenant from using more than thirty percent (30%) of the Premises for the conduct of its business, and (b) Tenant's inability to so use the Premises (or the applicable portion thereof) is reasonably expected to continue until at least the earlier to occur of (i) the Fixed Expiration Date, or the last day of the Renewal Term, as the case may be, and (ii) the ninetieth (90th) day after the date that such fire or other casualty occurs.

D. Landlord, within ninety (90) days after the earlier to occur of (x) the date that Tenant gives Landlord notice of the occurrence of a fire or other casualty as contemplated by Section 11.A. hereof, and (y) the date that Landlord otherwise has actual notice of such fire or other casualty, shall give to Tenant a statement prepared by a reputable and independent contractor setting forth such contractor's estimate in good faith as to the time required for Landlord to Substantially Complete the restoration described in Section 11.A hereof (such statement that Landlord gives to Tenant being referred to herein as the "Casualty Statement"); provided, however, that Landlord shall not be required to give Tenant a Casualty Statement if Landlord has theretofore exercised Landlord's right to terminate this Lease under Section 11.B. hereof or if the fire or other casualty occurs during the last twelve months of the Term as contemplated in Section 11.C. hereof. If the estimated time period as set forth in the Casualty Statement exceeds nine (9) months from the date of the applicable fire or other casualty, then Tenant may elect to terminate this Lease by giving notice to Landlord not later than the fifteenth (15th) day after the date that Landlord gives the Casualty Statement to Tenant. If Tenant makes such election to so terminate this Lease, then the Term shall expire on the thirtieth (30th) day after Tenant gives such notice to Landlord.

E. Upon the termination of this Lease under this Article 11, provided that no Default has occurred and is then continuing, the Rental shall be apportioned as of the date of such termination and any prepaid portion of Fixed Annual Rent and Escalation Rent that relates to the period after the date that the abatement of Fixed Annual Rent and Escalation Rent as described in Section 11.A. hereof becomes effective shall be refunded promptly by Landlord to Tenant less any amounts that may be then be due and payable by Tenant pursuant to the terms of this Lease (and Landlord's obligation to make such refund shall survive the Expiration Date).

F. Tenant shall have no right to cancel this Lease by virtue of a fire or other casualty except to the extent specifically set forth herein. This Article 11 is intended to constitute an "express agreement to the contrary" for purposes of Section 227 of the New York Real Property Law.

12. END OF TERM

Subject to Article 8 hereof, Tenant shall surrender the Premises to Landlord on the Expiration Date in good order and condition, except for reasonable wear and tear and damage by fire or other casualty, and Tenant shall remove all Tenant’s Property and any personal property of any Person claiming by, through or under Tenant and all Alterations (other than Qualified Alterations). Tenant agrees that any personal property remaining in the Premises following the Expiration Date shall for all purposes be deemed abandoned and Landlord shall be free to dispose of such property, at Tenant's sole cost and expense, in any manner Landlord deems desirable. Landlord may retain or assign any salvage or other residual value of such property. In consideration of Landlord’s disposing of such property, Tenant shall reimburse Landlord or pay to Landlord any cost that Landlord may incur in disposing of such property within ten (10) Business Days after demand therefor. Tenant shall indemnify, defend and save Landlord harmless against all costs, claims, loss or liability resulting from delay or failure by Tenant in so surrendering the Premises, including, without limitation, any claims made by any succeeding tenant arising directly or indirectly from such delay. If vacant and exclusive possession of the Premises is not surrendered to Landlord on the Expiration Date, then Tenant shall pay to Landlord on account of use and occupancy of the Premises, for each month (or any portion thereof) during which Tenant (or a Person claiming by, through or under Tenant) holds over in the Premises after the Expiration Date, an amount equal to one hundred fifty percent (150%) of the aggregate Rental that was payable under this Lease during the last month of the Term, except that Tenant shall pay an amount equal to two hundred percent (200%) of the aggregate Rental that was payable under this Lease during the last month of the Term for the period commencing on the ninetieth (90th) day of such holdover period; it being understood and agreed, however, that if Tenant pays Expenses or Real Estate Taxes on any basis other than a monthly basis, Landlord shall have the right to calculate the amount of such payments on a monthly basis for purposes of calculating the aforesaid

amounts. The parties recognize and agree that Landlord expects to perform major renovations and alterations to the Premises and/or the Building after the Expiration Date and, accordingly, the damage to Landlord resulting from any failure by Tenant to timely surrender possession of the Premises as aforesaid will be extremely substantial. Tenant therefore agrees that if possession of the Premises is not surrendered to Landlord on the Expiration Date, in addition to any rights or remedies Landlord may have hereunder or at law, without in any manner limiting Landlord's right to demonstrate and collect any damages suffered by Landlord and arising from Tenant's failure to surrender the Premises as provided herein, and in addition to the sum payable to Landlord described above, Tenant shall pay to Landlord, any and all damages, consequential, direct or indirect, incurred by Landlord as a result of Landlord's inability to commence demolition, construction, alterations or renovations to the Premises and/or the Building immediately after the Expiration Date, specifically including, without limitation, (1) increased fees for engineers, architects, contractors, subcontractors, mechanics, laborers or expeditors, (2) increased fees for obtaining permits, applications, certificates, or plans and specifications, (3) increased costs for materials and equipment as a result of the delay, (4) any loss of rent from subsequent tenants that derive from Tenant's failure to timely vacate the Premises or (5) any penalties payable by Landlord to subsequent tenants that derive from Landlord's inability to timely deliver the Premises (or any portion thereof) to such subsequent tenants to the extent such delay arises from, or in connection with, Tenant's failure to timely vacate the Premises; provided however, that Tenant shall not be responsible to pay consequential damages unless the period of such holdover lasts more than ninety (90) days. Anything in this Lease to the contrary notwithstanding, the acceptance of any Rental shall not preclude Landlord from commencing and prosecuting a holdover or summary eviction proceeding, and the preceding sentence shall be deemed to be an agreement expressly "providing otherwise" within the meaning of Section 232-c of the Real Property Law of the State of New York and any successor law of like import. Tenant expressly waives, for itself and for any person claiming through or under the Tenant, any rights which the Tenant or any such Person may have under the provisions of Section 2201 of the New York Civil Practice Law and Rules and of any successor law of like import then in force in connection with any holdover summary proceedings which the Landlord may institute. The obligations set forth in this Article 12 shall survive the Expiration Date.

13. SUBORDINATION AND ESTOPPEL, ETC.

a. This Lease and Tenant's rights hereunder are and shall be subject and subordinate to any and all master leases of the Real Property, ground or underlying leases and subleases and to all mortgages, building loan agreements, leasehold mortgages, spreader and consolidation agreements and other similar documents and instruments together with all renewals, modifications, spreaders, consolidations, replacements, extensions, assignments, and refinancings thereof and to all advances made or hereafter made thereunder (hereinafter referred to individually, as a "Superior Interest" and collectively, as "Superior Interests"), which may now or hereafter affect such leases or subleases or the Real Property of which the Premises form a part and to. This Article shall be self-operative and no further instrument of subordination shall be necessary. In confirmation of such subordination, Tenant shall within ten (10) Business Days after written request execute any instrument in recordable form that Landlord or the holder of any Superior Interest may reasonably request; provided that no such instrument shall increase Tenant's obligations or decrease Tenant's rights under this Lease (in any case, other than to a de minimis extent). In the event that any ground or underlying lease is terminated, or any mortgage foreclosed, this Lease shall not terminate or be terminable by Tenant unless Tenant was specifically named in any termination or foreclosure judgment or final order for the purposes of terminating this Lease or the interest of Tenant in the Premises.

b. Any holder of a Superior Interest may elect that this Lease shall have priority over such Superior Interest and, upon notification by such holder of a Superior Interest to Tenant, this Lease shall be deemed to have priority over such Superior Interest, whether this Lease is dated prior to or subsequent to the date of such Superior Interest. In the event that any master lease or any other ground or underlying lease is terminated as aforesaid, or if the interests of Landlord under this Lease are transferred by reason of or assigned in lieu of foreclosure or other proceedings for enforcement of any mortgage, or if the holder of any mortgage acquires a lease in substitution therefor, or if the holder of any Superior Interest shall otherwise succeed to Landlord's estate in this Lease or the Building, or the rights of Landlord under this Lease, then Tenant will, notwithstanding anything to the contrary in Section 13.A above, at the option of the lessor under any such master lease or other ground or underlying lease, the holder of any other Superior Interest or such purchaser, assignee or lessee, as the case may be, to be exercised in writing, (i) attorn to it and perform for its benefit all the terms, covenants and conditions of this Lease on the Tenant's part to be performed with the same force and effect as if said lessor, mortgagee or such purchaser, assignee or lessee, were the landlord originally named in this Lease, or (ii) enter into a new lease with said lessor, mortgagee

or such purchaser, assignee or lessee, as landlord, for the remaining Term (as the same may be extended pursuant to Article 53 hereof) and otherwise on the same terms, conditions and rentals as herein provided. The foregoing provisions shall inure to the benefit of any such successor landlord, shall apply notwithstanding that, as a matter of law, this Lease may terminate upon the termination of any Superior Interest, shall be self-operative upon any such request and no further instrument shall be required to give effect to said provisions; provided, however, that upon request of any such successor landlord, Tenant shall promptly execute and deliver, from time to time, any instrument in recordable form that any successor landlord may reasonably request to evidence and confirm the foregoing provisions of this Section 13.B, in form and content reasonably satisfactory to each such successor landlord, acknowledging such attornment and setting forth the terms and conditions of its tenancy. Upon such attornment, this Lease shall continue in full force and effect as a direct lease between such successor landlord and Tenant upon all of the then executory terms of this Lease except that such successor landlord shall not be: (a) liable for any previous act or omission or negligence of any prior landlord under this Lease (including, without limitation, Landlord) except to the extent that (i) such act or omission continues after the date that the successor succeeds to Landlord's interest in the Real Property, and (ii) such act or omission of such prior landlord is of a nature that the successor can cure by performing a service or making a repair; (b) subject to any counterclaim, demand, defense, deficiency, credit or offset which Tenant might have against any prior landlord under this Lease (including, without limitation, Landlord); (c) bound by any modification, amendment, cancellation or surrender of this Lease, unless such modification, cancellation, surrender shall have been approved in writing by the successor landlord; (d) bound by any payment of Rental made by Tenant to a prior landlord (including, without limitation, the then defaulting landlord) more than thirty (30) days in advance of the date such payment is due (other than Escalation Rent that Tenant pays in advance pursuant to Article 2 hereof) except to the extent that such successor landlord actually receives payment thereof, (e) bound by any security deposit, cleaning deposit or other prepaid charge which Tenant might have paid in advance to any prior landlord under this Lease (including, without limitation, Landlord), unless such payments have been received by the successor landlord; or (f) bound by any agreement of any landlord under this Lease (including, without limitation, Landlord) with respect to the completion of any improvements affecting the Premises, the Building, the land or any part thereof or for the payment or reimbursement to Tenant of any contribution to the cost of the completion of any such improvements.

c. Intentionally omitted.

d. From time to time, Tenant, on ten (10) Business Days' prior written request by Landlord, time being of the essence, will deliver to Landlord and the holder of any Superior Interest a statement in writing (on which any person to whom it is addressed or certified may rely) certifying that this Lease is unmodified and is in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and identifying the modifications) and the dates to which the Rental has been paid, the amounts of Fixed Annual Rent and Escalation Rent, stating the Fixed Expiration Date and whether any renewal option exists (and if so, the terms thereof), stating whether any defense or counterclaim to the payment of any Rental exists, whether any allowance or work is due to Tenant from Landlord, stating whether or not the Landlord is in default in performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which Tenant may have knowledge, stating whether any bankruptcy case has been commenced with respect to Tenant, and containing such other information as the holder of any Superior Interest may reasonably request. Nothing contained herein will be deemed to impair any right, privilege or option of the holder of any Superior Interest.

e. If, in connection with obtaining, continuing or renewing financing or refinancing for the Building, the land and/or any leasehold estate of Landlord under any master, ground or underlying lease, the lender shall request reasonable modifications to this Lease as a condition to such financing or refinancing, Tenant will execute and deliver such modifications, except that Tenant shall not be required to agree to any such modifications to this Lease that (i) increase Tenant's obligations under this Lease (other than to a de minimis extent), (ii) adversely affect or diminish Tenant's rights under this Lease (except in either case to a de minimis extent) or (iii) increase Tenant's other obligations under this Lease (except to a de minimis extent) (it being understood that Tenant may be required to give notices of any defaults by Landlord to such lender with the granting of such additional time for such curing as may be required for such lender to get possession of the said building and/or land).

f. If any act or omission by Landlord shall give Tenant the right, immediately or after the lapse of time, to cancel or terminate this Lease or to claim a partial or total eviction, Tenant shall not exercise any such right until: (i) it shall have given written notice of such act or omission to each holder of any Superior Interest of which it has written notice, and (ii) a reasonable period for remedying such act or omission shall have elapsed following such

notice (which reasonable period shall be equal to the period to which Landlord would be entitled under this Lease to effect such remedy, plus an additional thirty (30) day period), provided such holder or lessor shall, with reasonable diligence, give Tenant notice of its intention to remedy such act or omission and shall commence and continue to act upon such intention.

g. Landlord hereby advises Tenant that as of the date hereof, there is no third party mortgage financing encumbering the Building. Notwithstanding anything contained hereinabove to the contrary, Landlord shall obtain from the holder of any mortgage hereafter encumbering the Real Property of which the Premises form a part, for the benefit of Tenant, a subordination, non-disturbance and attornment agreement ("SNDA"), in the form then customarily used by such mortgagee, but in any event providing in substance that so long no Default has occurred and is continuing, the grantor of such SNDA will not take any action to recover possession of the Premises, notwithstanding any foreclosure of such mortgage. Tenant shall execute and deliver such SNDA and shall pay any reasonable fees or costs imposed by the grantor of such SNDA and/or its attorneys in connection with the negotiation and execution of such SNDA.

14. CONDEMNATION

a. Subject to the terms of this Article 14, in the event that the entire Building, Real Property or Premises shall be lawfully condemned or taken in any manner for any use or purpose, this Lease and the Term and estate hereby granted shall forthwith cease and terminate as of the date of vesting of title (hereinafter referred to as the "date of taking").

b. If only a part of the Building or the Real Property is so condemned or taken and not the entire Premises, then (i) except as hereinafter provided, this Lease shall be and remain unaffected by such condemnation or taking and the Term shall continue in force and effect, but if a part of the Premises is included in the part of the Building or Real Property so acquired or condemned, then, from and after the date of the vesting of title, (x) the Fixed Annual Rent shall be reduced in the proportion which the area of the part of the Premises so acquired or condemned bears to the total area of the Premises immediately prior to such condemnation or taking, and (y) Tenant's Tax Share shall be redetermined based upon the proportion which the rentable area of the Premises remaining after such acquisition or condemnation bears to the rentable area of the Building remaining after such condemnation or taking; and (z) the Tenant's Expense Share shall be redetermined based upon the proportion which the rentable area of the Premises remaining after such condemnation or taking bears to the rentable area of the Building (excluding any retail portion thereof) remaining after such condemnation or taking, (ii) if at least twenty-five percent (25%) of the rentable area of the Building is affected thereby, then Landlord may give to Tenant, within sixty (60) days following the date that Landlord receives notice of vesting of title, a notice of termination of this Lease; and (iii) if the part of the Building or the Real Property so condemned or acquired contains more than twenty-five (25%) percent of the rentable area of Premises immediately prior to such condemnation or taking, or, if by reason of such condemnation or taking, Tenant no longer has reasonable means of access to the Premises as determined by Landlord, in Landlord's reasonable discretion, then Tenant shall have the right to terminate this Lease by giving notice thereof to Landlord on or prior the sixtieth (60^{th}) day after Tenant receives notice of the taking. Landlord shall promptly give Tenant copies of any notice received from the condemning authority as to vesting. If Landlord or Tenant gives any such notice to terminate this Lease, then this Lease and the Term shall come to an end and expire upon the thirtieth (30th) day after the date that such notice is given. If this Lease shall not be terminated as a result of a partial taking, if any part of the Premises not so taken is damaged, Landlord, at Landlord's own expense, but subject to the extent of the net proceeds (after deducting reasonable expenses including reasonable attorneys' and appraisers' fees and any sums payable to the holder of a Superior Interest) of the award, shall perform the work necessary to restore the damaged portion thereof to substantially the same condition existing immediately prior to the taking with reasonable diligence and with such modifications as may be required by Requirements. Tenant shall be entitled to a proportionate abatement of Fixed Annual Rent and Escalation Rent for that portion of the Premises which is being so restored and which is not usable during the period commencing on the date such damage occurred and ending on the earlier of the date such restoration is Substantially Complete and the date on which such portion of the Premises is used by Tenant.

c. Upon the termination of this Lease and the Term pursuant to the provisions of Section 14.A or 14.B. hereof, the Fixed Annual Rent and Escalation Rent shall be apportioned and any prepaid portion of Fixed Annual Rent and Escalation Rent for any period after such date (less any amounts that may then remain due and

payable pursuant to the terms of this Lease) shall be refunded by Landlord to Tenant (and the obligation to make such refund shall survive the Expiration Date).

d. Subject to Section 14.E. hereof, Landlord shall be entitled to receive the entire award for any condemnation or taking of all or any part of the Real Property. Tenant shall have no claim against Landlord or any condemning authority or entity for, nor shall Tenant make any claim for, the value of any unexpired portion of Term and Tenant hereby expressly assigns to Landlord all of its right in and to such award. Nothing contained in this Section 14.D. shall preclude Tenant from making a separate claim in any condemnation proceedings, for the then value of any Tenant's fixtures or personal property included in such taking, and for any moving expenses, provided that such proceedings do not result in a reduction in Landlord's award.

e. If the whole or any part of the Premises is acquired or condemned temporarily during the Term for any use or purpose, then the Term shall not be reduced or affected in any way and, accordingly, Tenant shall continue to pay in full all items of Rental payable by Tenant hereunder without reduction or abatement. Tenant shall be entitled to receive for itself any award or payments for such use; provided, however, that if the acquisition or condemnation is for a period extending beyond the Term, such award or payment shall be apportioned equitably between Landlord and Tenant. Tenant, at Tenant’s sole cost and expense, shall make Alterations (subject to and in accordance with all applicable provisions of this Lease) to restore the Premises to the condition existing prior to any such temporary acquisition or condemnation.

15. REQUIREMENTS OF LAW

a.

a. Tenant, at Tenant's sole cost and expense, shall comply with all Requirements (as hereinafter defined) applicable to the Premises, including, without limitation, (i) Requirements that are applicable to the performance of Alterations by Tenant (or anyone claiming by, through or under Tenant), (ii) Requirements that become applicable by reason of Alterations having been performed by Tenant (or anyone claiming by, through or under Tenant), (iii) Requirements applicable to recycling of waste generated or stored by Tenant at the Premises or the Building or any Person claiming by, through or under Tenant and (iv) Requirements that are applicable by reason of the specific nature or manner of use of the Premises or type of business operated by Tenant (or any other Person claiming by, through or under Tenant) in the Premises.

b. The term "Requirements" shall mean, collectively, (i) all present and future laws, rules, orders, ordinances, regulations, statutes, requirements, codes and directives and executive orders of all Governmental Authorities, and of any applicable fire rating bureau, or any other body exercising similar functions, as the same may be amended from time to time and (ii) all requirements that the issuer of Landlord's property insurance policy imposes (including, without limitation, any such requirements that such issuer requires as the basis for the premium that such issuer charges Landlord for Landlord's property policy), provided that such requirements that the issuer of Landlord's property policy imposes are reasonably consistent with the requirements imposed by reputable insurers of comparable properties in The City of New York.

c. The term "Governmental Authority" shall mean the United States of America, the State of New York, the City of New York, any political subdivision thereof and any agency, department, commission, board, bureau or instrumentality of any of the foregoing, or any quasi-governmental authority, now existing or hereafter created, having jurisdiction over the Real Property or any portion thereof.

d. Subject to the terms of this Section 15.A.(v), if (x) any asbestos or asbestos containing materials ("ACMs") are located in the Premises, and (y) applicable Requirements mandate that such asbestos or ACMs be abated, remediated or encapsulated in connection with Landlord’s Work, then Landlord, at Landlord's expense, shall perform such abatement, remediation or encapsulation with reasonable diligence, in accordance with good construction practice and in compliance with all applicable Requirements. Landlord shall not be required to remove any such asbestos or ACMs to the extent that such asbestos or ACMs are installed in the Premises by Tenant, or any other Person claiming by, through or under Tenant, after the Commencement Date (or such earlier date that Tenant is allowed access to the Premises).

e. If Tenant shall fail to timely do so as required hereunder, Landlord may elect to perform, at Tenant's sole cost and expense, any work necessary to comply with Requirements as required pursuant to Section 15.A.(i) hereof and Tenant shall reimburse Landlord for the actual out-of-pocket costs of performing the same within thirty (30) days following receipt of Landlord's invoice therefor which invoice shall include reasonable supporting documentation for the charges set forth therein.

f. Subject to the terms of this Section 15.A.(vi), if there exists a violation of applicable Requirements at the Building (which includes the Premises) on the Commencement Date that delays or Tenant's occupying the Premises for the conduct of business (any such violation being referred to herein as an "Impeding Building Violation"), then Landlord, at Landlord's expense, shall use diligent efforts to cause the Impeding Building Violation to be removed as promptly as reasonably practicable after Tenant gives Landlord notice thereof, and the Commencement Date shall be extended until such Impeding Building Violation no longer prevents, delays or impedes Tenant's occupancy of the Premises for the conduct of business.

b. Tenant shall not use the Premises in a manner which shall increase the rate of fire insurance of Landlord or of any other tenant, over that in effect prior to this Lease. If Tenant's use of the Premises increases the fire insurance rate, Tenant shall reimburse Landlord for all such increased costs. That the Premises are being used for the purpose set forth in Article 1 hereof shall not relieve Tenant from the foregoing duties, obligations and expenses.

C. By way of supplementing and not in limitation of the preceding provisions of this Article 15, if the Building or any portion thereof (i) is now subject to, or Landlord shall hereafter subject the Building or any portion thereof to, any easement, covenant or restriction to (a) preserve or regulate the historical nature or landmark status thereof, (b) designate it as a historical building, historical site or landmark or (c) incorporate it in any historical, landmark or other similar district or (ii) is now or hereafter becomes subject to any Requirement designating it a historical building, historical site, landmark or incorporating it in any historical, landmark or other similar district, whereby, in any such case, any Alteration or change in its physical appearance shall be subject to regulation or approval by any Governmental Authority or other third party, Tenant shall not take or suffer any action that would have the effect of violating any such easement, covenant, restriction or Requirement.

16. CERTIFICATE OF OCCUPANCY

Tenant will at no time use or occupy the Premises in violation of any certificate of occupancy issued for or statute governing the use of the Building. Nothing contained herein constitutes Landlord's covenant, representation or warranty that the Premises or any part thereof lawfully may be used or occupied for any particular purpose or in any particular manner.

17. POSSESSION

Tenant waives any right to rescind this Lease under Section 223-a of the New York Real Property Law or any successor statute of similar nature and purpose then in force and further waives the right to recover any damages which may result from Landlord's failure for any reason to deliver possession of the Premises to Tenant on the Commencement Date except as provided in Section 2(A) of this Lease**.** The provisions of this Article are intended to constitute an "express provision to the contrary" within the meaning of Section 223-a of the New York Real Property Law. If Tenant takes possession of the Premises, or otherwise enters therein, for any reason prior to the Commencement Date with Landlord's prior written approval thereof, all of the terms, covenants and conditions of this Lease shall be applicable to such possession or entry (specifically, including without limitation, the provisions of Article 21 hereof); it being expressly understood that the foregoing shall not be construed to permit Tenant to access or otherwise take possession of the Premises prior to the Commencement Date.

18. QUIET ENJOYMENT

Landlord covenants that if Tenant pays the Rental when due and payable and timely performs all of Tenant's other obligations under this Lease, Tenant may peaceably and quietly enjoy the Premises, subject to the terms, covenants and conditions of this Lease and to any master lease and other Superior Interests. The willful infliction of damage on any property or the intentional interference with the quiet enjoyment by any other occupant

of the Building shall be deemed to be a conditional limitation of the Term. Tenant shall not create any nuisance or other disturbance within the Building.

19. RIGHT OF ENTRY; TENANT'S RIGHT TO ACCESS; BUILDING SECURITY; FIRE STAIRS

A. Tenant shall provide Landlord, from time to time, with the keys to the Premises (or with the appropriate means to access the Premises using Tenant's electronic security systems). Subject to the terms of this Section 19.A., Landlord, its employees, designees and/or its agents shall have the right to enter or pass through the Premises and Landlord will coordinate such access with Tenant during Business Hours (except in an emergency or if access at other times is reasonably required in accordance with good construction practices), upon at least 24 hours' prior notice (which notice may be given verbally to the person employed by Tenant with whom Landlord's representatives ordinarily discusses matters pertaining to the Premises), (a) to examine the same, (b) to exhibit the Premises to prospective purchasers, tenants, investors, mortgagees, and/or the holders of any Superior Interest, (c) to make such repairs, installations, improvements, alterations or additions to the Building (whether or not the work to be performed is within the Premises or for its benefit) or the Premises, as may be required by Requirements or as Landlord may deem necessary; provided that such repairs, installations, improvements, alterations or additions within the Premises that Landlord may reasonably deem necessary do not have a material, adverse impact on Tenant's use or occupancy of the Premises, (d) to perform any work permitted or expressly required by the terms of this Lease, (e) to take back an insubstantial portion of the Premises as may be reasonably required for such repairs, installations, improvements, alterations or additions, (f) to gain access to Reserved Areas and/or (g) to take into and store within and upon the Premises all material that may be used in connection with any such repair, installation, improvement, alteration or addition work. Notwithstanding the foregoing to the contrary, Landlord shall not be required to give Tenant advance notice of any such entry to the extent necessary by reason of the occurrence of an emergency (with the understanding, however, that Landlord shall give Tenant notice of such emergency access as promptly as reasonably practicable thereafter). Such entry, storage, work or taking back of a portion of the Premises in connection with any of the purposes set forth herein shall not constitute an eviction (whether actual or constructive) of Tenant, in whole or in part, or breach of the covenant of quiet enjoyment, shall not be grounds for any abatement of rent, and shall not impose any liability on Landlord to Tenant by reason of inconvenience or injury to Tenant's business or to the Premises. Notwithstanding the foregoing to the contrary, Landlord will repair the Premises to the extent that the necessity for such repair derives from Landlord's access to the Premises as contemplated in this Article 19. Subject to Section 42.G. hereof, Landlord will remain liable to Tenant for personal injury or property damage that derives from Landlord's negligence or willful misconduct in connection with any entry upon the Premises. Tenant shall permit Landlord to erect and maintain pipes, ducts and conduits in and through the Premises, but only provided that same: (i) shall not reduce the useable space of the Premises (other than a de minimis extent); and (ii) shall, except as provided below, be concealed within the existing walls, floors or ceilings of the Premises or shall be boxed in adjacent to same, using materials matching the existing installation and finishes as closely as reasonably practicable so as to conceal same and repair any damage to the Premises caused by such installation, except that if such additional ducts, cabling, pipes or conduits are installed in areas that are enclosed utility areas (such as storage areas or mud rooms), then such ducts, cabling, pipes, risers or conduits may also be installed on or adjacent to partitioning walls, columns or ceilings without any obligation to conceal the same. Landlord shall have the right at any time, without the same constituting an actual or constructive eviction, and without incurring any liability to Tenant, to change the arrangement and/or location of entrances or passageways, windows, corridors, elevators, stairs, toilets, or other public parts of the Building, and/or to change the name or number by which the Building is known. The Premises shall not include (i) the exterior walls of the Building, (ii) the demising walls of the Premises (except for the interior face thereof), (iii) set-backs, balconies, terraces and roofs that are adjacent to the Premises, (iv) the windows and the portions of all window sills outside same, and (v) space that is now or hereafter used for Building systems or other purposes associated with the operation, repair, management or maintenance of the Real Property, including, without limitation, shafts, stacks, stairways, chutes, pipes, conduits, ducts, fan rooms, mechanical rooms (except for mechanical rooms that exclusively serve the Premises), plumbing facilities, service closets and areas above any hung ceiling, and Landlord hereby reserves all rights to such parts of the Building (the areas described in clauses (iii) and (v) above together with any mechanical rooms that exclusively serve the Premises being collectively referred to herein as the "Reserved Areas"). Landlord shall use commercially reasonable efforts to minimize interference with Tenant's use of the Premises in connection with Landlord's accessing the Premises as contemplated by this Section 19.A; provided, however, that Landlord shall have no obligation to employ contractors or labor at overtime or premium pay rates in connection therewith.

B. Without further consent by Tenant, Landlord, its managing agent or Landlord's designee may, after reasonable written or oral notice, at reasonable times, enter the Premises (whether prior or subsequent to the Commencement Date) to take photographs of the interior thereof (which may also include either or both of Tenant's name and logo) for use in print and electronic marketing materials for any one or more of the Building, Landlord, Landlord's managing agent or any affiliate thereof. Tenant hereby consents to such use. Notwithstanding the foregoing, no such material shall contain the image or likeness of any individual without first obtaining such individual's consent thereto. Tenant represents and warrants that the use of such photographs will not violate any copyright or trademark rights of any person with respect to the design, furnishing, layout or construction of the Premises.

c. Subject to the terms of this Lease, Tenant, during the Term, shall have access to the Premises at all times, twenty-four (24) hours per day, every day of the year.

d. (i) Subject to the terms of this Section 19.D and all other applicable provisions of this Lease, Landlord shall arrange for one (1) concierge or security guard or porter to staff the lobby of the Building at all times, twenty-four (24) hours per day, seven (7) days per week, at no additional cost to Tenant (provided the costs thereof may be included in Expenses). Tenant acknowledges that (i) Landlord, in agreeing to arrange for such security personnel, does not ensure the security of the Building, and (ii) accordingly, Tenant remains responsible for making the Alterations in, and adopting procedures for, the Premises that Tenant considers adequate to provide for Tenant's security.

(ii) Tenant may, at its sole cost and expense and subject to the provisions of Article 8 hereof, install a private security system (which may be a card access security system) within the Premises, and Landlord shall permit Tenant, at Tenant's sole cost expense, to integrate (if possible) any card access system used for entry to the Premises with the Building-wide card key security system so that the permitted occupants of the Premises would only need to carry a single access card to gain entry to the Premises and the Building-wide security system so long as such systems are compatible; it being understood and agreed that (x) Landlord shall not be required to delay any installation of a Building-wide security system until Tenant provides plans and specifications for Tenant's proposed security systems, (y) Tenant's card access system for the Premises may not be compatible with the Building-wide security system if Tenant provides specifications for Tenant's proposed security system after Landlord chooses its own security system for the Building, or (z) if Landlord is unable to reasonably accommodate Tenant's request to install a Building-wide card key system that can interface with Tenant's own security system, and in case of any of (x) through (z) above or any other failure to provide a Building-wide security system that is compatible with Tenant's security system, Landlord shall not be liable to Tenant and such failure shall not reduce, diminish or otherwise affect any of Tenant's covenants and obligations under this Lease and Landlord shall not be liable for any damages therefor. Notwithstanding the foregoing, any such private security system shall be deemed a Specialty Alteration hereunder without any further notice to Tenant.

e. Provided and on the express condition that the Premises comprises space on at least two (2) contiguous full floors of the Building, Landlord grants to Tenant permission to use certain the Building fire stairs designated as fire stair "B" as shown on Exhibit "H" annexed hereto and made a part hereof (the "Fire Stairs") between any contiguous floors of the Premises then leased by Tenant hereunder solely for access between such contiguous floors of the Premises by Tenant and its employees and invitees. Provided and on the express condition that (a) Tenant is the Person that executed and delivered this Lease initially as the tenant hereunder (or an Affiliate of such Person or a Person that succeeds to such Person pursuant to the terms of Sections 4.G., 4.I. 4.H. or 4.J. hereof) (the "Initial Tenant Requirement") and (b) Tenant then leases and occupies at least two (2) contiguous floors of the Premises (or portions of such floors that are contiguous to each other), Landlord is willing to grant such permission to Tenant upon the following terms, conditions and provisions:

(i) Tenant may use the Fire Stairs, on a non-exclusive basis, throughout the Term of this Lease, or until such earlier date that the permission granted under this Article is terminated or revoked pursuant to the terms hereof, solely for access between such contiguous floors of the Premises and for no other use or purpose. Without limiting the generality of the foregoing, Tenant expressly acknowledges and agrees that the Fire Stairs may not be used for storage of any kind and that no loitering shall be permitted therein. Except as otherwise provided in this Article, Tenant's use of the Fire Stairs and its obligations with respect thereto shall be subject to and in accordance with all applicable Requirements, the Rules and Regulations applicable thereto and such other rules and regulations established by Landlord governing such

use from time to time (as reasonably enacted, and communicated to Tenant by not less than thirty (30) days' prior written notice, from time to time) and the applicable terms, provisions, conditions and agreements contained in this Lease;

(ii) Tenant's use of the Fire Stairs shall be permitted provided and on the express condition that: (1) such use shall be permitted by, and at all times in accordance with, all applicable Requirements; (2) Tenant shall obtain all necessary governmental and regulatory approvals for the use of the Fire Stairs; (3) Tenant shall comply with all of Landlord's reasonable rules and regulations adopted from time to time with respect thereto; (4) access doors to the Fire Stairs shall never be propped or blocked open; (5) Tenant shall not store or place anything in the Fire Stairs or otherwise impede ingress thereto or egress therefrom; (6) Tenant shall not permit or suffer any of its employees, agents or contractors to use any portion of the Fire Stairs other than for access between the different floors of the Premises, except in case of emergency, and shall be responsible for assuring that Tenant's employees do not use the Fire Stairs for loitering or any other purpose other than access between the different floors of the Premises and use in the event of a fire or other emergency; (7) Tenant shall, at its sole cost and expense, (i) install automatic door closing devices reasonably satisfactory to Landlord on all doors between the Fire Stairs and the floors of the Premises; and (ii) tie such devices into the base Building fire alarm and life safety system; provided, in no event, shall the doors and/or frames have the fire rating thereof modified; (8) subject to applicable re-entry rules and regulations from time to time in effect, Tenant shall, at its sole cost and expense, install a key card locking system reasonably satisfactory to Landlord on all doors between the Fire Stairs and the floors of the demised premises; and (9) Tenant shall tie Tenant's security system into the Building security system so that, among other things, the Building security system can distinguish between an authorized entry into the Fire Stairs by one of Tenant's employees and an unauthorized entry by another party. Tenant shall provide Landlord with a "master" card key so that Landlord shall have access through each entry door. Tenant shall be solely responsible for the operation of the locking system on the doors from the Fire Stairs to the demised premises and hereby waives any and all claims against Landlord arising out of or in connection with parties gaining access to and from the demised premises through the Fire Stairs, except to the extent any such claims arise as a direct result of Landlord's (or Landlord's agents, employees or contractors) negligence or willful misconduct;

(iii) Subject to Landlord's prior review and approval of the same, which may be granted or withheld in Landlord's reasonable discretion, Tenant may, at its sole cost and expense, perform decorative or cosmetic upgrades to the Fire Stairs (e.g., painting), that do not require any permits from any Governmental Authority, subject to compliance with applicable Requirements and the applicable provisions of this Lease; All of the provisions of the Lease in respect of insurance and indemnification (but only with respect to Tenant, its employees, guests, invitees, contractors, agents, representative or other persons authorized or permitted by Tenant to utilize said Fire Stairs) shall apply to the portion of the Fire Stairs between the floors of the Premises, as if same were part of the Premises;

(iv) Notwithstanding that Tenant's use of the Fire Stairs shall be subject at all times to and shall be in accordance with the terms, covenants, conditions and agreements contained in this Lease (except as provided in this Article), Tenant acknowledges that Tenant's use of the same shall be pursuant to a license granted by Landlord that can be terminated or revoked by Landlord at any time if (a) Tenant's use of the Fire Stairs or any Alterations thereto violate any Requirements applicable to the Fire Stairs, the Premises or the Building or any portion thereof, including, without limitation, the Certificate of Occupancy issued for the Building (such termination or revocation shall void when such violation is cured to Landlord's reasonable satisfaction), or (b) this Lease no longer demises at least two (2) contiguous floors serviced by the applicable Fire Stairs;

(v) Landlord shall not be obligated to perform any work or incur any expenses to prepare the Fire Stairs for Tenant's use thereof, but Landlord shall be responsible for the ongoing repair and maintenance of the Fire Stairs and for the compliance thereof with Requirements for use of the Fire Stairs as a fire stairs, subject to reimbursement from Tenant of the costs of such work if and to the extent incurred by reason of the wrongful acts, omissions (where there is a duty to act), negligence or willful misconduct of Tenant or Tenant's agents employees, contractors, representatives or other Persons acting by, through or under Tenant, and not Landlord, or to the extent arising from Tenant's use of the Fire Stairs for non-emergency access between floors of the Premises and/or by reason of any Alterations performed by Tenant

thereto. Tenant shall be responsible for any additional cleaning costs with respect to the use of the portion of the Fire Stairs between the floors of the demised premises by Tenant; and

(vi) Upon the expiration or earlier termination or revocation of the permission granted under this Article, upon Landlord's request, Tenant agrees to promptly, and at Tenant's sole cost and expense, remove any Alterations and installations identified by Landlord and made by Tenant to the Fire Stairs and to generally restore any portions of the Fire Stairs altered by Tenant to the condition existing on the date hereof at Tenant's sole cost and expense

20. VAULT SPACE

Anything contained in any plan or blueprint to the contrary notwithstanding, no vault or other space not within the Building property line is demised hereunder. Any use of such space by Tenant shall be deemed to be pursuant to a license, revocable at will by Landlord, without diminution of the Rental payable hereunder. If Tenant shall use such vault space, any fees, taxes or charges made by any Governmental Authority for such space shall be paid by Tenant.

21. INDEMNITY

The term "Landlord Parties" shall mean collectively, Landlord, Landlord's managing agent, each holder of a Superior Interest and each of their respective partners, members, managers, officers, directors, employees, principals, trustees and agents. The term "Landlord Party" shall mean any of the foregoing individually. To the fullest extent of the law, Tenant shall indemnify, defend and hold the Landlord Parties harmless from and against any and all claims, demands, liability, losses, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) arising from or in connection with: (a) any breach or default by Tenant in the full and prompt payment and performance of Tenant's obligations hereunder; (b) the use or occupancy or manner of use or occupancy of the Premises by Tenant or any Person claiming by, under or through Tenant; (c) any act, omission or negligence of Tenant or any of its subtenants, assignees or licensees or its or their partners, principals, directors, officers, agents, invitees, employees, guests, customers or contractors (of any tier); (d) any accident, injury or damage occurring in or about the Premises; (e) the performance by Tenant (or any Person on behalf of Tenant, or any Person claiming by, through, or under, Tenant, including, without limitation, any Person engaged by or on behalf of Tenant) of any Alteration in, to or about the Premises, including, without limitation, the failure of Tenant or any such Person to obtain any permit, authorization or license or failure to pay in full any contractor, subcontractor or materialmen performing such Alteration; (f) a misrepresentation made by Tenant hereunder (including, without limitation, a misrepresentation of Tenant under Article 40 hereof);and (g) any mechanics lien filed, claimed or asserted in connection with any Alteration or any other work, labor, services or materials done for or supplied to, or claimed to have been done for or supplied to Tenant, or any Person claiming through or under Tenant. Tenant shall not be required to indemnify the Landlord Parties, and hold the Landlord Parties harmless, in either case as aforesaid, to the extent that it is finally determined that the negligence or willful misconduct of a Landlord Party contributed to the loss or damage sustained by the Person making the claim against Landlord. If any claim, action or proceeding is brought against any of the Landlord Parties for a matter covered by this indemnity, Tenant, upon notice from the indemnified Person shall defend such claim, action or proceeding with counsel reasonably satisfactory to Landlord and the indemnified Person. The parties intend that the Landlord Parties (other than Landlord) shall be third-party beneficiaries of this Section 21.A. The provisions of this Article 21 shall survive the Expiration Date.

22. INABILITY TO PERFORM; LIMITATION OF LIABILITY

a. Subject to Articles 11 and 14 hereof, this Lease and the obligation of Tenant to pay Rental hereunder and to perform all of Tenant's other covenants shall not be affected, impaired or excused, and Landlord shall not have any liability to Tenant, to the extent that Landlord is unable to perform Landlord's covenants under this Lease by reason of any cause beyond Landlord's control, including without limitation (i) strikes, (ii) labor troubles, (iii) governmental pre-emption in connection with a national emergency, (iv) any Requirement, (v) conditions of supply or demand, (vi) conditions affected by, or actions (including without limitation any evacuation or closure of the Building) taken by Landlord or others reasonably intended to assure the health, security or safety of the Building or any person in response to, war, any act of terrorism or violence (even if not directed at the Building or any occupant thereof), or other national, state or municipal emergency (whether or not officially proclaimed by

any Governmental Authority), (vii) the occurrence of an act of God, (vii) unavailability of power or any disruption of electrical or any other utility service, or (viii) pandemics, epidemics or other contagions (such events collectively, "Unavoidable Delays"); provided, however, that Landlord shall not have the right to claim under this Section 22.A. that Landlord's failure to have funds available to make a payment of money constitutes an excuse for Landlord's performance of an obligation of Landlord hereunder. For the avoidance of doubt, (i) if either Landlord or Tenant is delayed or prevented from the performance of any act required hereunder (excluding the payment of money) or the satisfaction of any condition contained herein by reason of Unavoidable Delays, then the period for the performance of such act or the satisfaction of such condition shall be extended for a period equal to the period of such delay, and (ii) Unavoidable Delays shall not be a defense to Tenant's failure to timely pay Rental due hereunder.

b. Landlord shall have the right, without incurring any liability to Tenant, to stop any service because of accident or emergency, or for repairs, alterations or improvements, necessary or desirable in the judgment of Landlord to the Building or the Premises, until such repairs, alterations or improvements shall have been completed. Landlord shall use commercially reasonable efforts to provide Tenant advance notice of any such stoppage, if practicable.

c. The Landlord Parties (other than Landlord) shall not be liable for the performance of Landlord's obligations under this Lease. Tenant shall look solely to Landlord to enforce Landlord's obligations hereunder. The liability of Landlord for Landlord's obligations under this Lease shall be limited to Landlord's interest in the Real Property and the proceeds thereof (including, without limitation, proceeds of a sale or refinancing of Landlord's interest in the Real Property, casualty insurance proceeds, and condemnation awards). Tenant shall not look to any property or assets of Landlord (other than Landlord's interest in the Real Property and such proceeds thereof) in seeking either to enforce Landlord's obligations under this Lease or to satisfy a judgment for Landlord's failure to perform such obligations.

d. The Landlord Parties (other than Landlord) shall not be liable to Tenant for any loss or damage to person, property or business. Landlord shall not be liable to Tenant for any loss or damage to person, property or business, unless due to the negligence or willful misconduct of Landlord (it being understood and agreed that the provisions of Section 42.G. hereof shall apply with respect to any such liability). The Landlord Parties shall not be liable for any damage to property of Tenant or of others entrusted to employees of the Building nor for the loss of or damage to any property of Tenant by theft or otherwise.

23. CONDITION OF PREMISES & LANDLORD'S WORK

A. Tenant expressly acknowledges that it has inspected the Premises and is fully familiar with the physical condition thereof. Subject to Article 10 hereof, (a) Tenant shall accept possession of the Premises in the condition that exists on the Commencement Date "as is," and (b) Landlord shall have no obligation to perform any work or make any installations in order to prepare the Building or the Premises for Tenant's occupancy other than Landlord's Work. Tenant acknowledges that except as expressly set forth herein, Landlord has made no representations or promises with respect to the Building, the Real Property or the Premises. On or prior to the Commencement Date, Landlord shall provide Tenant with a Form ACP-5 (or the then current equivalent thereof), duly executed by an appropriate party and covering the Premises (as modified by Landlord's Work). Tenant acknowledges that except as expressly set forth in this Lease, Landlord has made no representations or promises with respect to the Building, the Real Property or the Premises. Notwithstanding the foregoing, Landlord represents, to its actual knowledge without a duty to investigate that, as of the Commencement Date, (i) the Premises shall not be in violation of any Requirements that would prevent Tenant from occupying the Premises for its ordinary business purposes (it being agreed that if Landlord is aware of any violation of any Requirements applicable to the Premises that exists on the Commencement Date (whether or not such violation prevents Tenant from occupying the Premises for its ordinary business purposes), Landlord shall advise Tenant thereof), and (ii) there shall be no damages or defects with respect to the Premises of which Landlord is aware that would not be discoverable during a visual inspection by Tenant (or if such damages or defects exist and Landlord is aware thereof, Landlord shall inform Tenant).

B. Landlord shall, at Landlord's expense, perform the work described on Exhibit B-1, attached hereto and made a part hereof, using Building Standard Installations (as hereinafter defined) (such work collectively, "Landlord's Base Building Work").

C. Landlord shall, at Landlord's expense, but subject to the provisions of Section 23.M, perform the work to construct the Premises to prepare the same for Tenant's initial occupancy thereof, in accordance with the Final Plans (as hereinafter defined) to be prepared by Nelco Architecture New York P.C. ("Architect"), which Final Plans shall be based upon those certain drawings (the "Final Space Plans") attached hereto as Exhibit "B-3" and made a part hereof (the aforesaid work, "Landlord's Premises Work"; together with Landlord's Base Building Work,

"Landlord's Work"). Landlord shall perform Landlord's Work in compliance with applicable laws and using either those materials and finishes more particularly set forth in that certain work specification letter attached hereto and made a part hereof as Exhibit "B-2" or materials and finishes which are reasonably comparable in quality and price to those set forth in such letter (such materials and finishes are hereinafter referred to as the "Building Standard Installations"; such letter, the "Work Letter"). Tenant hereby approves the Final Space Plans and the Work Letter and the acknowledges and agrees that the Final Space Plans and the Work Letter are final and Tenant shall not have the right to make any changes thereto from and after the date hereof. Notwithstanding the foregoing to the contrary, (I) Landlord shall not be obligated to install any (u) supplemental air-conditioning system, (v) furniture or built-ins, (w) telecommunication wiring, cabling, or equipment, (x) security systems, (y) artwork, and/or (z) decorative finishes, in any case, even if same are shown on the Final Space Plans or the Final Plans, and (II) Tenant shall pay for any and all items of Tenant Extra Work subject to and in accordance with the provisions of Section 23.M hereof.

D. Tenant shall provide the Architect with all input and information necessary to enable the Architect to prepare and deliver to Landlord on or prior to the date that is forty-five (45) days following the date of this Lease (the "Plan Deadline") in the manner set forth in Section 23.F hereof the plans ("Tenant's Initial Plans"), which shall be (i) based upon the Final Space Plans, (ii) one hundred percent (100%) complete and ready to bid and build (including, without limitation, layout, architectural, mechanical, structural, engineering and plumbing drawings, to the extent applicable), (iii) stamped and approved by Architect, and (iv) in format containing sufficient detail (x) for Landlord and Landlord's consultants to reasonably assess the proposed work to prepare the Premises for Tenant's initial occupancy, and (y) to permit Landlord to make all necessary filings with Governmental Authorities to obtain the required permits, approvals and certificates to allow Landlord to commence Landlord's Work (the requirements set forth in clauses (i)-(iv) hereof, the "Plan Requirements").

E. Tenant shall provide the Architect with all input and information necessary to enable the Architect to revise Tenant's Initial Plans if and to the extent that Landlord objects or comments thereto and deliver to Landlord in the manner set forth in Section 23.F hereof, the Tenant's Initial Plans, as so revised, which revised plans shall (i) address all of Landlord's objections and comments to Landlord's reasonable satisfaction and (ii) satisfy all of the Plan Requirements (the Tenant's Initial Plans either (x) revised to Landlord's reasonable satisfaction as aforesaid, or (y) if Landlord shall confirm in writing that Landlord does not have any objections thereto, as applicable, shall constitute the "Final Plans"). If Landlord objects or comments on Tenant's Initial Plans as contemplated herein, Tenant shall cause Architect to deliver the Final Plans to Landlord on or prior to the earlier to occur of (x) the date which is five (5) Business Days following the date that Landlord gives Tenant Landlord's objections and/or comments, if any, to Tenant's Initial Plans and (y) the date that is sixty (60) days following the date of this Lease (such earlier date, the "Revision Deadline").

F. Intentionally Omitted

G. Landlord shall perform Landlord's Work in a good and workmanlike manner and in accordance with all applicable Requirements. As of the Commencement Date, all Building systems exclusively serving the Premises shall be in good working order and Landlord shall be responsible for all repairs arising thereto during the period commencing on the Commencement Date and ending on the day immediately preceding the first (1st) anniversary of the Commencement Date except if and to the extent required due to Tenant's negligence, willful misconduct or misuse thereof. Additionally. Landlord shall reasonably cooperate with Tenant, at no cost to Landlord so that Tenant shall receive the benefit of all third party warranties covering the Landlord's Work.

e. Landlord shall have the right to delegate Landlord's obligations to perform all or any portion of Landlord's Work to an Affiliate of Landlord (it being understood and agreed, however, that Landlord's delegating such obligations to an Affiliate of Landlord shall not diminish Landlord's liability for the performance of Landlord's Work in accordance with the terms of this Article 23). Landlord shall also have the right to assign to such Affiliate of Landlord the rights of Landlord hereunder to receive from Tenant the payments for the performance of the portions of Landlord's Work pursuant to Section 23.M hereof (it being understood and agreed that if (i) Landlord so assigns such rights to such Affiliate of Landlord, and (ii) Landlord gives Tenant notice thereof, then Tenant shall pay

directly to such Affiliate any such amounts otherwise due and payable to Landlord hereunder). Landlord shall not be required to maintain or repair during the Term any items of Landlord's Work except as otherwise expressly provided in this Lease

f. The following terms shall have the following meanings as used herein:

g. "Long Lead Work" shall mean any item (including, without limitation, any item of Tenant Extra Work), which is not a stock item and/or must be specially manufactured, fabricated or installed or is of such an unusual, delicate or fragile nature that there is a substantial risk that (x) there will be a delay in its manufacture, fabrication, delivery or installation, or (y) after delivery of such item will need to be reshipped or redelivered or repaired so that, in Landlord's reasonable judgment, the item in question cannot be completed when the standard items are completed even though the items of Long Lead Work in question are (1) ordered together with the other items required and (2) installed or performed (after the manufacture or fabrication thereof) in order and sequence that such Long Lead Work and other items are normally installed or performed in accordance with good construction practice. In addition, Long Lead Work shall include any standard item, which in accordance with good construction practice should be completed after the completion of any item of work in the nature of the items described in the immediately preceding sentence.

h. "Tenant Work Delays" shall mean the acts or omissions of Tenant, its agents, employees, contractors (of any tier) or any other Person claiming by, though, or under Tenant (including, without limitation, (v) any changes or change orders to plans or finishes, including, without limitation, requests for items of Tenant Extra Work, (w) the performance of any other work by or on behalf of Tenant or any Person claiming by, through or under Tenant, (x) the failure to deliver or cause Architect to deliver Tenant's Initial Plans to Landlord on or prior to the Plan Deadline, and/or the failure to deliver or cause Architect to deliver the Final Plans to Landlord on or prior to the Revision Deadline, in either case, in compliance with the Plan Requirements and in accordance with the provisions of Section E. hereof, (y) delays or failures to notify or respond to requests of Landlord and/or (z) the failure to make any of the payments required by Section 23.M. hereof within the time periods specified therein) that delay Landlord in the performance of Landlord's Work.

g. Tenant, during the Term, shall not have the right to remove Landlord's Work or any portion thereof (or Alterations that replace Landlord's Work (or such portion thereof) unless Tenant replaces Landlord's Work (or such portion thereof), or such Alterations, as the case may be, with Alterations that have a fair value that is equal to or greater than such portion of Landlord's Work (it being understood and agreed that such Alterations that Tenant performs to replace Landlord's Work (or such portion thereof), or such other Alterations, as the case may be, shall constitute the property of Landlord as contemplated by this Section 23.J). The foregoing shall not apply to items of Tenant Extra Work; it being understood and agreed that nothing contained herein shall be deemed to modify or impair Tenant's obligations to restore portions of Landlord's Work that constitute Tenant Extra Work. Notwithstanding anything to the contrary contained in this Lease, Tenant hereby expressly acknowledges and agrees that the stall shower room (identified as item 12.13 of the Work Letter) and the internal stairs between floors 17 and 18 (identified as item 12.19 of the Work Letter) are deemed to be Specialty Alterations for purposes of this Lease without the requirement any further notice from Landlord. In addition to the foregoing and notwithstanding anything to the contrary contained in this Lease, certain other items of Tenant Extra Work (including, without limitation, item 12.14) may constitute Specialty Alterations provided that such items are identified as Specialty Alterations by Landlord prior to the completion of the Final Plans.

h. Notwithstanding the provisions of Section 1.A. of this Lease to the contrary, in the event that Substantial Completion of Landlord's Work shall be delayed by reason of any Tenant Work Delays and/or items of Long Lead Work, then only for purposes of determining the Commencement Date, and the Substantial Completion of Landlord's Work shall each be deemed to have occurred on the date the same would have otherwise occurred but for such Tenant Work Delays and/or such items of Long Lead Work, notwithstanding that Landlord has not yet delivered possession of the Premises to Tenant. In addition, Tenant shall pay to Landlord any increases in the cost of Landlord's Work caused by or resulting from a Tenant Work Delay.

i. If Landlord so requests, Tenant agrees to inspect the Premises on or about the Commencement Date and to execute, at the time of such inspection, a list identifying items of Landlord's Work that Landlord and Tenant, in good faith, agree are not yet completed (such list, the "Punch List"). Landlord shall perform any items on

the Punch List within thirty (30) days following the date on which the Punch List is initially initialed by Tenant to the extent such item is capable of completion within such period and otherwise promptly thereafter provided that Landlord shall use diligent efforts to complete same. Tenant agrees that, at the request of Landlord from time to time thereafter, Tenant shall initial the Punch List or a revised version thereof to reflect completion or partial completion of items on the prior version of the Punch List.

M.

(i) For purposes hereof, the term "Tenant Extra Work" shall mean collectively, (i) any above Building Standard Installations (to the extent the hard and soft costs incurred in connection with performing the applicable portion of Landlord's Work in connection therewith exceed the hard and soft costs which Landlord would have incurred in performing such portion of Landlord's Work using Building Standard Installations), and/or (ii) any portion of Landlord's Work that is denoted on the Final Plans or in the Work Letter (including, without limitation, the "Note" and "Legends" sections of the Final Plans) as "Alternate Pricing", "Alt. Pricing", "Tenant Extra Work" or similar language denoting any alternatives from the Final Space Plans and/or (iii) additional installations that exceed the scope of Landlord's Work. The cost for performing any Tenant Extra Work shall be determined in accordance with Landlord's standard bidding procedure. Notwithstanding the foregoing to the contrary, Landlord shall have the right to let the construction contract to the lowest responsible qualified bidder without taking into account the cost of any items of Tenant Extra Work (with the understanding that Landlord shall have the right to exercise Landlord's reasonable business judgment in selecting the form of contractual arrangement for the construction contract).

(ii) Landlord shall notify Tenant pursuant to Section 23.N hereof after Landlord's bidding procedure is completed of the estimated price for each item of Tenant Extra Work. If the aggregate price of all items of Tenant's Extra Work and all soft costs associated therewith exceeds $135,000.00 (the "TEW Cap"), then within three (3) days after Landlord gives Tenant notice of such estimated price (the "Tenant Extra Estimate"), Tenant shall pay to Landlord the amount by which the Tenant Extra Estimate exceeds the TEW Cap (such payment received by Landlord, the "Tenant Extra Work Estimate Payment"; it being understood and agreed that (x) if Tenant fails to pay the Tenant Extra Work Estimate Payment within the aforesaid three (3) day period (the "TEW Payment and Response Period"), or (y) if Tenant notifies Landlord not to perform any item(s) of Tenant Extra Work, then, in either event, (i) Landlord shall have the right (but not the obligation) to substitute a Building Standard Installation for such item(s) of Tenant Extra Work if the same is capable of being so substituted and if Landlord is unable or unwilling to substitute a Building Standard Installation for such item(s) of Tenant Extra Work, then such item(s) shall be excluded from Landlord's Work and Landlord shall have no obligation to perform the same and (ii) Tenant shall reimburse Landlord for any and all soft costs that may have been actually incurred by Landlord in connection with such item(s) of Tenant Extra Work within ten (10) days following receipt of Landlord's invoice therefor (including, without limitation, any softs costs incurred for items of Tenant Extra Work which Tenant elected for Landlord not to perform or with respect to which Tenant failed to respond as contemplated herein, as the case may be). For purposes of clarification, Landlord shall be responsible for up to the TEW Cap in connection with the total cost of all item(s) of the Tenant Extra Work and all soft costs associated therewith; provided, however, if such total costs exceed the TEW Cap, then Tenant shall be responsible for all of such excess costs and expenses (including soft costs) incurred in connection with the Tenant Extra Work. In the event that any item of Tenant Extra Work creates a field condition that requires a change to Landlord's Work resulting in an increase of the cost of Landlord's Work, Landlord shall have the right before proceeding with such change to require Tenant (a) to agree in writing to pay such increase in cost within three (3) days from the date of Landlord's request (which request may be verbal) for Tenant's agreement and (b) to pay such increase within three (3) days of Landlord's invoice therefor, which invoice may be based upon a reasonable estimate thereof. If Tenant shall fail or refuse to so agree to and/or pay for such increase then Landlord shall have the right (but not the obligation) to either refuse to perform such Tenant Extra Work, and continue the performance of Landlord's Work without making the changes thereto contemplated by such Tenant Extra Work or to revise the scope of Landlord's Work so as not to require a change resulting from a field condition (it being understood that Tenant shall reimburse Landlord for any and all costs (including soft costs) that may have been actually incurred by Landlord in connection with or as a result of such item(s) of Tenant Extra Work within ten (10) days following receipt of Landlord's invoice therefor). Landlord shall give to Tenant, within sixty (60) days after the date that Landlord Substantially Completes Landlord's Work, a notice that sets forth the actual hard and soft costs incurred by or on behalf of Landlord in performing all items of Tenant Extra Work, if any (the "Actual Tenant Extra

Work Cost") (such notice being referred to herein as the "Final Cost Notice"). Tenant shall pay to Landlord, within five (5) days after the date that Landlord gives the Final Cost Notice to Tenant, an amount (the "TEW Final Payment Amount") equal to the excess (if any) of (I) the Actual Tenant Extra Work Cost, as reflected in the Final Cost Notice, over (II) the Tenant Extra Work Estimate Payment (if any). Landlord shall pay to Tenant, within thirty (30) days after the date that Landlord gives the Final Cost Notice to Tenant, an amount equal to the excess (if any) of (I) the Tenant Extra Work Estimate Payment, over (II) the Actual Tenant Extra Work Cost, as reflected in the Final Cost Notice; provided, however, that in no event shall Landlord pay to Tenant any amount that exceeds the Tenant Extra Work Estimate Payment actually received by Landlord. For purposes of clarification, in no event shall Landlord be required to pay to Tenant any amounts, nor shall Tenant be entitled to any credits, if the total cost of all items of Tenant Extra Work is less than the TEW Cap.

N. Notwithstanding the provisions of Article 28 hereof to the contrary, any notices required to be given pursuant to this Article 23 shall be deemed given if sent to Tenant via electronic mail to the attention of Sean Owsley - Director Operations (sowsley@zentalis.com).

O. Notwithstanding anything to the contrary contained herein, if, and to the extent permitted by applicable Requirements, Tenant shall have the right to enter the Premises during the period that is no more than thirty (30) days prior to the Commencement Date at times to be coordinated and approved in advance with Landlord and the property management team for the Building in order to (x) install its computer equipment, audio/visual equipment and voice and data telecommunications equipment, including, any related cabling and wiring, and (y) to take measurements for space planning and furniture purposes and for any other reasonable purpose, provided that during said period (the "Early Access Period") (i) subject to the penultimate sentence of this Section 23.O, Tenant shall comply with all terms and conditions of this Lease, including without limitation, the provisions of Article 21 hereof; it being understood and agreed that subject to the penultimate sentence of this Section 23.O, all provisions of this Lease shall govern and apply during the Early Access Period notwithstanding that the Commencement Date has not yet occurred; (ii) Tenant shall coordinate the timing and scheduling of the aforesaid work so as not to (x) interfere with the operation of the Building or Landlord's performance of Landlord's Work, or (y) delay Landlord's completion of Landlord's Work (it being understood and agreed, however, that to the extent Landlord's Work is delayed by or in connection with Tenant's early access to the Premises as aforesaid, the same shall constitute a Tenant Work Delay), and (iii) Tenant shall not begin operation of its business in the Premises or the performance of any Alterations prior to the Commencement Date. Notwithstanding the provisions of clause (i) hereof to the contrary, during the Early Access Period, Tenant shall not be obligated to pay Fixed Annual Rent, or Escalation Rent. Notwithstanding anything to the contrary contained herein, any equipment or other installations whatsoever installed by or on behalf of Tenant during the Early Access Period as permitted herein shall be installed at Tenant's sole risk, cost and expense; it being expressly understood that Landlord shall not have any liability whatsoever to Tenant in connection with such equipment or installations (including, without limitation, liability for any damage thereto or theft thereof).

24. CLEANING

a. Subject to the terms of this Lease, Landlord shall cause the Premises to be cleaned on Business Days in accordance with cleaning specifications (set forth on Exhibit "E" annexed hereto and made part hereof), provided they are kept in order by Tenant. Landlord, its cleaning contractor and their employees shall have after-hours access to the Premises and the use of Tenant's light, power and water in the Premises as may be reasonably required for the purpose of cleaning the Premises. Tenant shall pay to Landlord, as Additional Rent, the reasonable costs incurred by Landlord in removing from the Building any of Tenant's refuse and rubbish to the extent exceeding the amount of refuse and rubbish usually generated by a tenant that uses the Premises for ordinary office purposes.

b. Tenant acknowledges that it has been advised that the cleaning contractor for the Building may be a subdivision or Affiliate of Landlord. Tenant agrees to employ said contractor, or such other contractor as Landlord may from time to time designate, for any additional cleaning services such as waxing, polishing and other maintenance cleaning, rubbish removal and similar work in or to the Premises and/or Tenant's furniture, fixtures and equipment, provided that the prices charged by said contractor are reasonably competitive with the prices charged by other contractors of comparable skill and experience operating within the vicinity of the Building for comparable work. Tenant agrees that under no circumstance shall it employ any other cleaning and maintenance contractor, nor

any individual, firm or organization for such purposes other than Landlord’s contractor without Landlord's prior written consent, which may be withheld for any reason.

c. Tenant, at Tenant's expense, shall exterminate the Premises against infestation by insects and vermin, regularly, and whenever there is evidence of infestation, in both cases, in a manner reasonably acceptable to Landlord. Tenant shall engage Landlord's designated contractor to perform such extermination services, provided that the prices charged by said contractor are reasonably competitive with the prices charged by other contractors of comparable skill and experience operating within the vicinity of the Building for comparable work.

d. In each instance where Tenant is obligated to engage Landlord's designated contractor for a particular service, as contemplated in this Article 24, if Landlord and Tenant cannot agree on whether the prices being charged by the applicable contractor designated by Landlord are reasonably competitive to those charged by such other contractors, Landlord or Tenant may submit such dispute to a Streamlined Arbitration Proceeding (as hereinafter defined) pursuant to Article 41 hereof. While such dispute is pending resolution and as a condition to its initiation and the maintenance thereof, Tenant shall pay the charges billed by Landlord or its designated contractor, as the case may be; it being understood and agreed, that following resolution of any such dispute, such charges shall be adjusted as determined in such Streamlined Arbitration Proceeding.

e. Except with respect to the A/C Equipment (as hereinafter defined), the building systems and mechanical equipment installed by Landlord, shall not generate noise in excess of NC-40 within ten (10’) feet of any mechanical equipment rooms located within or serving the Premises.

25. JURY WAIVER, DAMAGES

THE PARTIES HERETO HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY REQUIREMENTS, TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF SUCH PARTIES AGAINST THE OTHER WITH RESPECT TO ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, OR FOR THE ENFORCEMENT OF ANY REMEDY, WHETHER PURSUANT TO STATUTE, IN CONTRACT OR TORT, AND IRRESPECTIVE OF THE NATURE OR BASIS OF THE CLAIM INCLUDING BREACH OF AN OBLIGATION TO MAKE ANY PAYMENT, FRAUD, DECEIT, MISREPRESENTATION OF FACT, FAILURE TO PERFORM ANY ACT, NEGLIGENCE, MISCONDUCT OF ANY NATURE OR VIOLATION OF STATUTE, RULE, REGULATION OR ORDINANCE. IF LANDLORD COMMENCES AGAINST TENANT ANY SUMMARY PROCEEDING OR OTHER ACTION TO RECOVER POSSESSION OF THE PREMISES OR TO RECOVER ANY RENT, TENANT SHALL NOT INTERPOSE ANY COUNTERCLAIM OF WHATEVER NATURE OR DESCRIPTION IN ANY SUCH PROCEEDING OR ACTION (EXCEPT TO THE EXTENT THAT APPLICABLE LAW PRECLUDES TENANT FROM ASSERTING SUCH COUNTERCLAIM IN ANOTHER PROCEEDING), AND SHALL NOT SEEK TO CONSOLIDATE SUCH PROCEEDING WITH ANY OTHER ACTION WHICH MAY HAVE BEEN OR WILL BE BROUGHT IN ANY OTHER COURT BY TENANT. TENANT HEREBY WAIVES ANY AND ALL CLAIMS AGAINST LANDLORD FOR LANDLORD'S UNREASONABLY WITHHOLDING, UNREASONABLY CONDITIONING OR UNREASONABLY DELAYING ANY CONSENT OR APPROVAL REQUESTED BY TENANT IN CASES WHERE LANDLORD EXPRESSLY AGREED HEREIN NOT TO UNREASONABLY WITHHOLD, UNREASONABLY CONDITION OR UNREASONABLY DELAY SUCH CONSENT OR APPROVAL; IT BEING UNDERSTOOD AND AGREED THAT TENANT’S SOLE REMEDY THEREFOR BEING AN ACTION OR PROCEEDING FOR SPECIFIC PERFORMANCE, INJUNCTION OR DECLARATORY JUDGMENT. LANDLORD SHALL HAVE NO LIABILITY FOR ANY CONSEQUENTIAL, INDIRECT OR PUNITIVE DAMAGES THAT ARE SUFFERED BY TENANT OR ANY PERSON CLAIMING BY, THROUGH OR UNDER TENANT.

26. NO WAIVER, CONSTRUCTIVE EVICTION, SURVIVAL OF OBLIGATIONS, ETC.

a. No act or omission of Landlord or its agents (including, without limitation, the exercise of the rights set forth in Section 22.B. hereof) shall constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any compensation or to any abatement or diminution of the Rental, or relieve Tenant from any of Tenant's obligations under this Lease, or impose any liability upon Landlord or any of the Landlord Parties by reason of inconvenience or annoyance to Tenant, or injury to or interruption of Tenant's business, or otherwise. No

act or omission of Landlord or its agents shall constitute acceptance of a surrender of the Premises, except a writing signed by Landlord. The delivery of keys to Landlord or its agents shall not constitute a termination of this Lease or a surrender of the Premises. Acceptance by Landlord of less than the Rental herein provided shall at Landlord's option be deemed on account of earliest Rental remaining unpaid. No endorsement on any check, or letter accompanying rent, shall be deemed an accord and satisfaction, and such check may be cashed without prejudice to Landlord. No waiver of any provision of this Lease shall be effective, unless such waiver be in writing signed by Landlord. FOR THE AVOIDANCE OF DOUBT, NO COURSE OF CONDUCT (FOR HOWEVER LONG IT MAY HAVE CONTINUED) THAT MAY HAVE DEVIATED FROM THE EXPRESS TERMS OF THIS LEASE OR CHANGE IN THE COURSE OF CONDUCT (HOWEVER LONG THE PREVIOUS COURSE OF CONDUCT MAY HAVE CONTINUED) OF LANDLORD (SUCH AS THE ACCEPTANCE OF LATE PAYMENT OF RENT WITHOUT COMPELLING PAYMENT OF A LATE CHARGE OR INSTITUTING ANY LEGAL PROCEEDING) SHALL BE DEEMED TO BE A WAIVER OR AMENDMENT OF ANY TERM OF THIS LEASE AND SHALL BE CONSTRUED SOLELY AS A TEMPORARY AND NON-BINDING ACCOMMODATION OF TENANT AT TENANT'S REQUEST AND MADE WITHOUT PREJUDICE TO LANDLORD'S RIGHTS AND REMEDIES. No provision of this Lease shall be deemed to have been waived by Tenant, unless such waiver is in writing signed by the Tenant. Tenant's failure to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this Lease on Landlord's part to be performed, shall not be deemed to be a waiver. The payment by Tenant of any item of Rental or performance of any obligation of Tenant hereunder with knowledge of any breach by Landlord of any covenant of this Lease shall not be deemed a waiver of such breach, nor shall it prejudice Tenant's right to pursue any remedy against Landlord in this Lease provided or otherwise available to Tenant in law or in equity. This Lease contains the entire agreement between the parties, and no modification thereof shall be binding unless in writing and signed by both parties.

b. Tenant shall comply with (and shall cause any Person claiming by, through or under Tenant to comply with) the rules and regulations set forth in the Rider attached hereto and made a part hereof, and any reasonable modifications thereof or additions thereto. Landlord shall not be liable to Tenant for the violation of such rules and regulations by any other tenant. Landlord shall not establish or enforce any rule or regulation against Tenant in a discriminatory manner.

c. Failure of Landlord to enforce any provision of this Lease, or any rule or regulation, shall not be construed as the waiver of any subsequent violation of a provision of this Lease, or any rule or regulation. This Lease shall not be affected by nor shall Landlord in any way be liable for the closing, darkening or bricking up of windows in the Premises or the relocation or alteration of any corridor to the Premises, for any reason, including as the result of construction on any property of which the Premises are not a part or by Landlord's own acts. No easement for light and air is conveyed by this Lease.

d. Landlord's and Tenant's obligation to make any and all adjustments and payments required by this Lease, including, without limitation, the adjustments and payments referred to in Articles 2 and 3 hereof, shall survive any expiration, termination or cancellation of this Lease, except as otherwise expressly provided by written agreement between Landlord and Tenant.

e. Any delay or failure of Landlord in billing or tendering any invoice or statement provided for in any provision of this Lease for all or any portion of any amount payable pursuant to this Lease (whether denominated Additional Rent or otherwise), including, without limitation, any provision of Article 2 or Article 3 hereof (including, without limitation, any statement, invoice, bill, or notice of cost of living adjustment, operating expense escalation, tax escalation, or fuel and/or rate adjustment), shall not constitute a waiver of or in any way impair (i) Landlord's right to bill Tenant at any subsequent time (during or subsequent to the Term), retroactively for the entire amount so unbilled (which previously unbilled amount shall be payable within thirty (30) days after demand therefor), and to collect any such amount or (ii) Tenant's continuing obligation to pay the same hereunder, which obligation shall survive the Expiration Date.

27. OCCUPANCY AND USE BY TENANT; SIGNAGE

a. Tenant shall not obstruct or permit the obstruction of the light, halls, common areas, roof, stairway or entrances to the Building.

b.

a. Except as otherwise expressly permitted herein, Tenant will not affix, erect or inscribe any signage, lettering, projections, awnings, signals or advertisements or notices of any kind to any part of the Premises, including the inside or outside of the windows or doors thereof, or the Building or any portion thereof; it being understood and agreed that Tenant shall not have the right to use any window in the Premises for any sign or other display that is designed principally for advertising or promotion. Notwithstanding the foregoing, Tenant shall be permitted to install signage within the Premises provided the same is not visible from outside of the Premises and is not located inside or outside of the windows thereof, provided, however, the foregoing shall not preclude Tenant from initially following the Commencement Date installing its firm name and/or logo within the reception area of the Premises without obtaining Landlord's prior written consent thereto (provided any modifications thereto shall be subject to Landlord's consent, not to be unreasonably withheld, conditioned or delayed).

b. Tenant will not paint the outside of the doors thereof or the inside or outside of the windows thereof. Any signage, lettering, projections, awnings, signals, advertisements, or notices which shall be exhibited, inscribed, painted or affixed by or on behalf of Tenant in violation of the provisions of this Section 27.B may be removed by Landlord and the cost of any such removal shall be paid by Tenant as Additional Rent.

c. Subject to Landlord's prior written approval thereof, which approval shall not be unreasonably withheld, conditioned or delayed, Tenant shall have the right, at Tenant's own cost and expense, to install and maintain signage containing Tenant's name and/or logo on or affixed to the entry doors (the "Entry Door Signage") to the Premises (only with respect to the portions of the Premises that comprise a full floor and only for such period that such portions of the Premises compromise a full floor), provided that Tenant complies in all respects with all applicable provisions of this Lease (including, without limitation, Article 8 hereof), in connection therewith. Entry Door Signage (and any removal thereof or changes thereto) shall constitute an Alteration for all purposes of this Lease. For the avoidance of any doubt, with respect to any portion(s) of the Premises that constitute less than a full floor at any time, or in the event that Tenant leases additional space in the Building which is comprised of less than the entire rentable area on such particular floor, following Tenant's request therefor (which request may only be made one time with respect to the particular space), Landlord shall, at Tenant's cost and expense, install Building standard signage containing Tenant's name only, on or affixed to the entry doors to the Premises and the same shall constitute the Entry Door Signage; it being understood that (i) the foregoing shall not be construed as granting Tenant any rights to surrender any portion of the Premises or to lease additional space in the Building and (ii) with respect to Entry Door Signage on any multi-tenanted floor only, (x) upon installation thereof, such signage shall not be removed, changed or otherwise modified in any way without Landlord's prior written approval, which consent shall not be unreasonably withheld, conditioned or delayed provided such change or other modification is then consistent with the Building standard signage program then in effect for the Building, and the removal, change or modification of the Entry Door Signage or any lettering contained therein shall be performed solely by Landlord, at Tenant's sole cost and expense and (y) notwithstanding the provisions of clause (x) to the contrary, if the Building standard signage program for the Building or the floor on which the Premises is located changes during the Term from the Building standard signage program in effect and applicable thereto on the date such Entry Signage is initially installed, Landlord reserves the right, at Landlord's own cost and expense, to remove the existing Entry Door Signage and replace the same with the signage containing Tenant's name only which replacement signage shall conform to the then current Building standard signage program in effect for the Building or the floor on which the Premises is located.

c.

a. If Tenant shall install a wireless intranet, Internet, communications network or "Wi-Fi" (or other iteration thereof) capability (any of the foregoing being hereinafter referred to as a "Network") within the Premises, such Network shall be for the use by and only by Tenant and its employees subject to the terms hereof. No antennas shall be installed on any roof or setback of the Building or anywhere else on the exterior of the Building in connection with the Network or otherwise.

b. Tenant shall not solicit, suffer, or permit other tenants or occupants of the Building to use the Network or any other communications service, including, without limitation, any wired or wireless Internet service that passes through, is transmitted through, or emanates from the Premises.

c. Tenant agrees that Tenant's communications equipment and the communications equipment of Tenant's service providers and contractors retained to service the Premises including, without

limitation, any switches, or other equipment (collectively, "Tenant's Communications Equipment") shall be of a type and, if applicable, a frequency, that will not cause radio frequency, electromagnetic, or other interference to any other party or any equipment of any other party including, without limitation, Landlord, other tenants, or occupants of the Building or any other party, in violation of FCC specifications concerning radio frequency interference (hereinafter referred to as "RFI"). In the event that Tenant's Communications Equipment causes or is believed to cause any such prohibited RFI, upon receipt of notice from Landlord of such interference, Tenant will take all steps necessary to correct and eliminate the interference. If the prohibited RFI is not eliminated within twenty-four (24) hours (or a shorter period if Landlord believes a shorter period to be appropriate) then, upon request from Landlord, Tenant shall shut down Tenant's Communications Equipment pending resolution of the interference, with the exception of intermittent testing upon prior notice to and with the approval of Landlord. No Network, or Tenant's Communication Equipment may be installed in any lobby, corridor, building common area or any other area not within the exclusive control of Tenant.

d. Tenant acknowledges that Landlord has granted and/or may grant lease rights, licenses, and other rights to various other tenants and occupants of the Building and to telecommunications service providers. Landlord represents that, as of the date hereof, the following telecom providers currently provide communication services to the tenants in the Building (it being acknowledged, however, that in no event shall Landlord be obligated to permit any particular telecommunication provider to provide service in the Building): Verizon FiOs, Spectrum, Crown Castle Fiber, Pilot Fiber, Altice, Cogent, Verizon and Tower Stream.

28. NOTICES

a. Except as otherwise expressly provided in this Lease, any bills, statements, consents, notices, demands, requests or other communications that a party desires or is required to give to the other party under this Lease shall (1) be in writing, (2) be deemed sufficiently given if (a) delivered by hand (against a signed receipt), (b) sent by registered or certified mail (return receipt requested), or (c) sent by a nationally-recognized overnight courier (with verification of delivery), and (3) be addressed in each case:

If to Tenant prior to the Commencement Date: 530 7th Ave, Suite 2201
New York, NY 10018

If to Tenant on or after the Commencement Date: 1359 Broadway
New York, New York 10018, or

with copies of any default notice only to:

Latham & Watkins LLP
12670 High Bluff Drive
San Diego, CA 92130
Attention: Stephanie Fontanes

If to Landlord: ESRT 1359 Broadway, L.L.C.
c/o ESRT Management, L.L.C.
1359 Broadway
New York, New York 10018
Attn: Property Manager

and

Empire State Realty Trust, Inc.
111 West 33rd Street
New York, New York 10120
Attn: Lease Administration Department

with copies of any default notice only to:

Holland & Knight LLP
31 West 52nd Street
New York, New York 10019
Attn: Noah Shapiro, Esq.

and

Empire State Realty Trust, Inc.
111 West 33rd Street
New York, New York 10120
Attn: Legal- Leasing

with a copy of any Alterations Notice also to:

via electronic mail to Landlord with a request for a "Read Receipt", sent to the attention of Sean Owsley - Director Operations, at sowsley@zentalis.com; it being understood and agreed that the copy of the plans included with such electronic transmission of the Alterations Notice must be legible both electronically and when printed,

or to such other address or addresses as Landlord or Tenant may designate from time to time on at least ten (10) Business Days of advance notice given to the other in accordance with the provisions of this Article 28. Any such bill, statement, demand, notice, request or other communication shall be deemed to have been rendered or given (x) on the date that it is hand delivered, as aforesaid, or (y) three (3) days after being sent by registered or certified mail or (z) one (1) Business Day after being sent by nationally recognized overnight courier. Notwithstanding anything to the contrary contained herein, an Alterations Notice shall be deemed given on the later to occur of (i) the applicable date specified in the immediately preceding sentence and (y) the date on which Tenant receives a "Read Receipt" on Tenant's electronic transmission thereof. TENANT HEREBY EXPRESSLY WAIVES THE BENEFITS OF ANY LAW, STATUTE OR OTHER LEGAL AUTHORITY REQUIRING A PERIOD OF TIME (SUCH AS 5 DAYS) TO BE ADDED TO THE TIME REQUIRED HEREIN TO BE GIVEN FOR NOTICES.

b. Notwithstanding the foregoing, (i) all bills, statements, notices, demands, requests and other communications from Landlord to Tenant pursuant to Article 2 or Article 3 and any notices changing any of the addresses set forth herein, may be given, at Landlord's option, by regular first class United States mail or via electronic mail sent to the party to whom Landlord's representative was so instructed to send such bills, statements, notices, demands, requests and other communications and (ii) bills and statements issued by Landlord and/or Landlord's agents or representatives, may be sent in the manner specified herein without copies to any other party. Tenant acknowledges and agrees that if any notices of default or demands for the payment of Rental or performance of any other obligations hereunder that are sent to the address(es) set forth herein are returned as undeliverable, then such notices and demands may thereafter be sent or delivered to the Premises and, notwithstanding that Tenant may have another office or place of business (of which Landlord may have knowledge) or may have vacated the Premises, delivery of any such notice or demand or delivery of service of process to the Premises shall be sufficient for all purposes (including, without limitation, obtaining jurisdiction over and entry of judgement against Tenant) in any action or proceeding.

c. Landlord hereby authorizes and appoints as Landlord's agents, the then current property manager, the then current managing agent of the Building, if any, and any attorney retained by Landlord at any time, jointly and severally, to act on Landlord's behalf to make demands on and give notices to Tenant hereunder, including without limitation, (i) demands for payment of Rental, performance of any obligation, or curing of any default, (ii) notices of Default or notices of termination of this Lease, and (iii) all other notices that may be required by Requirements or this Lease in connection with or as a predicate to any action or proceeding whether for rent, possession of the Premises or enforcement of any other right or remedy. Tenant acknowledges and agrees that (x) such managing agent and attorney, either together or individually, are authorized to give such notices and (y) Tenant shall not (and hereby waives the right to) contest such authorization on the grounds that any such notice was not

given by Landlord or raise any defense to any action or proceeding predicated on any allegation of lack of such authorization. No notice given by such agent or attorney shall be required to state or evidence the authority for giving the same, and it shall be conclusively presumed that any notice from any such managing agent or attorney was properly authorized.

d. This Article 28 has been specifically negotiated between the parties hereto.

29. WATER

Tenant shall not use water other than for ordinary drinking, cleaning, and pantry and lavatory uses. If Tenant uses water for any purpose in addition to ordinary drinking, cleaning, or pantry or lavatory purposes, then Landlord may install a water meter at Tenant's expense and thereby measure Tenant's water consumption for all such additional purposes. Tenant shall pay Landlord for the cost of the meter and the cost of the installation thereof and through the duration of Tenant's occupancy Tenant shall keep said meter and equipment in good working order and repair at Tenant's own cost and expense. Tenant shall pay Landlord for water consumed as shown on said meter, as additional rent, calculated at the cost imposed on Landlord by the public utility. Tenant shall make such payment to Landlord not later than the tenth (10th) Business Day after the date that Landlord gives Tenant an invoice therefor. Tenant shall pay the sewer rent, charge or any other tax, rent, levy or charge which now or hereafter is imposed in connection with any such metered consumption.

30. SPRINKLER SYSTEM

If there shall be a sprinkler system in the Premises for any period during the Term, if such sprinkler system is damaged by any act or omission of Tenant or its agents, employees, licensees or visitors, Tenant shall restore the system to good working condition at its own expense. Supplementing Article 15 and not in lieu thereof, if the New York Board of Fire Underwriters, the New York Fire Insurance Exchange, the Insurance Services Office, any successor to any of them, any other organization hereafter performing any function of any of them or any Governmental Authority requires the installation or any alteration or other modification to a sprinkler system (including any alteration or modification necessary to obtain the full allowance for a sprinkler system in the fire insurance rate of Landlord) by reason of Tenant's occupancy or use of the Premises or any Alterations therein, or for any other reason, Tenant shall make such installation or alteration or other modification promptly and in accordance with the provisions of Article 8 hereof, and at its own expense. Landlord may elect to perform, at Tenant's sole cost and expense, any work necessary to comply with this Article 30 and Tenant shall reimburse Landlord for the actual out-of-pocket costs of performing the same within thirty (30) days following receipt of Landlord's invoice therefor which invoice shall include reasonable supporting documentation for the charges set forth therein.

31. HEAT AND AIR-CONDITIONING.

a. Landlord shall furnish heat to the Premises during Business Hours (as hereinafter defined) during the cold season in each year.

b. During the Term, Tenant may use any air conditioning equipment and appurtenances exclusively servicing the Premises (hereinafter referred to collectively as the "A/C Equipment"), for normal office usage during the Business Hours during the cooling season for each year. Subject to Article 10 hereof, Landlord shall, at Tenant's cost and expense, inspect, maintain, repair and replace as necessary, the A/C Equipment and Tenant shall reimburse Landlord, as Additional Rent, for all of Landlord's out-of-pocket costs incurred in connection therewith within thirty (30) days following receipt of Landlord's invoice therefor; it being understood that the costs incurred by Landlord to inspect, maintain, repair and/or replace the A/C Equipment shall be reasonably competitive in the market for comparable work**.** Tenant shall reimburse Landlord for all electricity consumed in connection with the A/C Equipment in accordance with the provisions of Article 3 of this Lease. The A/C Equipment is and shall remain the property of Landlord. In no event shall Tenant have any right to remove the A/C Equipment. Tenant shall not abuse the A/C Equipment and shall operate the A/C Equipment only in accordance with the operating instructions that may accompany such equipment and the design and performance specifications therefor; it being understood and agreed that upon the Expiration Date, the A/C Equipment (including all material components thereof) must be in good working order and to the extent the A/C Equipment (or any material component thereof) is not in good working order Tenant shall reimburse Landlord upon demand for any and all costs incurred by Landlord to repair or replace the same following the Expiration Date and this obligation shall survive the Expiration Date. Tenant shall not install

any supplemental or additional air conditioning units of any kind in the Premises; it being expressly understood and agreed that Landlord shall have no obligation to maintain, repair or replace any supplemental systems (regardless of whether such supplemental systems are located in the Premises on the Commencement Date). All heating and air conditioning equipment servicing the Premises on a non-exclusive basis shall be maintained, repaired and replaced, as applicable, at Landlord's cost and expense (except as may be included in Expenses pursuant to this Lease).

c. In no event shall Landlord be required to furnish heat, air-conditioning or ventilation at times other than Business Hours**.**

32. SECURITY DEPOSIT; LETTER OF CREDIT

A. Simultaneously with Tenant's execution and delivery hereof, Tenant shall deliver to Landlord an unconditional, irrevocable Letter of Credit (the "Letter of Credit") that (i) is in the amount of $1,944,444.00, (ii) is in a form that is reasonably acceptable to Landlord, (iii) is issued for an initial term of not less than one (1) year and automatically renews for periods of not less than one (1) year unless the issuer thereof otherwise advises Landlord on or prior to the forty-fifth (45th) day before the applicable expiration date (it being agreed that if Tenant shall receive notice of non-renewal from the issuer of a Letter of Credit, Tenant shall notify Landlord thereof within one (1) Business Day after Tenant's receipt of such notice), (iv) allows Landlord the right to draw thereon in part from time to time or in full, (v) names Landlord as the beneficiary thereof and is issued from the account of Tenant, (vi) is transferable by Landlord without cost (with any and all fees associated therewith being for the account of Tenant and the effectiveness of such transfer shall not be conditioned upon the payment of such fees), and (vii) is issued by, or drawn on, a bank that (a) is insured by the Federal Deposit Insurance Corporation (b) has either a Standard & Poor's long term rating of at least "AA-" or a Moody's long term rating of at least "Aa3" (or, if Standard & Poor's or Moody's, as the case may be, hereafter ceases the publication of ratings for banks, a rating of a reputable rating agency as reasonably designated by Landlord that most closely approximates a Standard & Poor's long term rating of "AA-" or Moody's long term rating of "Aa3", as applicable, as of the date hereof), (c) has not been declared insolvent or placed into receivership in either case by the Federal Deposit Insurance Corporation or another governmental entity that has regulatory authority over such bank, and (d) that either (I) has an office in the city where the Building is located at which Landlord can present the Letter of Credit for payment, or (II) has an office in the United States and allows Landlord to draw upon the Letter of Credit without presenting a draft in person (such as, for example, by submitting a draft by fax or overnight delivery service) (the aforesaid requirements for the bank that issues the Letter of Credit being collectively referred to herein as the "Bank Requirements"). In no event shall the Letter of Credit have a final expiration date occurring any earlier than the date which is sixty (60) days after the Fixed Expiration Date. In the event that Tenant exercises the Renewal Option, prior to the first day of the Renewal Term, Tenant shall cause the Letter of Credit to be extended to a final expiration date occurring no earlier than the date which is sixty (60) days after the last day of the Renewal Term.

d. If (a) Default occurs and is continuing, or (b) Tenant fails to vacate the Premises and surrender possession thereof in accordance with the terms of this Lease upon the Expiration Date, then Landlord may present the Letter of Credit for payment and apply the proceeds thereof (i) to the payment of any Fixed Annual Rent, Additional Rent or any other sums hereunder that then remain unpaid, or (ii) to any damages to which Landlord is entitled hereunder and that Landlord incurs by reason of such Default or Tenant's aforesaid failure to vacate the Premises or surrender possession thereof in accordance with the terms of this Lease upon the Expiration Date. If Landlord so applies any part of the proceeds of the Letter of Credit, then Tenant, upon demand, shall provide Landlord with a replacement Letter of Credit so that Landlord has the full amount of the required security at all times during the Term. If at any time during the Term the issuer of the Letter of Credit shall cease to satisfy the Bank Requirements or such issuer shall be placed on the Federal Deposit Insurance Corporation's "Watch List,", Tenant shall, within five (5) Business Days after notice from Landlord, replace such Letter of Credit with a new Letter of Credit issued by a banking organization that satisfies the Bank Requirements and the other criteria set forth in this Article 32. If Tenant fails to do so, then Landlord, in addition to Landlord's other rights at law, in equity or as otherwise set forth herein, shall have the right to present the Letter of Credit for payment and retain the proceeds thereof as security in lieu of the Letter of Credit (it being agreed that Landlord shall have the right to use, apply and transfer such proceeds in the manner described in this Article 32). If such Letter of Credit is not honored, Tenant within five (5) Business Days after notice that the Letter of Credit was not honored, shall replace the Letter of Credit with a cash security deposit (it being agreed that Landlord shall have the right to use, apply and transfer such cash security in the manner described in this Article 32). Time shall be of the essence with respect to the time periods set

forth in this Section 32.B If Tenant shall default in performing any such obligation under this Section 32.B, the same shall be deemed an automatic Default hereunder neither requiring any further notice for Landlord to terminate the Term nor susceptible of being cured by Tenant. Tenant shall reimburse Landlord for any reasonable costs that Landlord incurs in so presenting the Letter of Credit for payment within thirty (30) days after Landlord submits to Tenant an invoice therefor. The provisions of this Section 32.B shall survive the Expiration Date. Nothing contained in this Section 32.B limits Landlord's rights or remedies in equity, at law, or as otherwise set forth herein.

e. Tenant, at Tenant's expense, shall cause the issuer of the Letter of Credit to amend the Letter of Credit to name a new beneficiary thereunder in connection with Landlord's assignment of Landlord's rights under this Lease to a Person that succeeds to Landlord's interest in the Real Property; it being understood and agreed that if Landlord incurs any cost or expense in connection with the transfer of the Letter of Credit, Tenant shall promptly pay to Landlord, on demand and as Additional Rent hereunder, all such costs and expenses paid by Landlord to the issuer of the Letter of Credit in connection with any such transfer. The provisions of this Section 32.C shall survive the Expiration Date.

f. If Tenant fails to provide Landlord with a replacement Letter of Credit that complies with the requirements of this Article 32 on or prior to the thirtieth (30th) day before the expiration date of the Letter of Credit that is then expiring, then Landlord may present the Letter of Credit for payment and retain the proceeds thereof as security in lieu of the Letter of Credit (it being agreed that Landlord shall have the right to use, apply and transfer such proceeds in the manner described in this Article 32). Tenant shall reimburse Landlord for any reasonable costs that Landlord incurs in so presenting the Letter of Credit for payment within thirty (30) days after Landlord submits to Tenant an invoice therefor. Landlord also shall have the right to so present the Letter of Credit and so retain the proceeds thereof as security in lieu of the Letter of Credit at any time from and after the thirtieth (30th) day before the Expiration Date if the Letter of Credit expires earlier than the sixtieth (60th) day after the Fixed Expiration Date.

g. Notwithstanding anything to the contrary herein, provided and on the condition that (i) Tenant shall not then be in default under this Lease after notice and the expiration of any applicable cure and grace periods, (ii) Tenant shall then have a minimum liquidity (i.e., the amount by which (A) Tenant’s Cash in Hand, Cash at Bank, Receivables and Marketable Securities, exceeds (B) Tenant’s liabilities) of $365,000,000.00, determined in accordance with generally accepted accounting principles consistently applied, and evidence thereof reasonably satisfactory to Landlord has been provided by Tenant, and (iii) Tenant shall be profitable (i.e., Tenant’s revenues shall exceed all of Tenant’s expenses) for at least six (6) consecutive calendar quarters, all determined in accordance with generally accepted accounting principles consistently applied, and evidence thereof reasonably satisfactory to Landlord has been provided by Tenant, then Tenant may request on one (1) occasion only that the amount of the Letter of Credit deposited under this Article 32 be reduced to an amount equal to ten (10) months of the Fixed Annual Rent then payable under this Lease (i.e., reduced to $1,620,370.00 if such request is made prior to the sixth (6^{th}) anniversary of the Commencement Date or reduced to $1,751,045.00 if such request is made thereafter), in which case (and provided that all of the conditions contained herein are then satisfied) Tenant shall deliver to Landlord a replacement Letter of Credit in said amount or a modification to the existing Letter of Credit reducing the required amount of the Letter of Credit in accordance with the terms of this Article 32. Landlord shall, at Tenant’s expense, cooperate with Tenant (including execution of any reasonably required documentation) to amend the existing Letter of Credit as permitted hereunder.

h. Provided that Tenant performs all of the obligations of Tenant hereunder, Landlord shall return to Tenant the Letter of Credit (to the extent not theretofore presented for payment in accordance with the terms hereof) promptly following the Expiration Date. Landlord's obligations under this Section 32.F shall survive the Expiration Date.

33. INTENTIONALLY OMITTED

34. SHORING

Tenant shall permit any person authorized to make an excavation on land adjacent to the Building containing the Premises to do any work within the Premises necessary to preserve the wall of the Building from

injury or damage, and Tenant shall have no claim against Landlord for damages or abatement of Rental by reason thereof.

35. EFFECT OF CONVEYANCE, ETC.

If the Building shall be sold, transferred or leased, or the lease thereof transferred or sold, Landlord shall be relieved of all future obligations and liabilities hereunder and the purchaser, transferee or tenant of the Building shall be deemed to have assumed and agreed to perform all such obligations and liabilities of Landlord hereunder. In the event of such sale, transfer or lease, Landlord shall also be relieved of all existing obligations and liabilities hereunder, provided that the purchaser, transferee or tenant of the Building assumes in writing or is deemed to have assumed by operation of law or otherwise, such obligations and liabilities.

36. RIGHTS OF SUCCESSORS AND ASSIGNS; PARTIAL INVALIDITY

This Lease shall bind and inure to the benefit of the heirs, executors, administrators, successors, and, except as otherwise provided herein, the assigns of the parties hereto. If any provision of any Article of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of that Article, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of said Article and of this Lease shall be valid and be enforced to the fullest extent permitted by Requirements.

37. CAPTIONS

The captions herein are inserted only for convenience, and are in no way to be construed as a part of this Lease or as a limitation of the scope of any provision of this Lease.

38. LEASE SUBMISSION

a. Landlord and Tenant agree that this Lease is submitted to Tenant on the understanding that it shall not be considered an offer and shall not bind Landlord or Tenant unless and until Landlord and Tenant have executed and unconditionally delivered to the other a fully executed counterpart of this Lease.

b. If Tenant is a corporation, partnership, limited liability company or other form of organization or association, Tenant represents and warrants that each individual executing this Lease on behalf of Tenant is duly authorized to do so, that Tenant is a duly formed and validly existing entity and that Tenant has full right and authority to execute and deliver this Lease.

39. ELEVATORS AND LOADING

a. Except in the event of an emergency or as otherwise provided in and subject to the terms of this Lease, Landlord shall provide passenger elevator service twenty-four (24) hours a day, seven (7) days a week and freight elevator service on a non-exclusive basis 8:00 a.m. to 5:00 p.m. during all Business Days. Any use of freight elevator service on other days and times (collectively, “Freight Overtime Periods”) shall be on a first-come, "as available" basis and shall be scheduled in advance with Landlord, and Tenant shall pay Landlord’s customary building standard charge therefor. There shall be no major loading or unloading in the Building between 8:00 a.m. and 6:00 p.m. on Business Days. Tenant acknowledges it has been advised that, subject to availability, and on a first come “as-available” basis, the freight elevators servicing the Building can be used from 8:00 a.m. to 5:00 p.m. on Business Days for less than truck load deliveries which will not unreasonably interfere with use of the freight elevator by or on behalf of Landlord and the other tenants of the Building. Notwithstanding the foregoing, Landlord shall provide Tenant, at no additional cost to Tenant, with up to eighty (80) hours of freight elevator service during Freight Overtime Periods solely for use in connection with Tenant's move-in to the Premises, which freight elevator use shall be scheduled on such days and during such hours (in no less than four (4) hour blocks of time) as is scheduled in advance with, and reasonably approved by, Landlord's property management team for the Building. Tenant expressly acknowledges and agrees that any portion of such hours allotted to Tenant for free freight elevator service during Freight Overtime Periods which are remaining after Tenant's completion of Tenant's initial move to the Premises shall be deemed forfeited and that in no event shall any such hours be applied to Tenant's use of the freight elevator service in connection with the ordinary conduct of Tenant's business.

b. It is the intention of Landlord to maintain in the Building, operatorless automatic control elevators. However, Landlord may, at its option, maintain in the Building either manually operated elevators or operatorless automatic control elevators or part one and part the other, and Landlord shall have the right from time to time during said term, to change, in whole or in part, from one to the other without notice to Tenant and without such change in any way constituting an eviction of Tenant or affecting the obligations of Tenant hereunder or incurring any liability to Tenant hereunder.

40. BROKERAGE

Tenant represents and warrants that it neither consulted nor negotiated with any broker or finder with regard to the Premises other than Cushman & Wakefield, Inc. ("Broker"). Tenant agrees to indemnify, defend and save Landlord harmless from and against any claims for fees or commissions from any Person other than Broker claiming to have dealt with Tenant in connection with the Premises and/or this Lease. Landlord represents and warrants that it neither consulted nor negotiated with any broker or finder with regard to the Premises other than Broker. Landlord agrees to pay any commission or fee owing to Broker pursuant to a separate agreement with Broker. Landlord agrees to indemnify, defend and save Tenant harmless from and against any claims or fees or commissions from any Person, including Broker, claiming to have dealt with Landlord in connection with the Premises or this Lease. If any claim, action or proceeding is brought against Landlord or Tenant for a matter covered by this indemnity, the indemnitor, upon notice from the indemnified Person, shall defend such claim, action or proceeding with counsel reasonably satisfactory to the respective party and the indemnified Person. Nothing in this Article 40 shall be construed to be a third party beneficiary contract. The provisions of this Article 40 shall survive the Expiration Date.

41. ARBITRATION

The term "Streamlined Arbitration Proceeding" shall mean a binding arbitration proceeding conducted in The City of New York under the Streamlined Arbitration Rules & Procedures of JAMS (or its successor); provided, however, that with respect to any such arbitration, (i) the list of arbitrators referred to in Rule 12(d) of JAMS Streamlined Arbitration Rules & Procedures shall be returned within five (5) Business Days from the date of service; (ii) the parties shall notify JAMS (or its successor) by telephone, within four (4) Business Days, of any objections to the arbitrator appointed and, subject to clause (vii) below, shall have no right to object if the arbitrator so appointed was on the list submitted by JAMS (or its successor) and was not struck in accordance with Rule 12(d) as modified by clause (i) above; (iii) the parties shall be notified of the hearing date four (4) Business Days in advance of the hearing; (iv) the hearing shall be held within seven (7) Business Days after the appointment of the arbitrator; (v) the arbitrator shall have no right to award damages or vary, modify or waive any provision of this Lease; (vi) the decision of the arbitrator shall be final and binding on the parties; and (vii) the arbitrator shall not have been employed by either party (or their respective Affiliates) during the period of three (3) years prior to the date of the Streamlined Arbitration Proceeding. The arbitrator shall determine the extent to which each party is successful in such Streamlined Arbitration Proceeding in addition to rendering a decision on the dispute submitted. If the arbitrator determines that one (1) party is entirely unsuccessful, then such party shall pay all of the fees of such arbitrator. If the arbitrator determines that both parties are partially successful, then each party shall be responsible for such arbitrator's fees only to the extent such party is unsuccessful (e.g., if Landlord is eighty percent (80%) successful and Tenant is twenty percent (20%) successful, then Landlord shall be responsible for twenty percent (20%) of such arbitrator's fees and Tenant shall be responsible for eighty percent (80%) of such arbitrator's fees).

42. INSURANCE

a. At all times during the Early Access Period and the Term, Tenant shall maintain, at Tenant’s expense, the following insurance coverage:

a. an insurance policy for Tenant's Property, and the Specialty Alterations, in either case to the extent insurable under "all-risk" property insurance policies, covering the perils listed in the current edition of the Insurance Services Office, Inc. ("ISO"), special causes of loss form CP 10 30 including, without limitation, coverage for acts of terrorism (if such coverage for acts of terrorism is available on commercially reasonable terms), in an amount equal to one hundred percent (100%) of the replacement value thereof (subject, however, at Tenant’s option, to a reasonable deductible) (the insurance policy described in this clause (i) being referred to herein as "Tenant's Property Policy"); Tenant's Property Policy shall include business interruption insurance that is

sufficient in amount to pay the Fixed Annual Rent and the Escalation Rent due hereunder for a period of at least one (1) year;

b. a policy of commercial general liability insurance on an occurrence basis, providing coverage that is at least as broad as the current edition of IS0 Form CG 00 01 ("Tenant's Liability Policy") with minimum limits of Five Million and 00/100 Dollars ($5,000,000.00) per occurrence for bodily injury (or death), personal injury and/or damage to property;

c. a commercial automobile liability policy covering any vehicle that Tenant brings upon the Real Property (regardless of whether Tenant owns or hires such vehicle) with a combined single limit of not less than One Million Dollars ($1,000,000) (such policy being referred to herein as "Tenant's Auto Policy");

d. worker's compensation insurance in statutory limits, and New York State disability insurance as required by Requirements, covering all employees; and

e. such other coverage in such amounts as Landlord may reasonably require with respect to the Premises, its use and occupancy and the conduct or operation of business therein.

Landlord may, from time to time, but not more frequently than once every three (3) years adjust the minimum limits set forth above to limits that in Landlord's reasonable judgment are then being customarily required by prudent landlords of comparable buildings in New York City. Tenant shall not obtain any property insurance (under Tenant's Property Policy or otherwise) that covers the property that is covered by Landlord's Property Policy.

b. All insurance policies to be maintained as set forth above (i) shall be issued by companies of recognized responsibility, licensed and admitted to do business in the State of New York, reasonably acceptable to Landlord, and maintaining a rating of A/XII or better in Best's Insurance Reports-Property-Casualty (or an equivalent rating in any successor index adopted by Best's or its successor), (ii) shall provide that they may not be canceled or modified unless Landlord and all additional insureds thereunder are given at least thirty (30) days prior written notice of such cancellation or modification, except that such period of thirty (30) days may be reduced to no less than ten (10) days for non-payment of premium; provided, however, that if the company issuing the applicable insurance policy does not agree to provide such notice, then in lieu of such obligation, Tenant shall notify Landlord of any cancellation for non-payment within five (5) days after the occurrence thereof, and (iii) shall be primary and non-contributory in all respects. Tenant's Property Policy and Tenant's Liability Policy shall name Tenant as the insured. Tenant's Liability Policy (including, without limitation, any policy that Tenant obtains as described in Section 42.D. hereof) and Tenant's Auto Policy shall be endorsed to name the Designated Landlord Parties as additional insureds thereunder. Tenant's Property Policy shall contain a provision that no act or omission of Tenant shall affect or limit the obligation of the insurer to pay the amount of any loss sustained. If Tenant receives any notice of cancellation or any other notice from the insurance carrier which may adversely affect the coverage of the insureds under Tenant's Property Policy or Tenant's Liability Policy, then Tenant shall immediately deliver to Landlord a copy of such notice. Tenant's Liability Policy shall have no exclusions limiting liability assumed under an insured's contract (including, without limitation, tort liability of another assumed by the insured in a business contract).

c. Prior to the commencement of the Early Access Period and the Commencement Date, Tenant shall deliver to Landlord certificates of insurance for the insurance coverage required by Paragraph 42.A and copies of the endorsements to such policies designating the Designated Landlord Parties as additional insureds. Tenant shall procure and pay for renewals of such insurance from time to time before the expiration thereof, and Tenant shall deliver to Landlord certificates of renewal at least thirty (30) days before the expiration of any existing policy. Under no circumstances shall Landlord be obligated to advise Tenant of Tenant's failure to procure or maintain any insurance required hereunder.

d. Tenant has the right to satisfy Tenant's obligation to carry Tenant's Liability Policy with an umbrella insurance policy. Tenant has the right to satisfy Tenant's obligation to carry Tenant's Property Policy with a blanket insurance policy.

e. Tenant's liability hereunder is not limited to the amount of Tenant's insurance recovery, to the amount of insurance that Tenant maintains in force, to the amount of insurance that Tenant is required to maintain in

accordance with the terms of this Article 42, or to the amount of any insurance that Tenant is required to carry, or that Tenant is permitted to carry, under applicable Requirements. Landlord's review of, or approval of, any insurance that Tenant carries shall not limit Tenant's obligation to carry the insurance that this Article 42 requires Tenant to carry.

f. Subject to the terms of this 42.F., Landlord shall obtain and keep in full force and effect covering the Building, to the extent insurable on commercially reasonable terms under then available standard forms of "all-risk" insurance policies, covering the perils listed in the current edition of the ISO special causes of loss form CP 10 30 including, without limitation, coverage for acts of terrorism (if such coverage for acts of terrorism is available on commercially reasonable terms), in an amount equal to one hundred percent (100%) of the replacement value thereof or, at Landlord's option, in such lesser amount as will avoid co-insurance (such insurance being referred to herein as "Landlord's Property Policy"). Tenant acknowledges that (i) Landlord's Property Policy may encompass rent insurance, and (ii) Landlord may also obtain a commercial general liability insurance policy. Landlord shall not be liable to Tenant for any failure to insure any Alterations unless Tenant notifies Landlord of the completion of such Alterations and the cost thereof, and maintains adequate records with respect to such Alterations to facilitate the adjustment of any insurance claims with respect thereto. Landlord shall have the right to provide that the coverage of Landlord's Property Policy is subject to a reasonable deductible. Tenant shall cooperate with Landlord and Landlord's insurance companies in the adjustment of any claims for any damage to the Building. Landlord shall not be required to carry insurance on Tenant's Property or the Specialty Alterations. Landlord shall not be required to carry insurance against, nor shall Landlord have any liability to Tenant for, any loss suffered by Tenant due to the interruption of Tenant's business.

g. Tenant shall obtain an appropriate clause in, or endorsement on, Tenant's Property Policy and Landlord shall obtain an appropriate clause in, or endorsement on Landlord's Property Policy pursuant to which the insurance companies waive subrogation or consent to a waiver of right of recovery. Landlord and Tenant also agree that, having obtained such clauses or endorsements of waiver of subrogation or consent to a waiver of right of recovery, they shall not make any claim against or seek to recover from the Landlord Parties or the Tenant Parties (as the case may be) for any loss or damage to its property or the property of others resulting from fire or other hazards covered by Landlord's Property Policy or Tenant's Property Policy (as the case may be) (with the understanding, therefore, that the party that sustains such loss or damage shall not have a claim against the other party to reimburse the party that sustains such loss or damage for the amount of such party's deductible or self-insured retention); provided, however, that the release, discharge, exoneration and covenant not to sue herein contained shall be limited by and be coextensive with the terms and provisions of the waiver of subrogation clause or endorsements or clauses or endorsements consenting to a waiver of right of recovery.

43. SETBACK AREAS

A. Without in any way limiting Landlord's rights or privileges set forth in this Lease, and provided this Lease and the Term hereof remains in full force and effect, subject to the terms of this Article 43, during the Term, Tenant shall have the exclusive right (subject to Landlord's rights hereunder and as otherwise provided in Section 43.D hereof), at Tenant's risk, to use the Setback Areas of the Building adjacent to the Premises on the 18th floor of the Building as more particularly shown by cross-hatching on Exhibit "F" attached hereto and made a part hereof (the "Setback Areas"). Tenant shall have the right to use the Setback Areas as contemplated by this Article 43 only to the extent (if any) permitted by applicable Requirements. Landlord makes no representation or warranty whatsoever with respect to the Setback Areas including, without limitation, the permitted use thereof or the ability to perform Alterations or Landlord's Setback Work thereon; it being expressly understood that if Landlord's Setback Work is not approved by applicable Governmental Authorities (including, without limitation, the Department of Buildings of New York City) or is not otherwise permissible pursuant to applicable Requirements, Landlord shall have no obligation to perform the same and the same shall not constitute a condition to the occurrence of the Commencement Date or the Rent Commencement Date. In connection with Tenant's use of the Setback Areas, Tenant shall comply with the provisions of this Article 43, any and all applicable Requirements, any applicable rules and regulations set forth in the Rider annexed hereto and made a part hereof, and/or such other rules and regulations as Landlord may reasonably adopt governing the use of Building setbacks. Without in any way limiting the generality of the foregoing, Tenant shall not use the Setback Areas (i) for public assembly, (ii) as a smoking area, (iii) for cooking (which includes, without limitation, barbecuing), (iv) for storage, or (v) in any manner that

interferes in any material respect with the use and occupancy of portions of the Building outside of the Premises, including, without limitation, any use which causes noise from the Setback Areas to penetrate such other portions of the Building. Tenant acknowledges and agrees that smoking and carrying lighted pipes, cigars and/or cigarettes and tobacco use of any kind and use of e-cigarettes or vapes is prohibited on the Setback Areas. Tenant shall not utilize combustible materials on the Setback Areas or cause, or permit any unsafe activity or any activity which would violate Requirements to occur on the Setback Areas. Tenant shall not discard any debris, trash or any other item over the walls surrounding the Setback Areas. At all times during the Term, Tenant shall ensure that any and all drains on the Setback Areas shall be kept free and clear of any debris, trash and other items. Tenant shall not permit third-parties to access or use the Setback Areas (other than Tenant's business guests and invitees). For the avoidance of doubt, the Setback Areas is not part of the Premises and Landlord shall not be obligated to provide any services thereto unless otherwise expressly set forth in this Article 43. Tenant shall not have the right to use the Setback Areas during any period of time in which (i) a scaffold is erected thereon, (ii) Landlord is performing maintenance or repairs (as contemplated in this Article 43) or other any work thereto or thereon, or (iii) applicable Requirements restrict Tenant's ability to use the Setback Areas.

h. Tenant, at Tenant's sole cost and expense, shall be permitted to perform Alterations to the Setback Areas to redesign and upgrade the same in accordance with and subject to all applicable Requirements and the terms, provisions and conditions of this Lease, including without limitation, Article 8 hereof and this Article 43. In addition, Landlord reserves the right to require Tenant, at Tenant's sole cost and expense, to have a structural engineering report prepared for Landlord's review and approval with respect to any such proposed Alterations. Notwithstanding anything to the contrary set forth in Article 8 hereof, Tenant shall not place any Tenant's Property (including plants and/or planters) or perform any Alterations in, on or about the Setback Areas without Landlord's prior approval, which approval Landlord shall not unreasonably withhold, condition or delay with respect to Tenant's Property and/or Non-Structural Setback Alterations (as hereinafter defined) (it being understood that Landlord, in considering Tenant's request for approval of any such item of Tenant's Property or such Alteration, shall have the right to take into account the aesthetic impact of any item of Tenant's Property or such Alteration on the Building and the potential threat, if any, to life and/or safety of any person posed by such item of Tenant's Property or such Alteration). For all purposes of this Lease, the term "Non-Structural Setback Alterations" shall mean any Alteration in or to the Setback Areas that (I) does not affect any other portion of the Building (interior or exterior) other than the Setback Areas, (II) does not affect the character or integrity of the Building, (III) does not affect the aesthetic appearance of the Building or any portion thereof and is not visible from the outside at street level, (IV) does not affect adversely any part of the Building or any Building system, (V) does not require any alterations, installations, improvements, additions or other physical changes to be performed in or made to any portion of the Building other than the Setback Areas, (VI) does not adversely affect any of the Building systems, (VII) does not affect the structure of the Building and does not require the installation of floor support (or other structural support), and (VIII) does not require a change in the certificate of occupancy for the Building. Notwithstanding anything contained in this Lease to the contrary, no Alterations in or to the Setback Areas shall be permitted that do not, in Landlord's reasonable judgment, qualify as Non-Structural Setback Alterations without Landlord's prior written consent, which consent may be withheld, conditioned, or granted in Landlord's sole and absolute discretion. Any Alterations in, on or about the Setback Areas must comply with any existing roof warranty then in effect and such Alterations must not invalidate, impair, limit or otherwise make unavailable to Landlord any roof warranty then in place or that would have otherwise been available; it being understood that if a certified representative from the manufacturer of the roof is unable to confirm in writing that the existing roof warranty, if any, shall remain in full force and effect following the completion of such Alterations, Tenant, at Tenant's sole cost and expense, shall promptly make such additional Alterations (in accordance with the terms hereof) as are necessary or recommended by such representative to ensure that the existing roof warranty shall remain in full force and effect. In no event shall Tenant (i) drill or otherwise penetrate the roof membrane, parapet walls or exterior walls of the Building, (ii) decorate, modify or perform any Alterations to the railings, if any, that may surround the Setback Areas, or (iii) install any antenna, satellite dish or other telecommunications equipment on the Setback Areas. All such Alterations must be properly grounded and/or properly secured and installed so as not to be affected by high winds or other weather elements. Tenant shall be responsible for all costs and expenses relating to the repair of any damage to the Setback Areas or the Building caused directly or indirectly by or in connection with any such Alterations (including the removal of the same), including, without limitation, water damage or other damage resulting from the elements. If expressly consented to, any work involving or in connection with work involving potential penetration of the roof membrane (1) shall be supervised, at Tenant's expense, by Landlord's designated roofing contractor, and (2) if Landlord so elects, shall be performed by such designated roofing contractor at

Tenant's sole expense. Furthermore, in connection with any work involving, and any work with the potential for, penetration of the roof or roof membrane by Tenant: (A) Tenant, at Tenant's expense, must restore any area of the Setback Areas affected by Tenant's Alterations to a sound and waterproof condition, which, at a minimum, is consistent with the condition of the surrounding area unaffected by Tenant's Alterations; and (B) Tenant, at Tenant's expense, must utilize sufficient temporary protective measures and equipment, approved in advance by Landlord and Landlord's designated roofing contractor, so as to ensure that, at all times during the performance of such Alterations, and prior to Tenant's restoration of the affected area of the Setback Areas to a sound and waterproof condition, there is no damage caused to the Setback Areas or the Building as a result of or in connection with such penetrations, including water damage or other damage resulting from the elements. Without limiting anything in the foregoing, Landlord and Tenant hereby acknowledge and agree that Landlord shall have the right to require Tenant, at Tenant's own cost and expense, to immediately and temporarily remove any or all Tenant's Property from the Setback Areas in the event that Landlord reasonably anticipates weather related concerns (e.g. high winds) and/or any other potential unforeseen threat to life or safety (e.g. debris falling from a neighboring building), in either case, upon notice from Landlord (which notice may be sent by electronic mail to Sean Owsley - Director Operations, at sowsley@zentalis.com); it being understood that Landlord will promptly advise Tenant when any such Tenant's Property so removed may be replaced in, on or about the Setback Areas. Tenant acknowledges that Landlord's right to require Tenant to require Tenant to immediately and temporarily remove Tenant's Property from the Setback Areas in anticipation of weather related concerns or other potential unforeseen threat is solely for Landlord's benefit, and shall do nothing to abrogate Tenant's sole and non-delegable responsibility to ensure that Tenant's Property, and Alterations on the Setback Areas are adequately protected from such conditions and events so as to prevent any damage to such Tenant's Property, and Alterations, or to the Setback Areas or other portions of the Building, or to other property or persons in the vicinity of the Building. Notwithstanding anything to the contrary set forth in this Lease, Tenant shall not place any mechanical equipment on the Setback Areas.

i. Notwithstanding anything to the contrary contained in this Lease (including, without limitation, Article 8 hereof), on or prior to the Expiration Date, Tenant, at Tenant's expense, shall remove all Tenant's Property and any Alterations (including, without limitation, any Non-Structural Setback Alterations) from the Setback Areas; provided, however, Tenant, at Tenant's sole cost and expense, shall repair and restore in a good and workmanlike manner to good condition any damage to the Setback Areas, the roof of the Building, the Premises or other portions of the Building caused by such removal; it being understood that Landlord, at Landlord's option, may elect to perform such repairs and restoration at Tenant's sole cost and expense. Any Alterations that remain on the Setback Areas after the Expiration Date shall be deemed to be the property of Landlord (with the understanding, however, that Tenant shall remain liable to Landlord for any default of Tenant in respect of Tenant's obligations under this Article 43). Prior to Tenant's performance of any Alteration in, on or to the Setback Areas, Tenant shall have the right to request (simultaneously with Tenant's submission to Landlord of an Alterations Notice) that Landlord advise Tenant if Tenant shall be required to remove (or pay the cost to remove) such Alteration upon the Expiration Date or earlier termination of the Term. Landlord shall have the right to require removal of the applicable Alteration(s) from the Setback Areas upon the expiration or earlier termination of the Term in Landlord's sole discretion. If (i) Tenant makes any such request, and (ii) Landlord advises Tenant in writing that removal shall not be required, then Landlord shall not have the right to require Tenant to remove (or pay the cost to remove) such Alteration from the Setback Areas upon the Expiration Date or earlier termination of the Term; it being understood that Landlord's failure to respond to such request shall be deemed to indicate that Tenant, at Tenant's sole cost and expense, is required to remove the Alterations described in the applicable Alterations Notice from the Setback Areas.

j. Intentionally omitted.

e. Subject to the terms hereof, Tenant shall be responsible for all cleaning, maintenance and repair of the Setback Areas and all improvements located thereon (including, without limitation, the pavers or railings that are located thereon) so as to keep the same in good sound condition and state of repair, which includes, without limitation, proactive and preventative maintenance and repairs; provided, however that, at Landlord’s option, Landlord shall, at Tenant's sole cost and expense, perform such cleaning, maintenance and repair of the Setback Areas during the Term in accordance with customary standards for first class office buildings in midtown Manhattan (it being agreed that Landlord shall use contractors that charge commercially reasonable rates). Notwithstanding the foregoing to the contrary, to the extent that from time to time during the Term, (i) routine maintenance and/or repairs to the structural portions of the Setback Areas and/or the roof of the Building on which the Setback Areas is located (including, without limitation, the roof membrane, parapet, and/or drain), and/or (ii) removal of snow, ice and/or

leaves are necessary or desirable, Landlord shall perform such repairs and routine maintenance at Landlord's sole cost and expense, with reasonable diligence and in accordance with good construction practice, subject, however, to reimbursement of such costs from Tenant if the need for any such repairs or maintenance is caused by or results from the acts (including, without limitation, Alterations), omissions or negligence of Tenant or any Person claiming by, through or under Tenant. In addition, Landlord shall be permitted to access the Setback Areas from time to time to perform any inspection, maintenance and repair obligations which Landlord is required or permitted to perform on the Setback Areas (including, but not limited to, with respect to any Building systems which exist on the Setback Areas as of the date hereof or any replacements thereto or thereof, which may remain in place throughout the Term and shall remain the property of Landlord in all respects, and which Tenant shall not be permitted to use, modify or remove).

f. In any instances set forth in this Article 43 which contemplate Landlord's performance of certain cleaning, restoration, repairs and/or maintenance to the Setback Areas at Tenant's sole cost and expense, or in instances set forth in this Article 43 which contemplate that Tenant shall reimburse Landlord for the costs of any such cleaning, restoration, repairs and/or maintenance, Tenant shall pay to Landlord the actual out-of-pocket costs incurred by Landlord in connection therewith within thirty (30) days following receipt of Landlord's invoice therefor which shall include reasonable supporting documentation for the charges set forth therein.

g. Intentionally Deleted

h. Tenant shall cause its employees and any permitted guests that use the Setback Areas as contemplated herein to comply with the provisions of this Article 43. In no event shall Tenant be permitted to rent, hire or lease the Setback Areas for use by third parties for profit or otherwise.

I. (i) Subject to the terms of this Section 43.I., Tenant accepts the Setback Areas in its existing as-is condition, subject to Landlord's obligation to perform Landlord's Setback Work (as hereinafter defined) on the Setback Areas. Subject to the terms of this Section 43.I., Landlord shall, at Landlord's sole cost and expense, perform the following work using Building-standard materials and finishes (such materials and finishes, the "Building Standard Setback Installations"):

(a) install new pavers on the Setback Areas (Tenant shall select from Landlord’s Building-standard paver colors);
(b) furnish and install a railing(s) in the applicable areas on the Setback Areas to the extent required to comply with applicable Requirements; and
(c) furnish and install one (1) set of entry doors to each of the Setback Areas (including stairs) (the work described in clauses (a)-(c) hereof, "Landlord's Setback Work").

Tenant expressly acknowledges and agrees that the performance of Landlord's Setback Work shall not be a condition to the commencement of this Lease or the occurrence of the Commencement Date. To the extent any portion of Landlord's Setback Work is performed following the Commencement Date, Tenant shall provide Landlord with access to the Premises and the Setback Areas to perform the same, and such access shall not constitute or be deemed to be a construction eviction, and shall in no way entitle Tenant to any abatement or diminution of Rental hereunder.

(ii) Tenant shall not have any right to modify or make any changes to the scope of Landlord's Setback Work. Landlord shall perform Landlord's Setback Work in a good and workmanlike manner and subject to the terms hereof, in accordance with all applicable requirements of the New York City Building Code; it being expressly understood that except as expressly set forth in this Section 43.I.(ii) (and notwithstanding any other provisions of this Lease to the contrary), Tenant shall be responsible, at Tenant's sole cost and expense, for compliance with any and all applicable Requirements which pertain to and are necessitated by reason of Tenant's use of the Setback Areas.

J. Landlord shall have the right to delegate Landlord's obligations to perform all or any portion of the Landlord's Setback Work to an Affiliate of Landlord (it being understood and agreed, however, that Landlord's delegating such obligations to an Affiliate of Landlord shall not diminish Landlord's liability for the performance of Landlord's Setback Work in accordance with the terms of this Article 43). Landlord shall not be required to maintain or repair during the Term any items of Landlord's Setback Work except as otherwise expressly provided in

this Lease; it being agreed that Landlord shall make available to Tenant all guaranties or warranties, if any, received by Landlord in connection with Landlord's Work to the extent such guaranties and warranties shall not be rendered invalid thereby and to the extent such guaranties or warranties would be rendered invalid thereby, Landlord shall, upon Tenant's request, either enforce or cause such guaranties and warranties to be enforced on Tenant's behalf, or invoke Landlord's own name for the benefit of Tenant thereunder.

K. Tenant hereby acknowledges and agrees that, with the exception of Landlord's Setback Work (and subject to the terms of this Article 43), Landlord shall have no obligation to perform any work or incur any expense to prepare the Setback Areas for Tenant's use thereof.

L. Tenant hereby covenants and agrees that (i) Tenant's use of the Setback Areas shall be at Tenant's sole risk; (ii) Tenant shall not do or permit any act or thing to be done upon the Setback Areas which may subject Landlord to any liability or responsibility for injury, damages to persons or property, or use the Setback Areas in any manner which interferes with the quiet enjoyment of another tenant's premises, but shall exercise such control over the Setback Areas as to avoid such liability; and (iii) Tenant shall maintain and keep the Setback Areas (including any Alterations and Tenant's Property) in a neat and clean condition and remove any and all debris and rubbish therefrom.

M. The license to Tenant to use the Setback Areas shall not be deemed a lease, and Tenant shall not be deemed to have a leasehold or other possessory interest in the Setback Areas. The Setback Areas shall not be deemed part of the Premises for any purpose whatsoever including, without limitation, the purposes of measurement thereof, Tenant's Tax Share, Tenant's Expense Share, or the payment of any Fixed Annual Rent or Escalation Rent under this Lease, and Tenant shall not be required to pay any Fixed Annual Rent or Escalation Rent for the Setback Areas. Tenant further acknowledges that in no event shall Tenant be entitled to an abatement or reduction in the Fixed Annual Rent, Additional Rent, or any other sums due under this Lease due to the inability of Tenant to use the Setback Areas for any reason whatsoever including, without limitation, any building violation.

N. Landlord reserves the right to temporarily suspend the privilege to use the Setback Areas at any time during the Term in the event Tenant fails to comply with the applicable terms, conditions and provisions of this Lease as the same relate to the Setback Areas, which failure continues for more than ten (10) Business Days following the giving of written notice thereof (or if the failure, omission or default complained of shall be of a nature that the same cannot be completed cured or remedied within such ten (10) Business Day period, if Tenant fails to have diligently commenced the cure thereof within such ten (10) Business Day period and thereafter diligently proceeds to remedy or cure the same to completion within twenty (20) days thereafter). In addition, Landlord reserves the right to terminate the privilege to use the Setback Areas at any time during the Term in the event: (i) a Default of the nature described in the immediately preceding sentence occurs, (ii) the use of the Setback Areas shall be prohibited by any Requirement or shall subject Landlord to claims, fines, penalties, violations, damages, liabilities, costs and expenses, (iii) the use of the Setback Areas is excluded from coverage under, is a violation of, or invalidates Landlord's insurance policies covering the Building, or (iv) the negligence or willful misconduct of Tenant or any Person claiming by through or under Tenant in or about the Setback Areas results in death or serious injury to any person or material damage to the Building (or any part thereof) or to the property of others. Upon such termination of Tenant's privilege to use the Setback Areas, Tenant's obligations under this Article 43 (other than the indemnities set forth herein, and any obligations under this Article 43 that accrued prior to such termination) shall cease.

O. Tenant shall defend, indemnify and hold harmless the Landlord Parties from and against any and all claims, demands, liability, losses, damages, costs and expenses (including reasonable attorneys' fees and disbursements) arising from or in connection with: (i) any breach or default by Tenant in the full and prompt payment and performance of Tenant's obligations hereunder with respect to the Setback Areas; (ii) the use or manner of use of the Setback Areas by Tenant or any Person claiming under or through Tenant; (iii) any act, omission or negligence of Tenant or any Person claiming under or through Tenant; (iv) any accident, injury or damage caused by Tenant or its employees, agents, contractors and invitees and occurring in or about the Setback Areas during the Term hereof; (v) the performance of any Alteration or improvement to the Setback Areas, including, without limitation, Tenant's failure to obtain any required permit, authorization or license or failure to pay in full any contractor, subcontractor or materialmen performing work on such Alteration; (vi) mechanics lien filed, claimed or asserted in connection with any Alteration to the Setback Areas or any other work, labor, services or materials done

for or supplied to, or claimed to have been done for or supplied to, Tenant, or any Person claiming through or under Tenant for the Setback Areas; (vii) the installation, removal, replacement, maintenance, operation, and repair of Tenant's Alterations, improvements and/or any other property (including, without limitation, any Tenant's Property) of, to, in, or from the Setback Areas; or (viii) Tenant's actions, omissions or negligence or breach of its obligations under this Lease that result in a failure to maintain the waterproof integrity of the Setback Areas or the Building or any warranties now or hereafter applicable to the roof or roof membrane. Tenant shall not be required to indemnify the Landlord Parties, and hold the Landlord Parties harmless, in either case as aforesaid, to the extent that it is finally determined that the negligence or willful misconduct of a Landlord Party contributed to the loss or damage sustained by the Person making the claim against Landlord. If any claim, action or proceeding is brought against any of the Landlord Parties for a matter covered by this indemnity, Tenant, upon notice from the indemnified person or entity, shall defend such claim, action or proceeding with counsel reasonably satisfactory to Landlord and the indemnified person or entity. The parties intend that the Landlord Parties (other than Landlord) shall be third-party beneficiaries of this Section 43.O. The provisions of this Article 43 shall survive the Expiration Date. The insurance maintained by Tenant pursuant to Article 42 must extend and apply with equal force to the Setback Areas and Tenant's use thereof.

44. LATE CHARGES

If Tenant fails to pay any item of Rental on or prior to the fifth (5^{th}) day after the date that such payment is due, then Tenant shall pay to Landlord, in addition to such item of Rental, as a late charge and as liquidated damages, an amount equal to interest at the Applicable Rate on the amount unpaid, computed from the date such payment was due through and including the date of payment. Notwithstanding the foregoing, no such late charge shall be payable for the first (1st) late payment in any twelve (12) month period during the Term provided Tenant makes such payment within ten (10) days following notice from Landlord thereof. Tenant acknowledges that the payment of Rental after the date when first due shall result in loss and injury to Landlord the exact amount of which is not susceptible of reasonable calculation and that the aforesaid amount(s) of late charge represents a reasonable estimate of such losses and injury under the circumstances, especially after taking into account the grace period hereby afforded Tenant before such late charge is to be imposed. The amounts payable pursuant to this Article 44 shall be in addition to, and without prejudice to, any of Landlord's rights and remedies hereunder at law and equity for non-payment or late payment of Rental (including, without limitation, the right to institute a proceeding under Article 7 of the Real Property Actions and Proceedings Law). Nothing contained in this Article 44 limits Landlord's rights and remedies, by operation of law or otherwise, after the occurrence of a Default. No failure by Landlord to insist upon the strict performance by Tenant of Tenant's obligation to pay liquidated damages as provided in this Article shall constitute a waiver by Landlord of its right to enforce the provisions of this Article in any instance thereafter occurring. If Landlord receives only a portion of the amount due for any month, Landlord may, at its option, elect to apply such payment first to Rental and then to late charges notwithstanding any contrary direction from Tenant. The provisions of this Article 44 shall not be construed in any way to extend the grace periods or notice periods provided for elsewhere in this Lease.

45. LEED COMPLIANCE AND RECYCLING.

A. Tenant shall cooperate with any and all efforts by Landlord to obtain and maintain LEED, Green Globes, Energy Star (or similar) certifications for the Building. Tenant covenants and agrees not to take any action or do anything (or allow any action to be taken by any Person claiming by, through or under Tenant) that may reduce any environmental rating for the Building which may now or hereafter be made, such as any rating made pursuant to LEED, Green Globes, Energy Star (or similar programs).

B. Tenant shall comply with and participate in Landlord’s recycling program for the Building, if any, as from time to time implemented with respect to all recyclable waste generated or stored in the Premises and if Landlord shall not have implemented such a program, Tenant shall promptly implement one for such recyclable waste, subject to and in accordance with Article 15 hereof.

46. LEASE FULLY NEGOTIATED

In construing this Lease, it shall be deemed to be a document fully negotiated and drafted jointly by counsel to Landlord and counsel to Tenant and the authorship of any term or provision hereof shall not be deemed germane to its meaning. The existence or non-existence in any prior draft hereof of any term or provision whether included

herein or not shall not be relevant to the establishment of the intent of the parties hereto or the meaning of any term or provision hereof and may not be used as evidence to establish any such intent or meaning.

47. ANTI-TERRORISM REQUIREMENTS

Tenant represents and warrants that (a) neither Tenant nor any person, group or entity who owns any direct or indirect beneficial interest in Tenant or any of them, is listed on the list maintained by the United States Department of the Treasury, Office of Foreign Assets Control (commonly known as the OFAC List) or otherwise qualifies as a terrorist, Specially Designated National and Blocked Person or a person with whom business by a United States citizen or resident is prohibited (each referred to herein as a "Prohibited Person"); (b) neither Tenant nor any person, group or entity who owns any direct or indirect beneficial interest in Tenant or any of them is in violation of any anti-money laundering or anti-terrorism statute, including, without limitation, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, U.S. Public Law 107-56 (commonly known as the USA PATRIOT Act), and the related regulations issued thereunder, including temporary regulations, and Executive Orders (including, without limitation, Executive Order 13224) issued in connection therewith, all as amended from time to time; and (c) neither Tenant nor any person, group or entity who owns any direct or indirect interest in Tenant is acting on behalf of a Prohibited Person. Tenant shall indemnify and hold Landlord harmless from and against all claims, damages, losses, risks, liabilities and costs (including fines, penalties and legal costs) arising from any misrepresentation in this Article 47 or Landlord's reliance thereon. Tenant's obligations under this Article 47 shall survive the Expiration Date.

48. CONDOMINIUM PROVISIONS

A. Landlord reserves (and Tenant acknowledges that Landlord has) the right to convert (or join or acquiesce in the conversion of) the Building or Real Property to condominium form of ownership (hereinafter referred to as a "Conversion") of which the Premises may, in the sponsor's and Landlord's sole discretion, constitute all or a portion of a condominium unit (hereinafter referred to as the "Unit"). If the Building is converted to condominium form of ownership, then this Lease shall not be affected thereby and shall continue in full force and effect, except as follows:

f. Except as otherwise specifically set forth herein, references to the Building or Real Property shall be deemed to be references to the Unit;

g. Rents based upon increases in Expenses and/or Real Estate Taxes shall be payable upon the following terms:

i. Tenant's Tax Share and/or Tenant's Expense Share, as the case may be, shall be recomputed as a decimal fraction carried to four places beyond the decimal point by dividing the rentable square feet of the Premises by the rentable square feet of the Unit (as each such area is determined by Landlord in its reasonable judgment);

ii. Expenses shall include all expenses and all charges, assessments and special assessments payable by the owner of or attributable to the Unit pursuant to the condominium's declaration of condominium, its bylaws or resolution of the board of managers or condominium association having jurisdiction of the Unit, including without limitation, common charges;

iii. Base Expenses and Base Year Taxes shall be recomputed by Landlord using its reasonable judgment to allocate to the Unit the actual Expenses and Real Estate Taxes as would have been allocated to the Unit for the Base Expense Year and Base Tax Year had the condominium then been in existence and such amounts as Landlord shall have determined shall be deemed the Base Expenses and the Base Year Taxes, respectively; and

iv. If any such conversion shall be effective on a date that is not the first day of a relevant comparative year, Additional Rent for increases in Expenses and Real Estate Taxes, as the case may be, shall be calculated for the periods before and following the effective

date of such conversion according to the appropriate methodology for such period and accordingly prorated for each such period.

B. Regardless of whether or not Tenant may have a sufficient interest in the Real Property pursuant to Requirements to require its consent to the declaration of condominium, its bylaws, floor plans or any other document required to effect a Conversion (hereinafter collectively referred to as "Condominium Documents") and all applications and filings involved in the Conversion, Tenant does hereby specifically waive such rights, and if such rights cannot be waived, does hereby consent to such matters in advance and to the Conversion itself to create a condominium form of ownership for the Building (herein referred to as a "Condominium").

C. In the event of a Conversion in which the Premises are converted into one or more separately saleable units, Tenant does hereby agree in advance to attorn to any purchaser of any unit(s) which shall consist of the Premises and recognizes such purchaser as landlord under the terms and provisions of this Lease and no further consent of Tenant shall be required as long as the purchaser of any such unit(s) agrees in writing to honor the rights and obligations of Tenant hereunder.

D. This Lease shall be subordinate to all Condominium Documents. Landlord shall not permit any such Condominium Documents to alter the rentable are or configuration of the Premises (other than to a de minimis extent), impair Tenant's rights under this Lease, or to expand Tenant's obligations under this Lease, except, in either case, to a de minimis extent. Upon such Conversion, if the Condominium Documents provide for the performance by the Condominium of any obligations that would have been Landlord's obligations under this Lease, Landlord will cause the board of managers of the Condominium or the owner of the Unit of which the Premises are a part to perform such obligations, but in no event shall any rights or remedies of Tenant hereunder be diminished, conditioned or negated or its obligations increased by such operation of the Condominium Documents. It is expressly understood and agreed that the Premises are intended to be a part of the Condominium, and to be subject to the Condominium Documents. Tenant agrees that the aforesaid subordination shall be self-operative without the need for any further action but Tenant shall execute and deliver such documents as Landlord may reasonably require to confirm or further effect such subordination. If the Condominium shall be formed, Tenant shall not perform any act, or fail to perform any act, if such performance or failure to perform would be a violation of, or cause Landlord to be in default under, any of the Condominium Documents. During the Term, Tenant agrees to be bound by all of the terms contained in the Condominium Documents that pertain to an occupant of the Condominium Unit of which the Premises form a part or of the common elements of such Condominium, except if and to the extent that compliance with such terms and obligations shall be Landlord's obligation pursuant to one or more express provisions of this Lease and in no event shall Tenant be responsible for common charges or maintenance payments under the Condominium Documents, except as hereinabove provided. Tenant agrees to observe all of the rules and regulations of the Condominium. Tenant expressly agrees that the board of managers of the Condominium and/or the Unit of which the Premises form a part (each, a "Board"), as applicable, shall have the power to enforce against Tenant (and each and every immediate and remote assignee or subtenant of Tenant) the terms of the Condominium Documents, if the actions of Tenant (or such assignee or subtenant) shall be in breach of the Condominium Documents, to the extent that the same would entitle the applicable Board to enforce the terms of the Condominium Documents against Landlord.

E. Notwithstanding anything to the contrary contained elsewhere in this Lease, any provision of this Lease that requires Landlord to "cause the Board" to provide services or perform any other act shall be deemed to require Landlord to use commercially reasonable efforts to cause the Board to do the same but Landlord shall not be liable to Tenant for any failure in performance resulting from the failure in performance by the Board, Landlord's obligations hereunder are accordingly conditional where such obligations require such parallel performance by the Board, provided that Landlord shall, at Tenant's cost and expense, expeditiously and diligently use commercially reasonable efforts to enforce such rights as Landlord may have against the Board under the Condominium Documents for the benefit of Tenant upon Tenant's written request therefor (and to forward to the Board any notices or requests for consent as Tenant may reasonably request), but nothing herein shall require Landlord to institute any legal action or proceeding or arbitration to enforce the Board's obligations. Landlord agrees that the Condominium declaration recorded for the Building shall obligate the Board to perform Landlord's maintenance, repair and replacement obligations hereunder that relate to "common elements" or shall give the Landlord access and the privilege to perform the same.

49. NO OTHER SERVICES.

Landlord shall provide no services not specifically set forth in this Lease.

50. ADDITIONAL DEFINITIONS/MISCELLANEOUS

"Business Days" shall mean all days, except Saturdays, Sundays, and all days celebrated as holidays under union contracts applicable to the Building. "Business Hours" shall mean 8:00 A.M. to 6:00 P.M. on Business Days. The words "herein," "hereof," "hereto," "hereunder" and similar words shall be interpreted as being references to this Lease as a whole and not merely the clause, paragraph, Section or Article in which such word appears. The words "shall" and "will" are interchangeable, each imposing a mandatory obligation upon the party to whom such verb applies. The words "include" and "including" shall be interpreted to mean "including, without limitation." Wherever appropriate in this Lease, personal pronouns shall be deemed to include the other genders and the singular or plural of any defined term or other word shall, as the context may require, be deemed to include, as the case may be, either the singular or the plural. References herein to "Building systems" or "systems of the Building" shall mean the service systems of the Building, including, without limitation, the mechanical, gas, steam, electrical, sanitary, HVAC, elevator, plumbing, telecommunications (including cellular data) systems and life-safety systems of the Building. All Article and paragraph and subsection references set forth herein shall, unless the context otherwise specifically requires, be deemed references to the Articles, paragraphs and subsections of this Lease. Tenant shall reimburse Landlord for any actual out-of-pocket fees or administrative costs actually incurred by Landlord in connection with any marketing of the Premises for assignment or subletting (or re-letting or early surrender) conducted by Landlord at Tenant’s request, which request may be made by electronic mail; it being expressly understood that neither the foregoing nor any efforts by Landlord to so market the Premises shall be construed or relied upon by Tenant as imposing any obligation on Landlord to so market or relet the Premises or to accept any early surrender of this Lease or the Premises from Tenant or to operate as a waiver of any of Landlord's rights and remedies pursuant to this Lease, at law or in equity. No advertising of any kind or other public statement by or on behalf of Tenant shall refer to the Building (other than the address of the Premises or this Lease, unless first approved in writing by Landlord. Notwithstanding anything to the contrary contained in this Lease, in each and every instance where Tenant is responsible to pay out-of-pocket costs and/or reasonable attorneys' fees, costs and/or expenses incurred by or on behalf of Landlord, if and to the extent that Landlord engages in-house counsel to handle any such matters, Landlord shall be deemed to have incurred the same out-of-pocket costs and/or reasonable attorneys’ fees, costs or expenses which Landlord would have otherwise incurred had Landlord engaged outside counsel to handle such matters and Tenant shall remit such amounts to Landlord as Additional Rent, or as damages, as the case may be, as otherwise contemplated herein. References to Landlord as having no liability to Tenant or being without liability to Tenant shall mean that, except as otherwise provided in this Lease, Tenant is not entitled to terminate this Lease, or to claim actual or constructive eviction, partial or total, or to receive any abatement or diminution of rent, or to be relieved in any manner of any of its other obligations hereunder, or to be compensated for loss or injury suffered or to enforce any other kind of liability whatsoever against Landlord under or with respect to this Lease or with respect to tenant's use or occupancy of the Premises. The term "termination of this Lease" or any variant thereof shall mean the "termination of the Term."

51. MEMORANDUM OF LEASE

Tenant shall not record this Lease. Tenant shall not record a memorandum of this Lease. Landlord shall have the right to record a memorandum of this Lease. If Landlord submits to Tenant a memorandum hereof that is in reasonable form, then Tenant shall execute, acknowledge and deliver such memorandum promptly after Landlord's submission thereof to Tenant.

52. APPLICABLE LAW

This Lease shall be deemed to have been made in New York County, New York, and shall be construed in accordance with the laws of New York. ALL ACTIONS OR PROCEEDINGS RELATING, DIRECTLY OR INDIRECTLY, TO THIS LEASE SHALL BE LITIGATED ONLY IN COURTS LOCATED WITHIN THE COUNTY OF NEW YORK. LANDLORD AND TENANT, AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, HEREBY SUBJECT THEMSELVES TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN SUCH COUNTY. TENANT HEREBY WAIVES THE RIGHT TO RAISE ANY

DEFENSE BASED UPON INCONVENIENT FORUM OR MAKE ANY PLEA OR MOTION SEEKING TO REMOVE ANY CASE TO ANOTHER VENUE.

53. RENEWAL OPTION

i. For purposes hereof, the following terms shall have the following meanings:

h. The term "Minimum Demise Requirement" shall mean the requirement that this Lease demises at least the entire rentable area of the Premises initially leased under this Lease.

i. The term "Minimum Occupancy Requirement" shall mean the requirement that Tenant (or a Person succeeding to Tenant's interest pursuant to Section 4.F, 4.G, 4.H, or 4.I) occupies at least the entire rentable area of the Premises then being leases under this Lease.

j. Subject to the terms of this Article 53, Tenant shall have the option (the "Renewal Option") to extend the term of this Lease for the entire Premises for one (1) additional period of five (5) years (the "Renewal Term"), which Renewal Term shall commence on the day immediately succeeding the Fixed Expiration Date and end on the day that is five (5) years after the Fixed Expiration Date, provided that on the date that Tenant gives Landlord notice (the "Renewal Notice") of Tenant's election to exercise the Renewal Option (i) this Lease has not been previously terminated, (ii) no Default has occurred and is continuing , (iii) the Minimum Occupancy Requirement is satisfied, (iv) the Minimum Demise Requirement is satisfied and (v) the Initial Tenant Requirement is satisfied.

k. The Renewal Option shall be exercisable only by Tenant's delivering the Renewal Notice to Landlord not later than the three hundred sixty-fifth (365^{th}) day before the Fixed Expiration Date (as to which date time shall be of the essence). Landlord shall have the right to declare Tenant's exercise of the Renewal Option ineffective if, at any time, on or prior to the first day of the Renewal Term (i) a Default has occurred and is then continuing, (ii) the Minimum Occupancy Requirement is not satisfied, (iii) the Minimum Demise Requirement is not satisfied, or (iv) the Initial Tenant Requirement is not satisfied, in any case, by giving notice thereof to Tenant (an "Ineffective Renewal Notice") on or prior to the date which is fifteen (15) days after the first day of the Renewal Term (it being understood that (x) if Landlord gives an Ineffective Renewal Notice to Tenant, then the Term shall terminate on the Fixed Expiration Date (unless the Term sooner terminates pursuant to the terms hereof or pursuant to law) except that if Landlord gives Tenant an Ineffective Renewal Notice after Fixed Expiration Date, the Term shall terminate on the fifteenth (15th) day after the date that Landlord gives Tenant the Ineffective Renewal Notice (in which case Tenant shall pay the Rental that would have otherwise been due hereunder in respect of the Renewal Term had Landlord not given Tenant the Ineffective Renewal Notice, to the extent accruing during the period commencing on the first day of the Renewal Term and ending on the date that the Term so terminates), and (y) nothing contained in this Section 53.C. limits Landlord's other rights or remedies after the occurrence of a Default). For the avoidance of any doubt, if Landlord delivers an Ineffective Renewal Notice to Tenant, Tenant shall have no further rights to renew or extend the term of this Lease.

l. If Tenant effectively exercises the Renewal Option, then the leasing of the Premises during the Renewal Term shall be upon the terms set forth herein, except that:

j. the Fixed Annual Rent for the Premises during the Renewal Term shall be the Fair Market Rent (as hereinafter defined) thereof;

k. Landlord shall have no obligation to perform any work in connection with Tenant's exercise of the Renewal Option;

l. Landlord shall have no obligation to grant to Tenant any work allowance or free rent (or abatement of rent) in connection with Tenant's exercise of the Renewal Option; and

m. the provisions of this Article 53 shall not be applicable to permit Tenant to further extend the Term.

54. RIGHT OF FIRST OFFER

m. The term "Option Space" shall mean all or any portion of the leasable space located on (i) the sixteenth (16th) floor of the Building (the "16th Floor Option Space"), (ii) the seventeenth (17th) floor of the Building (the "17th Floor Option Space"), and (iii) the nineteenth (19th) floor of the Building (the "19th Floor Option Space"), in each case as shown on Exhibit "G" annexed hereto and made a part hereof.

n. Except as hereinafter provided in this Section 54.A, Landlord shall not lease to any Person other than Tenant the Option Space (or a part thereof) at any time during the Term, without first instituting the procedure described in, and subject to the limitations set forth in, this Article 54. Notwithstanding anything contained in this Article 54 to the contrary, Landlord shall not be required to institute the procedure described in this Article 54 (and shall not be required to give an Option Notice) with respect to either the 16th Floor Option Space or the 17th Floor Option Space until after the initial lease-up of such Option Space after the date hereof (i.e., Landlord shall be permitted to Lease the 16th Floor Option Space and the 17th Floor Option Space following the date hereof without being required to institute the procedure described in this Article 54 and only when such Option Space thereafter again becomes available for leasing will the provisions of this Article 54 become applicable thereto); provided, however, with respect to the 17th Floor Option Space only, if Landlord shall receive a bona fide offer to lease the 17th Floor Option Space on or before the first (1st) anniversary of the date of this Lease, Landlord shall be required to institute the procedure described in this Article 54 with respect to the 17th Floor Option Space and give Tenant an Option Notice.

o. Landlord shall institute the procedure described in this Article 54 by giving notice thereof (the "Option Notice") to Tenant, which Option Notice shall (i) describe the Option Space (or the applicable portion thereof) (the Option Space (or such portion thereof) that is described in a particular Option Notice being referred to herein as the "Applicable Option Space"), (ii) have attached thereto a floor plan depicting the Applicable Option Space, (iii) set forth the date that Landlord reasonably expects that the Applicable Option Space will be vacant and available for Tenant's occupancy (such date designated by Landlord being referred to herein as the "Scheduled Option Space Commencement Date"), and (iv) set forth Landlord's calculation of the number of square feet of rentable area in the Applicable Option Space. Notwithstanding the foregoing to the contrary, Landlord shall have the right to accelerate the Scheduled Option Space Commencement Date by notice given to Tenant at any time; provided, however, that in no event shall the Scheduled Option Space Commencement Date occur earlier than thirty (30) days after the date Landlord delivers such notice accelerating the Scheduled Option Space Commencement Date to Tenant.

p. Tenant shall have the one-time only option (the "Option") to lease each Applicable Option Space (in its entirety and not in part) for a term (the "Option Term") commencing on the Option Space Commencement Date and expiring on the Expiration Date by giving notice thereof (the "Option Response Notice") to Landlord not later than the fifteenth (15th) day after the date that Landlord gives the Option Notice to Tenant. Time shall be of the essence as to the date by which Tenant must give the Option Response Notice to Landlord to exercise the Option. If Tenant does not give the Option Response Notice to Landlord on or prior to the fifteenth (15th) day after the date that Landlord gives the Option Notice to Tenant, then Landlord shall thereafter have the right to lease the Applicable Option Space (or any part thereof) to any other Person on terms acceptable to Landlord in Landlord's sole discretion without being required to make any other offer to Tenant regarding the Applicable Option Space under this Article 54 (and, accordingly, such Applicable Option Space shall not thereafter constitute Option Space). Tenant shall not have the right to revoke an Option Response Notice given to Landlord pursuant to this Article 54.

q. Tenant shall not have the right to exercise the Option (and, accordingly (x) Landlord shall have no obligation to give an Option Notice to Tenant, and (y) Landlord shall have the right to lease the Applicable Option Space to any other Person without first offering the Applicable Option Space to Tenant as contemplated by this Article 54) if, on the date that Landlord offers the Applicable Option Space for lease to the general public:

n. a Default has occurred and is continuing,

o. the Minimum Occupancy Requirement is not satisfied,

p. the Initial Tenant Requirement is not satisfied,

q. the Minimum Demise Requirement is not satisfied, or

r. Tenant has exercised the Termination Option (as hereinafter defined).

r. Tenant shall not have the right to exercise the Option prior to Landlord's leasing the Option Space (or the applicable portion thereof) to any Person that then occupies the Option Space (or such portion thereof) (regardless of whether such leasing is pursuant to an option or right contained in such Person's lease), and, accordingly, in either case, (x) Landlord shall have no obligation to give an Option Notice to Tenant with respect to the Option Space (or such portion thereof), and (y) Landlord shall have the right to lease the Option Space (or such portion thereof) to any such Person without first offering the Option Space (or the applicable portion thereof) to Tenant as contemplated by this Article 54. Tenant's right to lease the Applicable Option Space as set forth in this Article 54 hereof, shall be subject and subordinate to any rights thereto that have been granted on or prior to the date hereof to other tenants of the Building.

s. If (i) Tenant effectively exercises the Option, and (ii) at any time prior to the Option Space Commencement Date, (w) a Default has occurred and is continuing, (x) the Minimum Demise Requirement is not satisfied, (y) the Minimum Occupancy Requirement is not satisfied or (z) the Initial Tenant Requirement is not satisfied, then, at any time prior to the Option Space Commencement Date, Landlord shall have the right to declare Tenant's exercise of the Option ineffective by giving notice thereof to Tenant, in which case Landlord shall have the right to lease the Applicable Option Space (or any portion thereof) to any other Person on terms acceptable to Landlord in Landlord's sole discretion and Tenant shall have no further rights with respect to the Applicable Option Space.

t. Subject to the terms of this Section 54.H and Article 32 hereof, Tenant shall deliver to Landlord on or before the Option Space Commencement Date an amendment to the Letter of Credit (in a form that is reasonably satisfactory to Landlord) that increases the amount of the Letter of Credit by an amount (the "Option Security Amount") equal to the product obtained by multiplying (x) an amount equal to the first installment of Fixed Annual Rent for a full calendar month that becomes payable hereunder for the Applicable Option Space, by (y) the corresponding number of months then being held as security by Landlord pursuant to Article 32 hereof (and Tenant shall calculate initially the Option Security Amount assuming that the Fixed Annual Rent for the Applicable Option Space is an amount equal to the product obtained by multiplying (I) the quotient obtained by dividing (x) the Fixed Annual Rent that is payable hereunder at such time (other than the Fixed Annual Rent that is payable hereunder for the Applicable Option Space), by (y) the number of square feet of rentable area comprising the Premises at such time (other than the rentable area comprising the Applicable Option Space), by (II) the number of square feet of rentable area comprising the Applicable Option Space. Landlord and Tenant shall adjust the Option Security Amount to the extent (if any) necessary within ten (10) Business Days after the date that the parties determine the Fair Market Rent for the Applicable Option Space in accordance with the terms of Article 55 hereof. The parties hereby agree, however, that Tenant may replace the Letter of Credit with a new letter of credit (in a form that complies with requirements of Article 32 hereof) in lieu of amending the Letter of Credit as provided in this Section 54.H provided that the amount of such new letter of credit is in the amount equal to sum of (1) the amount of the existing Letter of Credit and (2) the Option Security Amount. If Tenant elects to replace the Letter of Credit with such a new letter of credit, then the new letter of credit shall be deemed the Letter of Credit for purposes of this Lease. Notwithstanding the foregoing to the contrary, if Tenant is entitled to reduce the amount of the Letter of Credit, subject to and in accordance with Section 32.F hereof, then as of the date that Tenant shall be entitled to such reduction, Tenant shall also be entitled to reduce the Option Security Amount to an amount equal to the product obtained by multiplying (a) an amount equal to the last full monthly installment of Fixed Annual Rent that was payable hereunder for the Applicable Option Space immediately prior to the date on which Tenant shall be entitled to such reduction in security in accordance with Section 32.F hereof, by (y) the corresponding number of months that will then be held as security by Landlord pursuant to Article 32.F hereof following the date on which such reduction would become effective).

u. If Tenant effectively exercises the Option in accordance with the provisions of this Article 54, then, on the Option Space Commencement Date for the Applicable Option Space, the following provisions shall become effective:

s. the Applicable Option Space shall be added to the Premises for purposes of this Lease (except as otherwise provided in this Section 54.I.)

t. from and after the Option Space Commencement Date, Tenant shall make payments for escalations in Real Estate Taxes with respect to the Option Space which shall be an amount equal to the product obtained by multiplying (X) the ratio (expressed as a percentage) that the number of square feet of rentable area in the Applicable Option Space bears to the number of square feet of rentable area in the Building, by (Y) the excess of (i) Real Estate Taxes for the applicable Comparative Tax Year, over (ii) the Real Estate Taxes for the applicable base year, as the same shall be determined in accordance with Article 55 hereof.

u. from and after the Option Space Commencement Date, Tenant shall make Expense Payments with respect to the Option Space which shall be an amount equal to the product obtained by multiplying (X) the ratio (expressed as a percentage) that the number of square feet of rentable area in the Applicable Option Space bears to the number of square feet of rentable area in the Building (other than any retail portion thereof), by (Y) the excess of (i) the Expenses for the applicable Comparative Year, over (ii) the Expenses for the applicable base year, as the same shall be determined in accordance with Article 55 hereof.

v. Landlord shall not be obligated to perform any work or make any installations in the Applicable Option Space or grant Tenant a work allowance therefor.

w. the Fixed Annual Rent for the Applicable Option Space shall be an amount equal to the Fair Market Rent therefor.

v. Landlord shall deliver vacant and exclusive possession of the Applicable Option Space to Tenant on the Scheduled Option Space Commencement Date; provided, however, that (i) if a Person remains in occupancy of the Applicable Option Space (or any portion thereof) on the Scheduled Option Space Commencement Date, then Landlord, at Landlord's expense, shall use reasonable diligence to cause vacant and exclusive possession of the Applicable Option Space to be delivered to Tenant as promptly as reasonably practicable thereafter (the Scheduled Option Space Commencement Date, or such later date on which Landlord delivers vacant and exclusive possession of the Applicable Option Space to Tenant as contemplated by this Section 54.J, being referred to herein as the "Option Space Commencement Date"), and (ii) if such Person's right to remain in occupancy of the Applicable Option Space (or a portion thereof) terminates prior to the Scheduled Option Space Commencement Date, then Landlord shall have no liability to Tenant (except as otherwise set forth in clause (i) above), and Tenant shall have no right to terminate or rescind this Lease or Tenant's exercise of the Option or reduce the Rental, in each case deriving from Landlord's failure to deliver vacant and exclusive possession of the Applicable Option Space to Tenant on the Scheduled Option Space Commencement Date. Landlord and Tenant intend that this Section 54.J constitutes an "express provision to the contrary" for purposes of Section 223-a of the New York Real Property Law.

w. (i) Notwithstanding anything contained herein to the contrary, if Tenant effectively exercises the Option pursuant to the terms of this Article 54, and the balance of the Term with respect to the Premises then demised hereby is less than five (5) years from the applicable Option Space Rent Commencement Date (as hereinafter defined) (taking into account the Renewal Term, if previously exercised, or then simultaneously exercised with the Option as a condition to the exercise of the Option), then the Term with respect to the Premises then demised hereunder and the Option Term shall each be deemed automatically extended for a period (the "Automatic Interim Extension Period") from the date immediately following the Fixed Expiration Date through and until the last day of the month in which the fifth (5^{th})) anniversary of the Option Space Rent Commencement Date with respect to the Applicable Option Space occurs (the "Option Space Fixed Expiration Date") (i.e., the term of the Lease with respect to the entire Premises then demised hereunder shall be extended to be coterminous with the term of the Lease with respect to the Applicable Option Space). The term "Option Space Rent Commencement Date" shall mean the date on which Tenant is obligated to commence payments of Fixed Annual Rent with respect to the Applicable Option Space (as the same shall be determined in accordance with Article 55 hereof).

(ii) The leasing of the Premises (other than the Applicable Option Space) during an Automatic Interim Extension Period as contemplated herein (each, an "Automatic Interim Extension") shall be pursuant to all of the terms, covenants and conditions of this Lease, except that effective as of the first day of the applicable Automatic Interim Extension Period pursuant to this Section 54.K and during the applicable Automatic Interim Extension Period, (a) the Fixed Annual Rent for the entire Premises demised hereby other than the Applicable Option Space shall be a sum equal to the Fair Market Rent for such Premises as of the first day of the applicable Automatic Interim Extension Period (as such Fair Market Rent is determined in accordance with Article 55); (b) the Base Tax Year for the entire Premises demised hereby other than the Applicable Option Space shall be determined in accordance with Article 55 hereof; (c) the Base Expense Year for the entire Premises demised hereby other than the Applicable Option Space shall be determined in accordance with Article 55 hereof and (d) Landlord shall have no obligation to grant to Tenant any work allowance with respect to or perform any work in the entire Premises demised hereby other than the Applicable Option Space. For the avoidance of doubt, (I) the adjustments set forth in clauses (a)-(d) with respect to the Premises then demised hereunder (other than the Applicable Option Space) shall not be effective until the first day of the applicable Automatic Interim Extension Period, (II) the provisions of Section 55.I shall apply to the leasing of the Applicable Option Space during the Option Term and (III) if not previously exercised, Tenant's renewal option under Article 55 of this Lease shall also continue to apply following an Automatic Interim Extension, except that the Renewal Term shall cover the five (5) year period commencing on the day immediately following the applicable Option Space Fixed Expiration Date.

(iii) In the event that the Term with respect to Premises then demised hereby is extended through the end of an Automatic Interim Extension Period pursuant to the provisions of this Section 54.K, the "Term" shall mean the term of this Lease as extended through the end of the applicable Automatic Interim Extension Period, the "Fixed Expiration Date" shall mean the applicable Option Space Fixed Expiration Date, and the "Expiration Date" shall mean the applicable Option Space Fixed Expiration Date, or such earlier or later date that the Term terminates pursuant to the terms hereof or pursuant to law.

(iv) For the avoidance of doubt, in the event that the Term with respect to the Premises then demised hereunder (other than the Applicable Option Space) is scheduled to expire on a date which is more than five (5) years after the applicable Option Space Rent Commencement Date, then the provisions of clauses (i)-(iii) of this Section 54.K shall be deemed null and void and of no further force and effect with respect to Tenant's exercise of the Option, and the Term with respect to the Applicable Option Space shall expire on the Fixed Expiration Date or the last day of the Renewal Term, as the case may be (instead of on the date described above), and the Option Space Fixed Expiration Date for the Applicable Option Space shall be deemed to mean the Fixed Expiration Date or such last day of the Renewal Term, as the case may be, anything contained hereinabove to the contrary notwithstanding.

x. Notwithstanding anything contained in this Lease to the contrary (including in Article 56 below), if Tenant shall lease the entirety of the 17th Floor Option Space or any other Option Space at any time after the second (2nd) anniversary of the Commencement Date, then Tenant's right to terminate this Lease pursuant to Article 56 shall be void and of no further force and effect. If Tenant's rights to terminate this Lease pursuant to Article 56 below shall become void and of no further force and effect pursuant to the terms here, then upon Landlord's request, Tenant shall confirm, in a written agreement reasonable acceptable to Landlord and Tenant, that Tenant's rights under Article 56 are no longer valid and are of no further force and effect (provided that the failure by Tenant to provide such confirmation shall not be deemed to modify the terms hereof).

55. FAIR MARKET RENT PROCEDURES.

a. The following terms shall have the following meanings:

x. The term "Applicable Area" shall mean:

(a) the Premises in connection with the determination of the Fair Market Rent thereof; and

(b) the Applicable Option Space, in connection with the determination of the Fair Market Rent thereof.

y. The term "Applicable Date" shall mean:

(a) the Fixed Expiration Date (as same may be extended subject to and pursuant to Section 53.J hereof), in connection with the determination of the Fair Market Rent of the Premises or the last day of the Renewal Term, in connection with the determination of Fair Market Rent of the Premises subject to, and as contemplated in, Section 54.K hereof; and

(b) the Scheduled Option Space Commencement Date, in connection with the determination of the Fair Market Rent for the Applicable Option Space.

z. The term "Fair Market Rent" shall mean annual fair market rental.

b. The Fair Market Rent shall be determined as of the Applicable Date assuming that the Applicable Area is free and clear of all leases and tenancies (including this Lease), that the Applicable Area is available for the purposes permitted by this Lease in the then rental market, that Landlord has had a reasonable time to locate a tenant, and that neither Landlord nor the prospective tenant is under any compulsion to rent, and taking into account all relevant factors.

c. If Tenant exercises the Renewal Option, or Tenant exercises the Option, then Landlord and Tenant shall each deliver simultaneously to the other, at Landlord's office, a notice (each, a "Rent Notice"), on a date mutually agreed upon, but in no event later than:

aa. one hundred eighty (180) days before the Fixed Expiration Date (or the applicable Option Space Fixed Expiration in the event an Automatic Interim Extension occurs), with respect to the Rent Notice for the determination of the Fair Market Rent for the Premises, and

ab. the later to occur of (X) three (3) months before the Scheduled Option Space Commencement Date (as the same may be accelerated), and (Y) the thirtieth (30^{th}) day after the date that Tenant gives the Option Response Notice to Landlord, with respect to the Rent Notice for the determination of the Fair Market Rent for the Applicable Option Space,

as the case may be, which Rent Notice shall set forth each of their respective determinations of the Fair Market Rent (Landlord's determination of the Fair Market Rent is referred to as "Landlord's Determination" and Tenant's determination of the Fair Market Rent is referred to as "Tenant's Determination"; the date on which Landlord and Tenant agree to simultaneously deliver Landlord's Determination and Tenant's Determinations, respectively, the "Blind Swap Date"). For the avoidance of doubt, if the parties are unable to agree on the Blind Swap Date, the same shall be deemed to be the latest dates set forth above respectively with respect to the Rent Notices for the determination of the Fair Market Rent for the Premises and the Applicable Option Space. If (i) Tenant fails to give Tenant's Determination on the Blind Swap Date as contemplated herein, and (ii) Landlord tenders Landlord's Determination to Tenant on the Blind Swap Date, then the Fair Market Rent for the Applicable Area shall be Landlord's Determination; it being expressly understood however, that if Tenant fails to attend the meeting scheduled for the simultaneous exchange of Landlord's Determination and Tenant's Determination on the Blind Swap Date, Landlord shall be deemed to have tendered Landlord's Determination to Tenant on the Blind Swap Date for all purposes hereof and Landlord shall promptly thereafter deliver a copy of Landlord's Determination to Tenant in accordance with the provisions of Article 28 hereof.

d. If Tenant's Determination is higher than Landlord's Determination, then the Fair Market Rent for the Applicable Area shall be the average of Landlord's Determination and Tenant's Determination. If Tenant's Determination is lower than Landlord's Determination, then Landlord and Tenant shall attempt in good faith to agree upon the Fair Market Rent for a period of thirty (30) days after the date that Landlord gives Landlord's Determination to Tenant, and Tenant gives Tenant's Determination to Landlord. If Landlord and Tenant do not agree on the Fair Market Rent for the Applicable Area within thirty (30) days after the date that Landlord gives Landlord's Determination to Tenant, and the date that Tenant gives Tenant's Determination to Landlord, then Landlord and Tenant shall select jointly an independent real estate broker that (i) neither Landlord nor Tenant, nor any of their respective Affiliates, has engaged during the immediately preceding period of three (3) years, and (ii) has at least ten (10) years of experience in leasing properties that are similar in character to the Building (such broker being referred to herein as the "Broker Appraiser"). Landlord and Tenant shall each pay fifty percent (50%)

of the Appraiser's fee. If Landlord and Tenant do not agree on the Broker Appraiser within ten (10) days after the last day of such period of thirty (30) days, then either party shall have the right to institute a Streamlined Arbitration for the sole purpose of designating the Broker Appraiser.

e. The parties shall instruct the Broker Appraiser to (i) conduct the hearings and investigations that he or she deems appropriate, and (ii) choose either Landlord's Determination or Tenant's Determination as the better estimate of Fair Market Rent for the Applicable Area, within thirty (30) days after the date that the Broker Appraiser is designated. The Broker Appraiser's aforesaid choice shall be conclusive and binding upon Landlord and Tenant. Each party shall pay its own counsel fees and expenses, if any, in connection with the procedure described in this Article 55. The Broker Appraiser shall not have the power to supplement or modify any of the provisions of this Lease.

f. If the final determination of the Fair Market Rent is not made on or before the Applicable Date in accordance with the provisions of this Article 57 then, pending such final determination, the Fair Market Rent shall be deemed to be an amount equal to Landlord's Determination and Tenant's Determination. If, based upon the final determination hereunder of the Fair Market Rent, the payments made by Tenant on account of the Rental for the period prior to the final determination of the Fair Market Rent were less than the Rental payable for such period, then Tenant, not later than the tenth (10^{th}) day after Landlord's demand therefor, shall pay to Landlord the amount of such deficiency. If, based upon the final determination of the Fair Market Rent, the payments made by Tenant on account of the Rental for the period prior to the final determination of the Fair Market Rent were more than the Rental due hereunder for such period, then Landlord, not later than the tenth (10^{th}) day after Tenant's demand therefor, shall pay such excess to Tenant

56. TERMINATION OPTION

g. Tenant shall have the one-time option (the "Termination Option") to terminate this Lease and the Term and estate hereby granted as of date on which the eight (8^{th}) anniversary of the Commencement Date occurs (the "Termination Date"). The Termination Option is granted subject to the following terms and conditions: (a) Tenant gives Landlord a written notice of Tenant's election to exercise the Termination Option (hereinafter called "Termination Notice") not less than twelve (12) months prior to such Termination Date (time being of the essence); (b) Tenant is not (i) in Default of its monetary or other material obligations under this Lease on the date that Tenant exercises the Termination Option or (ii) in Default of its monetary obligations under the Lease on the Termination Date, in either case, unless waived in writing by Landlord; (c) the Initial Tenant Requirement is satisfied on the date of the giving of a Termination Notice and on the Termination Date; and (d) concurrently with the giving of the Termination Notice, Tenant shall make to Landlord a payment (hereinafter called the "Termination Payment") equal to the then unamortized portion of (w) leasing commissions or fees actually paid or incurred by Landlord in connection with this Lease, (x) the costs incurred by Landlord in performing Landlord's Work but not to exceed $3,449,820.00 and any costs incurred by Landlord and not reimbursed by Tenant in connection with Tenant's Extra Work, (y) all legal fees incurred by Landlord in connection with the negotiation and execution of this Lease (which shall not exceed $25,000 for purposes hereof), and (z) the twelve (12) month rent credit abatement initially granted to Tenant hereunder with respect to the Premises initially demised hereunder, as though such aggregate amount were amortized in equal monthly installments on a straight line basis over an eleven (11) year period commencing on the Commencement Date hereof, in all cases, together with interest thereon at a rate of seven (7%) percent per annum, compounded monthly. Within thirty (30) days after Landlord's or Tenant's requests, the parties shall enter into a modification of this Lease setting forth the determination of the actual amount of the Termination Payment. Such Termination Payment shall be in addition to all Fixed Annual Rent, Escalations, Additional Rent and all other charges to become due from Tenant to Landlord under this Lease to and including the Termination Date.

h. In the event of the giving of such Termination Notice and the making of the Termination Payment (i) this Lease and the Term and estate hereby granted (unless the same shall have expired sooner pursuant to any of the conditions of limitation or other provisions of this Lease or pursuant to law) shall terminate on the Termination Date with the same effect as if such date were the date hereinbefore specified for the expiration for the Term of this Lease, (ii) the Fixed Annual Rent, Escalations, Additional Rent and all other charges payable hereunder shall be apportioned as of the Termination Date, (iii) neither party shall have any rights, estates, liabilities or obligations under this Lease for the period accruing after the Termination Date, except those which, by the provisions of this Lease, expressly survive the expiration or termination of the Term of this Lease, (iv) Tenant shall surrender and vacate the Premises and deliver possession thereof to Landlord on or before the Termination Date in the condition

required under this Lease for surrender of the Premises, and (v) at Landlord's election, Landlord and Tenant shall enter into a written agreement reflecting the termination of this Lease upon the terms provided for herein, which agreement shall be executed within thirty (30) days after Tenant exercises the Termination Option.

i. In the event Tenant exercises the Renewal Option pursuant to Article 54 hereof, and/or its right to lease any Option Space pursuant to Article 55 or otherwise, the Termination Option described in this Article 56 shall automatically terminate become null and void and of no force and effect.

57. COUNTERPARTS

This Lease may be executed in one (1) or more counterparts, each of which counterpart shall be an original and all such executed counterparts shall constitute one agreement, binding on all parties hereto, notwithstanding that all parties are not signatories to the original or the same counterpart. Delivery of an executed counterpart of this Lease by facsimile or electronic transmission in a Portable Document Format ("PDF") or other digital format shall be equally effective as manual delivery of an executed counterpart of this Lease, and each such counterpart, whether delivered manually, by facsimile or PDF or such other digital format shall be deemed an original. Any party delivering an executed counterpart of this Lease by facsimile or PDF or other digital format shall also manually deliver an executed counterpart of this Lease; however the failure to do so shall have no effect on the validity, enforceability or binding nature and effect of this Lease.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

LANDLORD:

ESRT 1359 BROADWAY, L.L.C.

By: Empire State Realty OP, L.P., as its sole member

By: Empire State Realty Trust, Inc., as its general partner

By:_____
Name:
Title:

TENANT:

ZENTALIS PHARMACEUTICALS, INC.

By:_____
Name: Kevin Bunker
Title: Chief Operating Officer

EXHIBIT A

to Lease

between

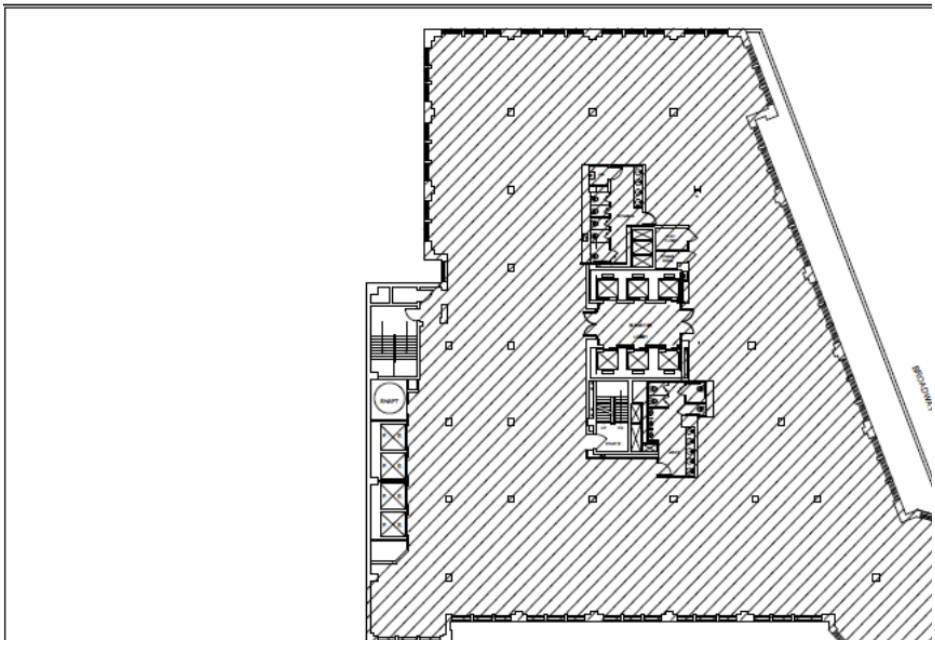
ESRT 1359 BROADWAY, L.L.C., Landlord

and

ZENTALIS PHARMACEUTICALS, INC., Tenant

Floor Plans of Premises

Note that these plans are annexed to and made a part of this Lease solely to indicate the approximate shape and location of the Premises. All measures, dimensions and distances are not to scale. The depiction herein does not constitute a warranty or representation of any kind, and nothing herein should be construed as a representation as to any specific tenancy, construction, access, or the quality or quantity of Landlord's title to the Building.



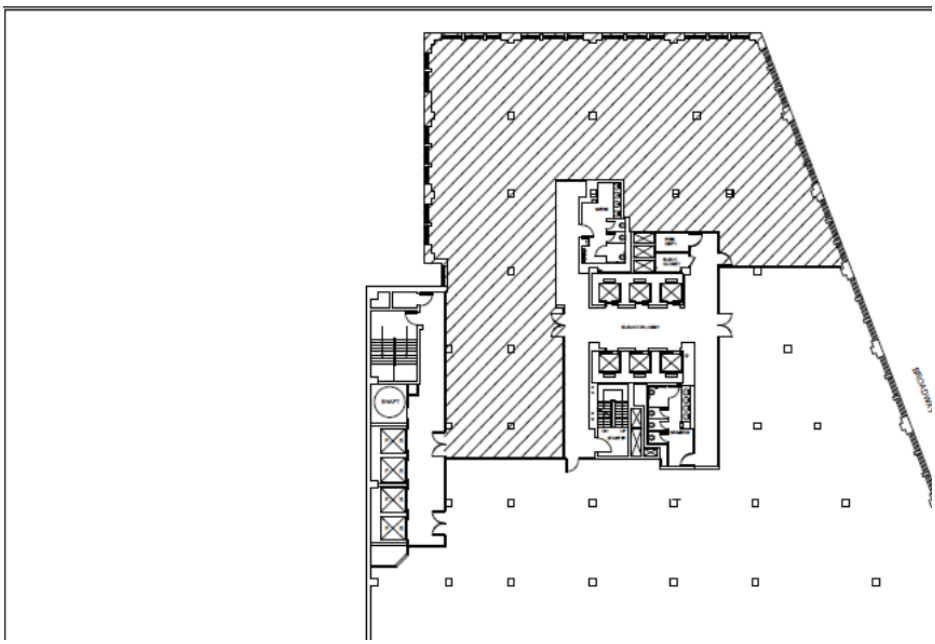


EXHIBIT B-1

to Lease
between

ESRT 1359 BROADWAY, L.L.C., Landlord

and

ZENTALIS PHARMACEUTICALS, INC., Tenant

Landlord's Base Building Work

Landlord, at its sole cost and expense, utilizing Building Standard materials shall:

1. Demolish the Premises and deliver it in broom-clean condition;
2. Landlord shall redirect reusable materials to appropriate sites and conform to U. S. Green Building Council LEED-CI Construction Waste Management, Divert 75% From Landfill submittal requirements;
3. Flash patch the floor where necessary and consistent with typical commercial standards to receive flooring;
4. Provide standard connection point(s) at Building's Data Gathering Panel so Tenant's speaker, strobe lights and smoke detectors may be tied into the Building's Class E system;
5. Provide sprinkler rig connection point for Tenant tap into the sprinkler infrastructure;
6. Sheetrock and finish perimeter and corridor walls;
7. Install fireproofing and stopping at all locations required by code;
8. Deliver perimeter heating system in good working order;
9. Provide new painted radiator covers;
10. Provide existing electric closets stripped with main feeds in place excluding panels for temporary lighting, base building and/or other systems currently in use;
11. Provide temporary ADA compliant call buttons and elevator lanterns;
12. Deliver the existing sprinkler or temporary sprinkler loop, if required by code, in good working order;
13. Landlord shall strip all columns on the floor and finish with intumescent paint;
14. Provide and install air handlers, inclusive of MERV-13 filters and Bipolar ionization as needed for standard office occupancy to supply air conditioning to the Premises. Such work shall include: supplying electrical power and connecting the AC unit to same and the installation of outside air intake duct work and conditioned air stub for connection to Tenant's air distribution system and tied into the Building's BMS system;
15. All Building systems providing service to the Premises shall be delivered in good working order; and
16. Renovate and expand the restrooms utilizing Building standard materials to be ADA-compliant and hands free where applicable.
17. Construct a Building-standard common corridor on the 17th floor of the Building.

EXHIBIT B-2

to Lease
between

ESRT 1359 BROADWAY, L.L.C., Landlord

and

ZENTALIS PHARMACEUTICALS, INC., Tenant

Work Letter

(see attached)

EMPIRE STATE REALTY TRUST
BUILDING STANDARDS WORK LETTER SCOPE
1359 BROADWAY

1. Partitions	
1.1.	Demising walls to be as required by code.
1.2.	Slab to slab partition with 2-1/2" metal studs, one layer of 5/8" gypsum board on each side (total two layers) with batt insulation space throughout except coat closets, storage closets and IT closet/room.
1.3.	17th floor one (1) board room, four (4) large conference rooms and 18th floor perimeter corner offices to receive slab to slab partition with 2-1/2" metal studs, one (1) layer of 5/8" gypsum board on each side of wall (total two layers) and batt insulation.
1.4.	17th floor one (1) board room, four (4) large conference rooms and 18th floor perimeter corner offices to receive building standard a full-length metal and single glazed glass partitions, "black finish". Drywall header above glass partition to receive 2-1/2" metal studs, one layer of 5/8" gypsum board on each side (total two layers) and batt insulation.
1.5.	Except detailed in 1.4, all offices, small conference rooms, huddle rooms and phone rooms to receive building standard a full-length metal and single glazed glass partitions, "black finish". Drywall header above glass partition to receive 2-1/2" metal studs, one layer of 5/8" gypsum board on each side (total two layers) and batt insulation.
1.6.	Mechanical rooms to receive slab to slab partition with 2-1/2" metal studs, two layers of 5/8" gypsum board on mechanical room side, one layer of 5/8" on adjacent room side (total three layers) and batt insulation.
2. Doors and Hardware	
2.1.	Offices, board room, conference rooms, meeting room and phone rooms to receive building standard a single glazed glass swing door.
2.2.	18th floor entry door to be building standard double glass doors with top/bottom shoe, satin chrome finish (US26D), (2)3' w" x 8' h x 1/2" thk.
2.3.	17th floor entry door to be building standard double glass doors with top/bottom shoe, satin chrome (US26D), (2)3' w" x 8' h x 1/2" thk.
2.4.	Freight lobby entrance doors to be painted single hollow metal swing doors over welded hollow metal frame.
2.5.	Storage, storage closet and coat closet to receive building standard painted hollow metal swing door over painted hollow metal K.D. frame.
2.6.	IT room/closet to receive building standard painted hollow metal doors with

EMPIRE STATE REALTY TRUST
BUILDING STANDARDS WORK LETTER SCOPE
1359 BROADWAY

	ladder door pulls, satin chrome (US26D).
2.12.	Freight lobby entrance door to receive a building standard mortise lockset, "Schlage" L series with lever handle, "black finish".
2.13.	All hardware for hollow metal doors to be cylindrical lever handle, "Schlage D series, Athens handle", black finish.
2.14.	Coat closet doors to receive building standard passage set or dummy set, black finish.
2.15.	Storage room and storage closet doors to receive a building standard classroom lockset, black finish.
2.16.	IT room door to receive building standard classroom lockset, black finish.
2.17.	Wellness room to receive a building standard lock set with vacancy/occupancy indicator, black finish.
2.18.	18th floor fire stair doors to receive a building standard lock set with panic push bar, black finish.
2.19.	Mechanical room doors to receive a building standard storage locket, black finish and acoustical seals (Bottom/sides/head).
2.20.	All hollow metal doors to get building standard full mortise ball bearing butt hinges with doorstop, black finish and rubber door silencers, grey finish
3. Ceilings	
3.1.	Painted exposed slab/beam space throughout except as detailed in 3.2 and 3.3.
3.2.	17th floor one (1) board room and four (4) large conference rooms to receive building standard floating suspended acoustical ceiling system, "Armstrong, Formation accent cloud" with Axiom Vector trim and "Armstrong, Optima series" oversized lay-in ceiling tiles.
3.3.	Wellness room to receive building standard 2'x2' accessible ceiling system, "Armstrong, Silhouette grid with Ultima series no. 1912 HRC, beveled tegula lay-in ceiling tiles".
3.4.	Ceiling to be installed as per codes and requirements.
3.5.	Except detailed in 3.2, all conference rooms to receive building standard oversized accessible ceiling system, "Armstrong, Silhouette grid with optima square tegular lay-in ceiling tiles".
4. Electrical	
4.1.	All lighting designs shall comply with New York City Energy Code.
4.2.	All Emergency and exit lights to be provided with New York City approved battery ballast

	"Saylight Texas Fluorescent", white finish, 120v.
4.8.	Mechanical rooms to receive building standard LED surface mounted light fixture, "Saylight Texas Fluorescent", white finish, 120v.
4.9.	Pantry overhead cabinet to receive building standard LED undercabinet light fixture, "Acolyte, RAC", white finish, 120v.
4.10.	Perimeter areas/rooms lighting to be controlled by building standard "Lutron" ceiling mounted daylight sensors and ceiling/wall mounted motion sensor.
4.11.	Interior areas/rooms lighting to be controlled by building standard "Lutron" ceiling/wall mounted motion sensor.
4.12.	Electrical receptacles to be building standard "Lutron" Designer Series, 110v wal mounted at 18" A.F.F.
4.13.	One (1) quad electrical outlet, one (1) duplex electrical outlet and one (1) communications back box with stub-ups per each office.
4.14.	Four (4) duplex electrical outlets and four (4) communications back box with stub-ups at one (1) board room.
4.15.	Two (2) duplex electrical outlets and two (2) communications back box with stub-ups per each conference room.
4.16.	One (1) duplex electrical outlet and one (1) communications back box with stub-ups per each meeting room.
4.17.	One (1) duplex electrical outlet and one (1) communications back box with stub-ups per each phone room.
4.18.	One (1) duplex electrical outlet and one (1) communications back box with stub-ups at wellness room.
4.19.	One (1) duplex electrical outlet per each storage room.
4.20.	In wall/column/radiator cover electrical and communications junction box ("pig-tail") for workstations. Electrification of workstations by tenant.
4.21.	One (1) 20amps dedicated quad electrical outlet, one (1) 20amps dedicated duplex electrical outlet and one (1) 208V 30A electrical outlet in IT room.
4.22.	One (1) 20amps dedicated duplex electrical outlet and one (1) communications back box with stub-ups per each copy room.
4.23.	17th floor large pantry to receive: - One (1) 20amps dedicated duplex electrical outlet per appliance. - Four (4) convenience GFCI electrical outlets above countertop. - Two (2) duplex convenience electrical outlets on wall. - Two (2) convenience electrical outlets with USB on the island (one on each

	- One (1) 20amps dedicated duplex electrical outlet per appliance. - Three (3) convenience GFCI electrical outlet above countertop. - Two (2) duplex convenience electrical outlet on wall/radiator enclosure.
4.27.	Reception area to receive: - One (1) quad electrical outlet and one (1) communications back box with stub-ups at reception desk area. - One (1) duplex electrical outlet and one (1) communications back box with stub-ups at waiting area.
4.28.	Cleaning convenience electrical receptacles where required.
4.29.	Communications outlet with a back box with 1" diameter conduit/flex stub-ups to be provided. Wiring, jacks and face plates by Tenant/Tenant vendor.
4.30.	Main entry doors to receive building standard security back box with conduit stub-ups and dummy face plates (Siedle, Vario system). Security devices, wiring and termination by tenant.
4.31.	17th floor one (1) board room and four (4) large conference rooms to receive: - In-wall plywood blocking (4'-0" W x 2'-6" H) for wall mounted TV. - One (1) electrical outlet, one (1) communication back box with stub-ups and one (1) single gang AV backbox with stub-ups for wall mounted TV.
4.32.	Board room to receive: Two (2) floor mounted outlets, each floor outlet including one (1) quad electrical outlet/one (1) communication outlet with one (1) 1"dia. conduit/one (1) AV outlet with two (2) 1-1/4" dia. conduit, trenched slab from floor outlet to in-wall electrical and communication/AV junction boxes.
4.33.	Each Conference room to receive: One (1) floor mounted outlet including one (1) quad electrical outlet/one (1) communication outlet with one (1) 1"dia. conduit/one (1) AV outlet with two (2) 1-1/4" dia. conduit, trenched slab from floor outlet to in-wall electrical and communication/AV junction boxes
4.34.	Addition to detailed in 4.27, 17th floor reception area to receive: Floor mounted electrical and communication outlets, trenched slab from floor outlets to the nearest column/wall/radiator enclosure electrical and communication junction boxes. Exact location of floor junction boxes be provided by tenant/tenant vendor.
4.35.	Except detailed in 4.4, all conference rooms to receive building standard LED linear recessed light fixtures, "Axis, Click" recessed, white finish, 120v.

EMPIRE STATE REALTY TRUST
BUILDING STANDARDS WORK LETTER SCOPE
1359 BROADWAY

6.1.	All drywalls & enclosed columns to be painted with two (2) coats of Ecospec flat paint over one (1) coat of Ecospec primer, Total (3) coats.
6.2.	All hollow metal surface to be painted with two (2) coats of Ecospec Semi-gloss paint over one (1) coat of Ecospec primer, Total (3) coats.
6.3.	Exposed intumescent painted interior columns.
7.	**Architectural Woodwork**
7.1.	Coat closets to receive building standard chrome hang rod and birch veneer hat shelf.
7.2.	17th floor large pantry to receive building standard: - Plastic laminate upper/base cabinet (see specification attached). - Caesar stone countertop and glass tile backsplash (see specification attached). - Built in island, finished with stone countertop/end panel and plastic laminate center post (See specification attached).
7.3.	18th floor pantry to receive building standard: - Plastic laminate upper/base cabinet (see specification attached). - Caesar stone countertop and glass tile backsplash (see specification attached).
7.4.	17th floor and 18th floor coffee stations to receive building standard: - Plastic laminate upper/base cabinet (see specification attached). - Caesar stone countertop and glass tile backsplash (see specification attached)
7.5.	Adhesives shall not contain urea-formaldehyde resins and be able to achieve Greenguard indoor air quality certification.
8.	**HVAC**
8.1.	Base building standard base building units with VAV zoned control and medium/low pressure duct distribution system.
8.1.	Building standard side mount or ceiling mount rectangular supply and return diffuser
8.2.	Building standard exposed flat oval rectangular metal duct and space throughout.
8.3.	Building standard A/C control. One temperature sensor thermostat will be installed per VAV box zone as required by code.
8.4.	Building standard exhaust fan with control switch in IT room.
8.5.	Air balancing by building approved balancing contractor
9.	**Fire Alarm/Sprinkler**

	- One (1) cold water line and valves for coffee maker on wall above countertop, to be connected to building standard water filter. - Coffee maker/machine by tenant.
10.3.	17th floor and 18th floor coffee station to receive building standard: - One (1) stainless steel under counter mounted sink with one (1) faucet/spray. - One (1) cold water line and valves for coffee maker on wall above countertop, to be connected to building standard water filter. - Coffee maker/machine by tenant.
10.4.	Cold and hot water piping shall be type L copper tubing, with 1" insulation.
10.5.	Sanitary piping above ground shall be standard weight, no-hub system.
10.6.	One (1) Water fountain on 18th floor: on wall near shower room.
11. Miscellaneous	
11.1.	Building standard exposed metal radiator enclosure.
11.2.	Building standard window treatments manual solar shades (see specifications attached).
11.3.	17th floor large pantry to receive building standard energy star appliances: - Two (2) 36" W. full height "Liebherr" refrigerator with bottom freezer. - One (1) "Asko" dishwasher. - Two (2) "GE Monogram" microwave.
11.4.	18th floor pantry to receive building standard energy star appliances: - One (1) 36" W. full height "Liebherr" refrigerator with bottom freezer. - One (1) "Asko" dishwasher - One (1) "GE Monogram" microwave.
11.5.	17th floor coffee station to receive building standard energy star appliances: - One (1) 24" W. under counter refrigerator.
11.6.	18th floor coffee station to receive building standard energy star appliances: - One (1) 36" W. full height "Liebherr" refrigerator with bottom freezer.
11.7.	PVC wrap on all piping requires insulation (building vertical piping adjacent to exposed columns only).
11.8.	IT room to receive a painted F.R. plywood (7'-0" H x 4'-0" W).
11.9.	Building standard finish/installation at 18th floor elevator lobby.
11.10.	Building standard distraction markers on glass office fronts space throughout.
11.11.	Building standard finish/installation at 18th floor core restrooms.
12. Tenant Alternates	

EMPIRE STATE REALTY TRUST
BUILDING STANDARDS WORK LETTER SCOPE
1359 BROADWAY

12.3.	Security for IT room door: electric strike and backbox/conduit for card reader. Security devices, wiring and termination by Tenant/Tenant vendor.
12.4.	Security for storage room door: electric strike and backbox/conduit for card reader. Security devices, wiring and termination by Tenant/Tenant vendor.
12.5.	Additional electrical circuit for office and workstation: - (1) dedicated circuit per each office. - (1) circuit per two workstations.
12.6.	Except as detailed in 4.31, all conference rooms, huddle rooms and phone rooms to receive: - In-wall plywood blocking (4'-0" W x 2'-6" H) for wall mounted TV. - One (1) electrical outlet, one (1) communication back box with stub-ups and one (1) single gang AV backbox with stub-ups for wall mounted TV.
12.7.	Each huddle room and phone room to receive: - One (1) floor mounted outlet including one (1) quad electrical outlet/one (1) communication outlet with one (1) 1"dia. conduit/one (1) AV outlet with two (2) 1-1/4" dia. conduit, trenched slab from floor outlet to in-wall electrical and communication/AV junction boxes
12.8.	Addition to detailed in 4.20., each workstation cluster to receive: - Floor mounted electrical and communication junction boxes, trenched slab from floor junction boxes to the nearest column/wall/radiator enclosure electrical and communication junction boxes. - Exact location of floor junction boxes be provided by tenant/tenant vendor.
12.9.	18th floor, open meeting/collaboration area to receive: - Floor mounted electrical and communication outlets, trenched slab from floo outlets to the nearest column/wall/radiator enclosure electrical and communication junction boxes. - Exact location of floor junction boxes be provided by tenant/tenant vendor.
12.10.	17th floor, seating area outside of boardroom to receive: - Floor mounted electrical and communication outlets, trenched slab from floo outlets to the nearest column/wall/radiator enclosure electrical and communication junction boxes. - Exact location of floor junction boxes be provided by tenant/tenant vendor.
12.11.	Addition to detailed in 4.23, 17th floor large pantry to receive: - Floor mounted electrical and communication outlets, trenched slab from floo outlets to the nearest column/wall/radiator enclosure electrical and

EMPIRE STATE REALTY TRUST
BUILDING STANDARDS WORK LETTER SCOPE
1359 BROADWAY

12.15.	18th floor outside of men's room wall to receive: - In-wall plywood blocking (4'-0" W x 2'-6" H) for wall mounted TV. - One (1) electrical outlet, one (1) communication back box with stub-ups and one (1) single gang AV backbox with stub-ups for wall mounted TV.
12.16.	18th floor open collaboration area to receive: - Post hung from slab/beam for TV. - Surface mounted one (1) electrical outlet, one (1) communication back box with stub-ups and one (1) single gang AV backbox with stub-ups for post mounted TV.
12.17.	17th floor reception area, large pantry and internal stair area to receive: - Enhanced finish area with branding and/or added design. - Design/Finish by tenant to be provided by tenant/tenant consultant.
12.18.	Furnish and install folding partitions with all associated scopes in board room.
12.19.	Furnish and install internal stairs between 17th floor and 18th floor with all associated scopes. Design/Finish by tenant to be provided by tenant/tenant consultant.
12.20.	IT room to receive: - (1) tons air cooled supplemental A/C unit with all associated scopes.
12.21.	Copy area to receive building standard plastic laminate overhead cabinet (see specification attached).
12.22.	18th floor mail room to receive building standard plastic laminate upper/base cabinet (see specification attached).
12.23.	Security for Fright lobby entrance doors: electric strike and backbox/conduit for card reader. Security devices, wiring and termination by Tenant/Tenant vendor.
12.24.	Security for Fire stairs doors: magnetic lock, back box with 1" conduit stub-ups with dragline for door release button/card reader and tie into building Class "E" system. Security devices, wiring and termination by Tenant

*Note: Any deviation from these Building Standards are subject to Landlord's approval

EMPIRE STATE REALTY TRUST
BUILDING STANDARDS WORK LETTER SCOPE
1359 BROADWAY

BUILDING STANDARDS FINISH SPECIFICATION

General Paint
Benjamin Moore, Color TBD
Ready Mix Series, Ecospec Latex flat finish for wall surface
Ready Mix series: Ecospec Latex Semi gloss finish for metal surface

Carpet – Open work area
Bentley Mills
Secco Collection, hardback Carpet Tiles 18" x 36", Color TBD
Direct glue down installation

Carpet – Office, Boardrooms, Conference room, Meeting rooms and Wellne
Bentley Mills
Paris Tweed Collection, hardback Carpet Tiles 18" x 36", Color TBD
Direct glue down installation

Rubber Base, 4-1/4" H.
Johnsonite
Millwork Reveal Base, Color TBD

Plastic Laminate – Pantry
Wilsonart laminate
Premium Aeon, Color TBD
High gloss Finish

Plastic Laminate – Copy area/Mail room
Wilsonart laminate
Premium Aeon, Color TBD
Matte Finish

Stone countertop – Pantry
Caesar Stone
Classico Collection, Color TBD, 1-1/4" Thk.

Backsplash – Pantry

EXHIBIT B-3

to Lease
between

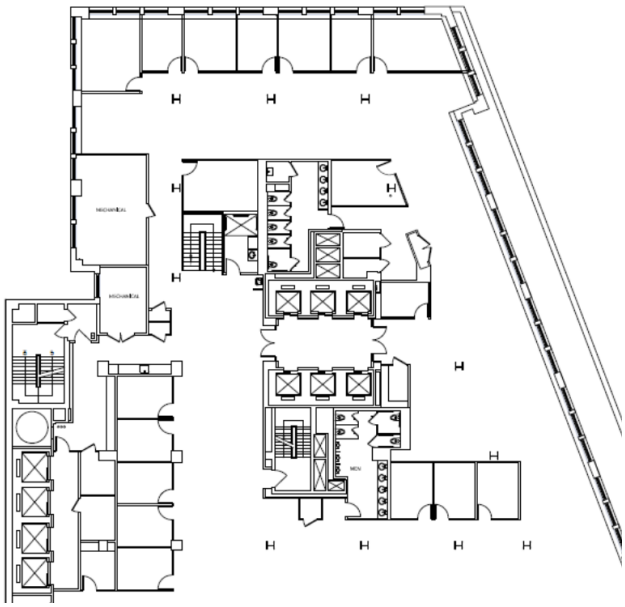
ESRT 1359 BROADWAY, L.L.C., Landlord

and

ZENTALIS PHARMACEUTICALS, INC., Tenant

Final Space Plans

(see attached)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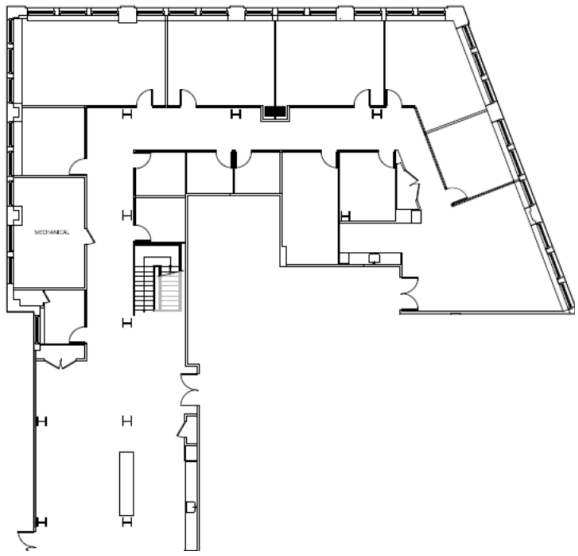

MECHANICAL

EXHIBIT C

to Lease
between

ESRT 1359 BROADWAY, L.L.C., Landlord

and

ZENTALIS PHARMACEUTICALS, INC., Tenant

Standard Expense Exclusions

The term "Standard Expense Exclusions" shall mean:

(1) Real Estate Taxes and Excluded Amounts;

(2) expenses related to leasing space (including, without limitation, leasing and/or brokerage commissions, the cost of tenant improvements (or allowances that Landlord provides to a tenant therefor), legal fees, lease buy-out costs, rent concessions, takeover expenses, costs of relocating or moving tenants and advertising expenses);

(3) wages, salaries, bonuses or other compensation and the cost of any benefits, in any case, for executives' above the grade of Building or general manager;

(4) debt service (including both principal and interest) under any mortgage loan or rent under any underlying or ground lease of the Building;

(5) subject to the terms of Section 2.C.(iii) of this Lease, the cost of any repairs, replacements or improvements to the Building that are required to be capitalized under GAAP;

(6) amounts received by Landlord through proceeds of insurance to the extent the proceeds are compensation for expenses which were previously included in Expenses hereunder;

(7) costs that Landlord incurs in restoring the Building after the occurrence of a fire or other casualty (except that Landlord shall be permitted to include the amount of Landlord's insurance deductible paid in connection therewith to the extent the same is commercially reasonable) or after a partial condemnation thereof;

(8) advertising and promotional expenditures that are paid or incurred for the Building;

(9) legal, auditing and other third-party fees incurred in connection with actual or anticipated litigation with any Building tenant or group of tenants to enforce any provision of their respective lease;

(10) the incremental cost of furnishing services such as overtime HVAC to any tenant at such tenant's expense; costs incurred in performing work or furnishing services for individual tenants (including this Tenant) at such tenant's expense; and costs of performing work or furnishing services for tenants other than this Tenant at Landlord's expense to the extent that such work or service is in excess, on a per rentable square foot basis, of any work or service Landlord is obligated to furnish to this Tenant at Landlord's expense;

(11) interest, penalties and late charges that in either case are paid or incurred as a result of late payments made by Landlord or by reason of Landlord's failure to comply with Requirements;

(12) costs incurred by Landlord to remedy presently existing conditions at the Building in respect of which a Governmental Authority has issued a notice of violation on or prior to the date hereof or costs incurred to remedy any other violations of applicable Requirements of which Landlord otherwise has actual knowledge of, as of the date hereof;

(13) costs incurred by Landlord which result from (x) Landlord’s breach of a lease or other occupancy agreement for space in the Building (including, without limitation, this Lease), or (y) Landlord’s negligence or willful misconduct, or (z) Landlord’s breach of any mortgage loan or ground lease;

(14) costs associated with the operation of the legal entity which constitutes the Landlord, as such costs are separate and apart from costs associated with the operation of the Building, including, without limitation, legal entity formation, costs that Landlord incurs in organizing or maintaining in good standing the entity that constitutes Landlord, or in authorizing Landlord to do business in the jurisdiction where the Building is located;

(15) expenses that Landlord incurs in selling, purchasing, financing or refinancing the Real Property;

(16) subject to Section 2.C.(iii) of this Lease, depreciation or amortization expense;

(17) Landlord’s entertainment expenses and related travel expenses;

(18) any expense for which Landlord is otherwise compensated whether by virtue of condemnation proceeds, claims under warranties, Tenant or other tenants in the Building making payment directly to Landlord for Landlord's services in the Building or otherwise (it being understood that the foregoing shall not preclude Landlord from including the Building Electricity Payment in Expenses), other than by virtue of Tenant and/or other tenants in the Building making payments to Landlord for additional rent or escalation rent to Landlord based upon increases in operating expenses pursuant to provisions comparable in nature to those contained in Section 2.C. of this Lease;

(19) costs incurred in connection with expanding the rentable area of the Building;

(20) subject to the proviso at the end of this clause (20), costs incurred to investigate, test, characterize, remove, encapsulate or otherwise remediate or abate hazardous, toxic, controlled, dangerous or radioactive substances, materials or wastes regulated under Requirements (collectively, "Hazardous Materials") and that are located in the Building, as of the date hereof, to the extent that a Requirement requires such removal, encapsulation, remediation or abatement as of the date hereof (provided, however, that nothing in this clause (20) limits Landlord’s right to include in Expenses the costs that Landlord incurs to routinely test and routinely monitor such Hazardous Materials);

(21) a pro-rata portion of wages and benefits of any employee who is employed at more than one building which pro-rata share shall be based on Landlord's reasonable estimate of the percentage of time spent by such employees at such other buildings;

(22) costs incurred in acquiring, installing and operating any sign or other similar device designed principally for advertising or promotion, to the extent Landlord leases or licenses such sign or device to a third party; it being expressly understood that nothing contained in this exception (22) or elsewhere in Article 2 of this Lease shall be deemed to exclude the costs of maintaining, repairing and/or operating any electronic screens in elevator cabs of the Building and/or any modifications or replacements thereof**;**

(23) initial build-out costs for any daycare center, conference center, health club, eating establishment, or library installed in the Building; it being expressly understood that the foregoing shall not prevent Landlord from including in Expenses any maintenance and/or operating costs for any daycare center, conference center, health club, eating establishment, library and/or any other amenities from time to time constructed, created or designated for the general benefit of tenants in the Building;

(24) the cost of any judgment, settlement or arbitration award resulting from any liability of Landlord and all expenses incurred in connection therewith except to the extent that such costs and expenses incurred to comply with a court order, judgment, settlement, or arbitration award would have been otherwise includable as an Expense if not incurred to comply with such court order, judgment, settlement or arbitration award;

(25) amounts payable for withdrawal liability or unfunded pension liability to a multi-employer pension (under Title IV of the Employee Retirement Income Security Act of 1974, as amended);

(26) the cost of acquiring, leasing or replacing objects of fine art in the Building; provided, however, that the foregoing shall not preclude Landlord from including in Expenses, (x) the cost of maintaining or repairing such objects of fine art that Landlord installs in the common areas of the Building, or (y) those costs of acquiring, leasing, maintaining, or replacing decorative works to the extent not in excess of amounts typically spent for such items in comparable buildings in New York City;

(27) fees, dues, or contributions that Landlord pays voluntarily to charities, political parties or political action committees, other than association fees or dues payable to the Real Estate Board of New York, Inc. and other professional associations organized to promote the interests of commercial landlords;

(28) the cost of obtaining and maintaining title insurances (including, without limitation, any mortgagee policies);

(29) costs incurred in connection with the acquisition or sale of air rights, transferable development rights, easements, or other real property interests;

(30) any fee or expenditure that is paid or payable to any Affiliate of Landlord to the extent that such fee or expenditure exceeds the amount that would be reasonably expected to be paid in the absence of such relationship;

(31) any fee or expenditure that is paid or payable to any Affiliate of Landlord to the extent that such fee or expenditure exceeds the amount that would be reasonably expected to be paid in the absence of such relationship;

(32) the cost of any utility other than electricity that is separately metered to Tenant or to any others tenants of the Building or for which Landlord is separately reimbursed, or which Tenant or any other tenants make payment to the supplier of such utility (it being acknowledged and agreed that the portion of Landlord's electricity cost to be included Expenses shall be limited pursuant to the provisions of Section 2.C.(ii).(d) above regarding Building electric current); except as otherwise provided in Section 2.C.(ii),(d) above, the cost of providing electricity to portions of the Building that Landlord is offering for lease or that otherwise constitutes leasable space in the Building which is vacant;

(33) legal fees incurred in negotiating leases with other tenants;

(34) costs of any items to the extent Landlord actually receives reimbursement therefor from insurance proceeds, under warranties, or from a lessee or other third party;

(35) capital expenses other than those specifically included in the definition of Expenses; and

(36) costs in connection with services that are provided to another lessee or occupant of the Project, but are not offered to Tenant.

EXHIBIT D

to Lease
between

ESRT 1359 BROADWAY, L.L.C., Landlord

and

ZENTALIS PHARMACEUTICALS, INC., Tenant

ESRT High Performance Design and Construction Guidelines

Energy Efficiency:

Exceed ASHRAE 90.1-2016 and IECC 2018 standards, meeting or exceeding NYStretch Energy Code 2020.

Lighting:

Target LPD of 0.5W/SF or less. This can be achieved in most cases through efficient lighting design, use of low wattage fixtures and lamps and reflective surfaces as well as LED task lights.

Implement continuous dimming throughout.

Implement lighting controls, including daylight dimming controls for all daylit areas and vacancy/occupancy sensors for all of connected lighting load. Daylight-responsive controls shall be provided to control lighting within 15 feet of windows and under skylights.

Vacancy sensor controls shall be installed to control lights in enclosed offices, training rooms, conference/meeting/multipurpose rooms, copy/print rooms, lounges, employee lunch and break rooms, storage rooms, closets, other spaces enclosed by floor-to-ceiling height partitions.

Occupancy sensor (dual technology) controls shall be installed to control lights in open plan office areas and restrooms.

All lights in the space are to be tied into occupancy sensor-based controls to ensure all lights are turned off following 15 minutes of all occupants leaving the space.

Tie in lighting controls to base building BMS for energy data reporting and monitoring.

HVAC:

All HVAC systems exceed ASHRAE 90.1-2016 or IECC 2018, meet or exceed NYStretch Energy Code 2020.

Air or waterside economizer to be included in all applicable work.

Motorized outside air dampers must be designed, installed, tied into BMS and commissioned.

Tie in radiators or perimeter heating/cooling system to VAV box controls and BMS. Program to eliminate simultaneous heating and cooling.

Where a zone has a separate heating and a separate cooling thermostatic control, a limit switch, mechanical stop, or direct digital control system with software programming shall be provided to prevent the heating set point from exceeding the cooling set point and to maintain a deadband.

Multiple-zone VAV systems shall have automatic controls configured to reduce outdoor air intake flow below design rates in response to changes in system ventilation efficiency (Ev).

Implement Demand Controlled Ventilation for the space through the use of CO2 sensors in densely occupied areas, throughout the space (CO2 monitors must be between 3 and 6 feet above the floor in open office areas) and in the return air stream to the Air Handling Unit serving the space and tie in to controls including an air-side economizer and automatic modulating control of the outdoor air damper.

Right size equipment based on efficient lighting and plug loads (As stated in the plug load section below target lighting and plug load of 2.0-2.5 Watts per square foot or less of demand load).

Static pressure sensors used to control VAV fans shall be located such that the controller set points is not greater than 1.2 inches w.c. (200 Pa). Not less than one sensor shall be located on each major branch to ensure that static pressure can be maintained in each branch.

Specify CFC and HCFC-free refrigerants. Montreal Protocol called for a complete phase-out of CFC-based refrigerants by 1995 and HCFCs by 2030. Do not use CFC-based refrigerants in new HVAC&R systems.

Install local instantaneous hot water heaters. Hot water storage tanks must be separately called out along with an explanation for their requirement versus instantaneous hot water heaters. High efficiency service water heating to be in accordance with IECC 2018 Section C406.7.

Submeter and pay for utilities based on usage. Submeter HVAC, plug loads, and lighting loads separately.
Assign circuits for lighting, HVAC, and plug loads (for example, circuits 1-4 lighting, 5-8 HVAC, and 9-12 plug load. Submetering approach shall be detailed on tenant’s final Load Letter. Ensure compatibility of submeters for 15 minute interval data reporting and monitoring through base building BMS.

Plug Loads:

ESRT’s standard Load Letter formal shall be utilized and completed for ESRT review prior to CD phase.

Reduce plug loads by specifying equipment and appliances including, without limitation: computers, monitors, printers, refrigerators, dishwashers, water coolers, food service and pantry equipment, copiers, and A/V and IT equipment that meet or exceed Energy Star and California Energy Commission’s 2019 appliance standards.

Implement automatically controlled plug load management strategies including occupancy sensors, outlet-based controls, circuited controls, and/or software programs for 50% of all 125 volt 15- and 20-amp receptacles in the space, other than critical server loads, which may be controlled through software-based technology. Controlled receptacles must be visually marked to differentiate from uncontrolled receptacles and uniformly distributed throughout the space.

Enable sleep/hibernate mode on all equipment. Computers are enabled for overnight software updates in this mode.

Target lighting and plug load of 2.0-2.5 Watts per square foot or less average demand during operating hours.

Commissioning:
A third party commissioning agent shall perform commissioning of energy systems within the tenant space or installed as part of the tenant's lease agreement including, without limitation, lighting, lighting controls, HVAC systems, BMS (including, but not limited to, VFD's, CO2 sensor calibration and DCV BMS and OA tie-in, motorized OA damper tied into DCV and BMS, static pressure or discharge air temperature reset, supply and return air setback schedules, air and water side economizers), Testing and Balancing of air and hydronic systems, functional testing of applicable equipment, and electrical to ensure design optimizes performance and systems are constructed and function per efficient design.

Commissioning Report shall be submitted to ESRT for review prior to occupancy of the space and shall include, but not be limited to, all systems listed above.

Water Efficiency

Specify WaterSense fixtures for any fixture type that is eligible

- Water closet rate 1.0 GPF
- Urinal flow rate is 0.125 GPF
- Pantry sink flow rate is 1.0 GPM and include specification for an aerator
- Lavatory faucet flow rate is 0.25 GPM.
- Shower flow rate is 1.5 GPM.

Materials and Resources

Provide dedicated clearly labeled areas for the collection and storage of recyclable materials.

Recyclable materials must include mixed paper, corrugated cardboard, glass, plastics, and metals. Take appropriate measures for the safe collection, storage, and disposal of batteries, mercury-containing lamps, and electronic waste. All eligible materials must be properly disposed of in receptacles labeled per NYC Department of Sanitation regulations. Post educational signs in common areas routinely visited to educate employees on requirements.

Divert construction waste from landfills through aggressive recycling and donation programs. Develop and implement a construction demolition waste management plan. Include target recycling and diversion percentages (75%) in waste hauler contracts. Monthly records by weight to be provided to ESRT.

Specify recycled content materials whenever possible, which may include, without limitation, gypsum board, acoustical tiles, carpet and carpet backing.

Specify regionally produced and extracted materials (within a 500 mile radius) whenever possible.

Specify rapidly renewable resources whenever possible, such as bamboo, wool, linoleum and cork. Products must meet the Sustainable Agriculture Standard.

Specify and use wood products certified by the Forest Stewardship Council (FSC).

Specify products that have Environmental Product Declarations (EPD) and Health Product Declarations (HPD).

Indoor Environmental Quality

Monitor delivery of outside air to ensure indoor air quality and outdoor airflow compliance with ASHRAE 62.1-2016 and ASHRAE 55 requirements.

Smoking and vaping shall not be permitted indoors.

Implement Construction Indoor Air Quality Management Plans during performance of work and prior to occupancy to minimize the presence and spread of air pollutants.

Consider conducting indoor air quality testing after construction is complete and prior to occupancy to demonstrate that contaminant maximum concentrations are not exceeded.

Install MERV 13 or better filters.

Specify and install low-emitting (low or no Volatile Organic Compounds) adhesives, sealants, paints, coatings, flooring systems, ceiling systems, composite wood and agrifiber products, systems furniture and seating. Specify and install composite wood and agrifiber products and associated adhesives to contain no added urea-formaldehyde (NAUF).

Do not specify materials listed on the International Living Future Institute Red List.

Design and build to optimize daylight and views for occupants, which may be achieved through a design that includes interior rather than perimeter offices or perimeter offices with glass fronts if perimeter offices are a design requirement.

Lighting calculations to demonstrate alignment with circadian rhythm and electric lights maintain illuminance equivalent melanopic lux of 150-200 at workstations (measured on the vertical plane facing forward four feet above the finished floor to simulate the view of the occupant).

Consider furniture partitions to be 42” or lower in height in order to allow for access to daylight and views. Additional privacy may be achieved through clear partition glass installed above the furniture panels.

Consider installing an air purification system and IEQ monitoring to reduce particles, spores, odors and microorganism levels such as bacteria, mold and viruses. The monitoring system should be designed to measure and track the following parameters: CO2, PM2.5, TVOC, illumination, noise, temperature, and relative humidity. The monitoring system should ensure no or negligible ozone production.

Design and build to offer occupants control of lighting (task lights at workstations).

Design and build to offer occupants control of temperature balanced with efficiency.

General

Tenant shall comply with Energy Star for Tenant Spaces requirements for design, construction and data sharing. Tenant shall cooperate with Landlord to follow and implement the Tenant Energy Optimization Process (TEOP) including development of an energy model during early schematic design and integration of recommended energy measures package into final design and construction.

For the avoidance of any doubt, nothing contained in these ESRT High Performance Design and Construction Guidelines shall be construed to modify the provisions of Article 1 of this Lease or impair any of Landlord's consent rights pursuant to Article 8 of this Lease.

EXHIBIT E

to Lease

between

ESRT 1359 BROADWAY, L.L.C., Landlord

and

ZENTALIS PHARMACEUTICALS, INC., Tenant

Cleaning Specifications

(a) General

All flooring swept nightly.
All carpeted areas and rugs carpet-swept nightly and vacuum cleaned weekly.
Wastepaper baskets emptied nightly (excluding kitchen and kitchenette areas and all so-called "wet" garbage) and damp dusted when necessary.
All baseboards, chair rails and trim dusted nightly.
Slopsink rooms cleaned nightly.

(b) Lavatories (other than Tenant's private and executive lavatories)

All flooring swept and washed nightly.
All basins, bowls, urinals and toilet seats (both sides) washed nightly.
All partitions, tile walls, dispensers and receptacles dusted nightly.
Paper towel and sanitary disposal receptacles emptied and cleaned nightly (and replenished at Tenant's expense).

(c) High Dusting - Office Area

Do all high dusting approximately quarterly, including the following:
Dust all pictures, frames, charts, graphs and panel wall hangings not reached in nightly cleaning.
Dust all vertical surfaces such as walls, partitions, ventilating louvers and other surfaces not reached in nightly cleaning.
Dust all lighting fixtures (exterior only).
Dust all overhead pipes, sprinklers, etc.
Dust all Venetian blinds (if any) and window frames approximately once every two months.

(d) Periodic Cleaning - Office Area

Wipe clean all interior metal as necessary.
Dust all door louvers and other ventilating louvers within reach weekly.

(e) Periodic Cleaning - Lavatories (other than Tenant's private and executive lavatories)

Machine-scrub flooring when necessary.
Wash all partitions, tile walls and enamel surfaces monthly with proper disinfectant when necessary.
Dust exterior of lighting fixtures monthly.

(f) Windows

Clean outside perimeter windows, when necessary, approximately 2 times a year, weather and scaffold conditions permitting.

EXHIBIT F

to Lease
between

ESRT 1359 BROADWAY, L.L.C., Landlord

and

ZENTALIS PHARMACEUTICALS, INC., Tenant

Setback Areas

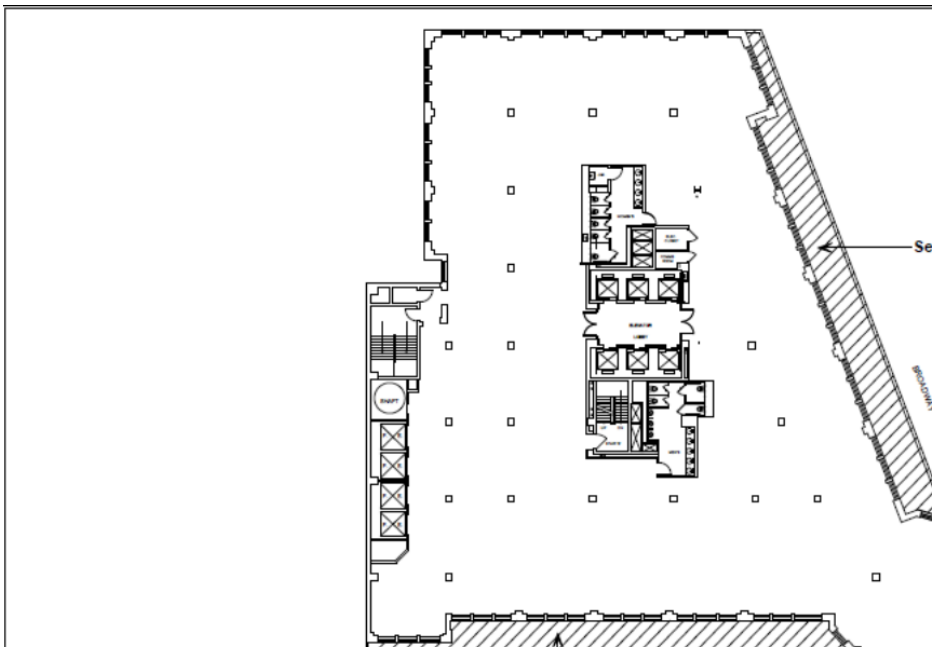


EXHIBIT G

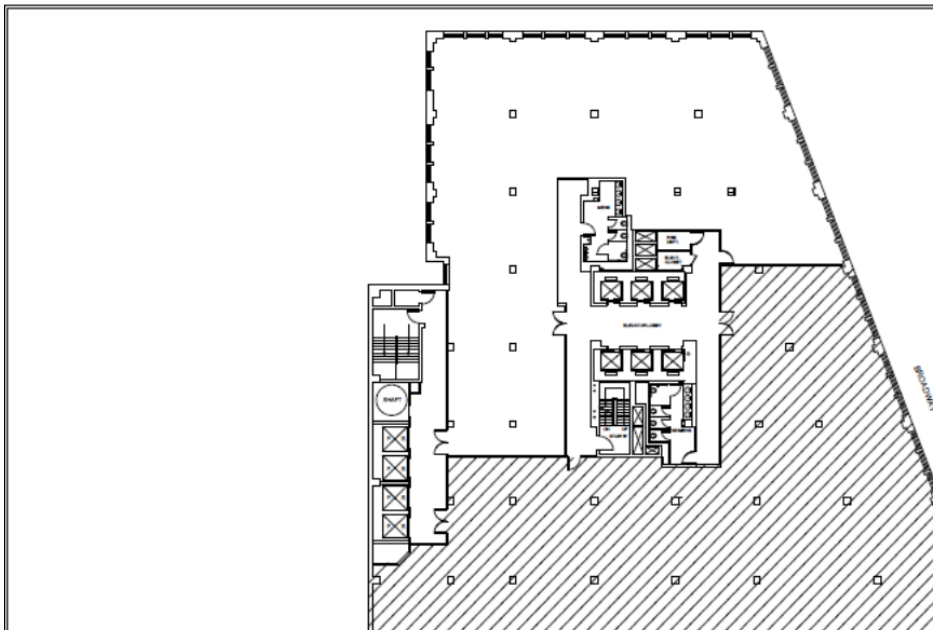
to Lease
between

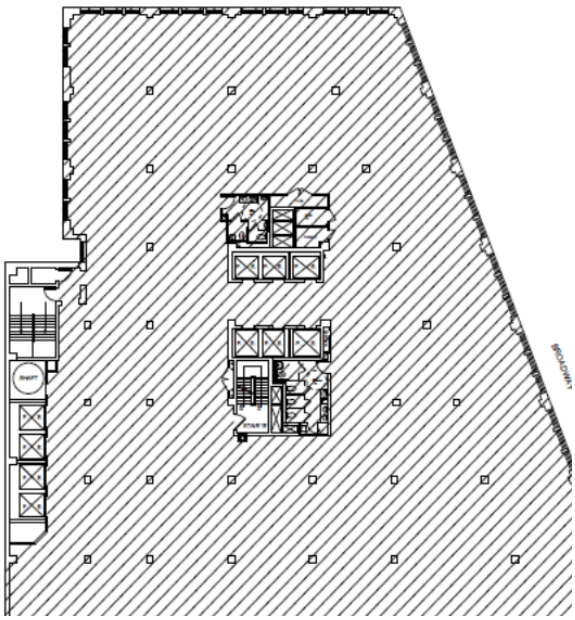
ESRT 1359 BROADWAY, L.L.C., Landlord

and

ZENTALIS PHARMACEUTICALS, INC., Tenant

Applicable Option Space





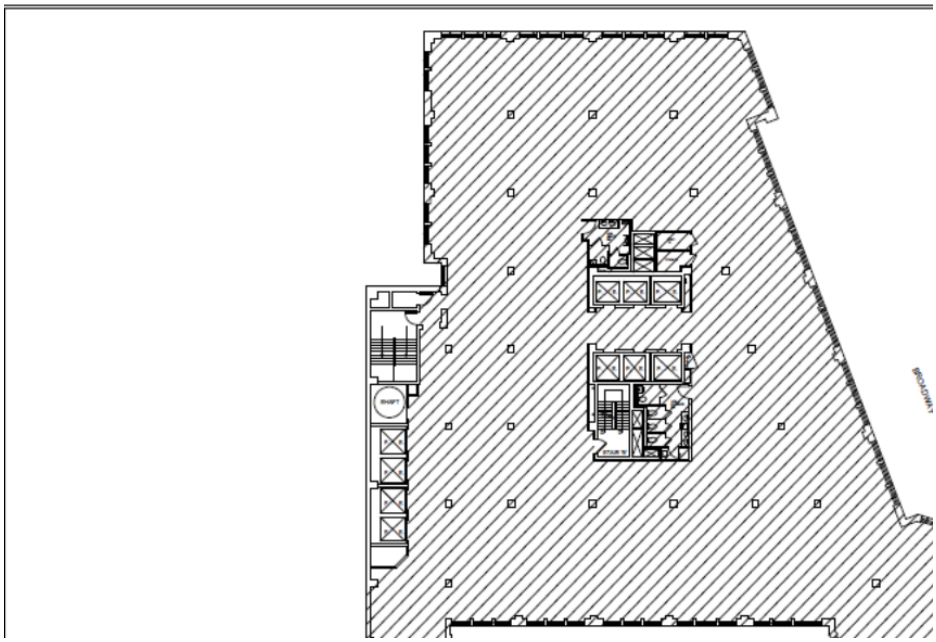


EXHIBIT H

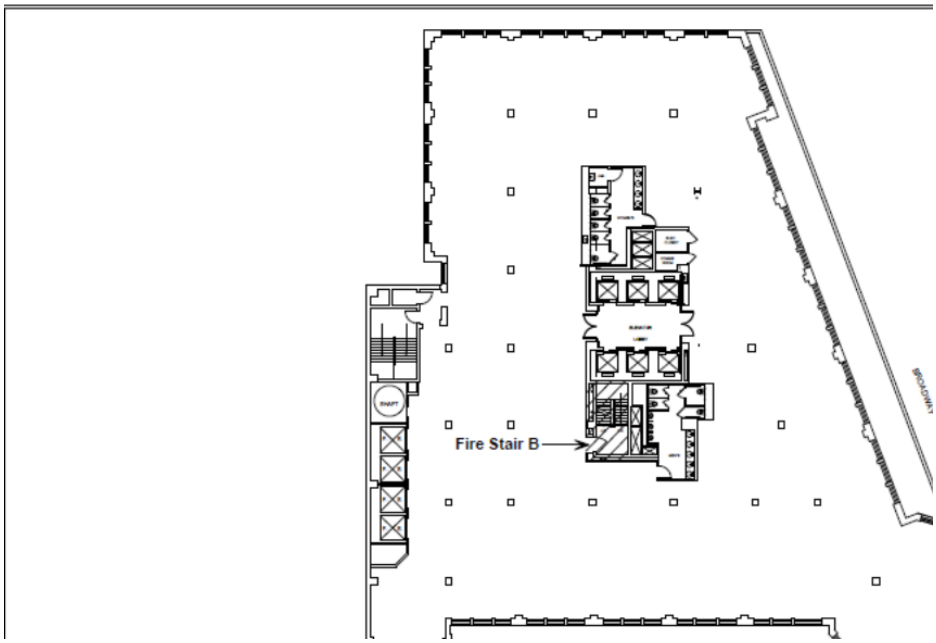
to Lease
between

ESRT 1359 BROADWAY, L.L.C., Landlord

and

ZENTALIS PHARMACEUTICALS, INC., Tenant

Fire Stairs



RIDER ANNEXED TO AND MADE A PART OF LEASE BETWEEN
ESRT 1359 BROADWAY, L.L.C., Landlord
and
ZENTALIS PHARMACEUTICALS, INC., Tenant

RULES AND REGULATIONS

REFERRED

TO IN THIS LEASE

In case of any conflict or inconsistency between any provisions of this Lease and any of the rules and regulations as originally or as hereafter adopted, the provisions of this Lease shall control.

1. No animals, bicycles or vehicles shall be brought into or kept in the Premises (except for (x) service animals, and (y) bicycles or other vehicles that Tenant has the right to bring into the Building in accordance with applicable Requirements, with the understanding, however, that Tenant shall bring such bicycles and other vehicles into the Building only in a manner that conforms with reasonable rules that Landlord establishes therefor in accordance with applicable Requirements).
2. Tenant shall not use the Premises in any manner that materially and unreasonably interferes with the use of any other portion of the Building for ordinary business purposes. Congregating, loitering, and/or sitting in common corridors is prohibited.
3. Tenant shall not permit any cooking (other than microwaving, brewing coffee, use of hot plates and other food preparation typically used in an office setting) or objectionable odors to emanate from the Premises.
4. Tenant shall not at any time bring or store in the Premises any flammable, combustible or explosive substance, except for any such substances that are incidental to the use or maintenance of the Premises for ordinary office purposes or the performance of Alterations that are performed in accordance with the terms of this Lease.
5. Canvassing, soliciting and peddling in the Building are prohibited, and each tenant shall cooperate so as to prevent the same by such tenant, its employees and invitees.
6. The toilet rooms and other water apparatus shall not be used for any purposes other than those, for which they were constructed or installed, and no feminine products, sweepings, rags, ink, chemicals or other unsuitable substances shall be thrown therein. With respect to the use of any common restrooms, all building occupants shall (w) properly discard waste in the appropriate waste receptacles, (x) flush toilets and/or urinals after use, (y) otherwise leave bathroom stalls and/or urinals and sinks in clean condition and (z) avoid creating any objectionable condition in such restrooms.
7. Tenant shall not throw anything out of doors, windows or skylights or into hallways, stairways or elevators, nor place food or objects on outside windowsills. Tenant shall not obstruct or cover the halls, stairways and elevators, or use them for any purpose other than ingress and egress to or from the Premises, nor shall skylights, windows, doors and transoms that reflect or admit light into the Building be covered or obstructed in any way.
8. Tenant shall not place a load upon any floor of the Premises in excess of the load per square foot, which such floor was designed to carry and which is allowed by Requirements. Landlord reserves the right to prescribe the weight and position of all safes and/or fireproof file cabinets in the Premises. Business machines and mechanical equipment shall be placed and maintained by Tenant, at Tenant’s expense, only with Landlord’s consent and in settings approved by Landlord to control weight, vibration, noise and annoyance.
9. Smoking or carrying lighted cigars, pipes or cigarettes, tobacco use and use of vapes anywhere in the Building (including, without limitation, directly in front of any entrance to the Building) is prohibited. The foregoing prohibition on tobacco use, includes without limitation, e-cigarettes, and chewing and/or dipping

tobacco. Growing, manufacturing, administering, and distributing (including without limitation, any retail or wholesale sales or delivery), use or consumption of any cannabis, marijuana or cannabinoid product, compound or produce anywhere in the Building (including, without limitation, directly in front of any entrance to the Building) is prohibited. Tenant shall cooperate so as to prevent the same by Tenant, its employees and invitees.

10. If the Premises are on the ground floor of the Building the tenant thereof at its expense shall keep the sidewalks and curb in front of the Premises clean and free from ice, snow, dirt and rubbish.
11. Tenant shall not move any heavy or bulky materials into or out of the Building without Landlord’s prior written consent, and then only during such hours and in such manner as Landlord shall reasonably approve. If any material or equipment requires special handling, Tenant shall employ only persons holding a Master Rigger’s License to do such work, and all such work shall comply with all Requirements. Landlord reserves the right to inspect all freight to be brought into the Building, and to exclude any freight which violates any rule, regulation or other provision of this Lease.
12. Tenant shall use (x) the passenger elevators only for purposes of transporting persons to and from the Premises and (y) the freight elevators only for purposes of transporting deliveries to and from the Premises. Landlord reserves the right to prescribe additional reasonable rules and regulations governing the use of elevators at the Building. Stairwells of the Building may only be used for purposes of ingress and egress to and from the Premises during an emergency.
13. Subject to Section 26.B. of this Lease, Tenant shall comply with the security procedures that Landlord reasonably adopts from time to time for the Building (which shall be applicable to all tenants and occupants of the Building in an non-discriminatory manner). Tenant acknowledges that Landlord's security procedures may include, without limitation, (x) Landlord's denying entry to the Building by any person who does not present a Building pass or who does not comply with Landlord's procedures regarding the registration of visitors to the Building, and (y) procedures governing the inspection of freight that arrives at the loading facilities and/or service entrances for the Building. Tenant shall be responsible for the acts of all persons to whom passes are issued at Tenant's request. Tenant shall subject all items being brought into the Building by or on behalf of Tenant (including, without limitation, packages, boxes, bags, handbags, attaché cases, and suitcases) to inspection by Landlord or Landlord's designee. Landlord may refuse entry into the Building to any Person who refuses to cooperate with such inspection or who is carrying any item which has a reasonable likelihood of being dangerous to persons or property.
14. No advertising of any kind or other public statement by or on behalf of Tenant or any person or entity claiming by, through or under Tenant shall refer to this Lease, or the Building (or otherwise depict the Building in any way) without Landlord's prior written consent provided that the foregoing shall not preclude Tenant from listing its address on public statements.
15. Intentionally omitted.
16. No existing locks shall be changed, nor shall any additional locks or bolts of any kind be placed upon any door or window by Tenant, without the prior written consent of Landlord. At the termination of this Lease, Tenant shall deliver to Landlord all keys for any portion of the Premises or Building. Before leaving the Premises at any time, Tenant shall close all windows and close and lock all doors.
17. Tenant, at Tenant's expense, shall operate its interior lights for the employees of Landlord during the period that such employees make repairs in the Premises or perform cleaning services in accordance with the terms of this Lease.
18. The use in the Premises of auxiliary heating devices, such as portable electric heaters, heat lamps or other devices whose principal function at the time of operation is to produce space heating, is prohibited.
19. Furniture may not block perimeter induction units or radiators. Furniture must be a minimum of 18” from perimeter induction units or radiators.
20. Hand trucks and hand carts may only be used in areas of the Building specifically designated by Landlord provided that in either case, the same are equipped with rubber tires and side guards. In no event may hand trucks and/or hand carts be used in any lobbies or passenger elevators of the Building.
21. Tenant shall not take any action to override, inhibit, preempt or otherwise reduce the efficacy of any energy efficiency or sustainability measures which may now or hereinafter may be implemented in the Building and/or the Premises.

22. Landlord shall have the right to require Tenant to (x) direct Persons who are delivering packages to the Premises to make delivery to an office in the Building that Landlord designates (in which case Landlord shall make arrangements for such packages to be delivered to Tenant using other personnel that Landlord engages), or (y) arrange for such Persons to be escorted by a representative of Tenant while such Person makes delivery to the Premises.
23. Active mail chutes cannot be covered or blocked; full access must be maintained at all times.
24. All doors opening on to corridors must be kept closed at all times and locked when the Premises are unoccupied.
25. Food may not be consumed in any public areas of the Building, including, without limitation, elevators, common corridors and/or lobbies.
26. Use of any common amenities at the Building (whether currently existing or hereinafter designated, constructed or created) shall be subject to the reasonable rules and regulations imposed thereon by Landlord.

Exhibit 21.1

Subsidiaries of Zentalis Pharmaceuticals, Inc.

Legal Name of Subsidiary	Jurisdiction of Organization
Zeno Management, Inc.	Delaware
Zeno Pharmaceuticals, Inc.	Delaware
Zeno Alpha, Inc.	Delaware
Zeno Beta, Inc.	Delaware
Zeno Gamma, Inc.	Delaware
Zentera Therapeutics (Cayman), Ltd.	Cayman Islands
K-Group Alpha, Inc.	Delaware
K-Group Beta, Inc.	Delaware
Zentalis Pharmaceuticals Australia Pty Ltd.	Australia
Zentalis Eta, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-237593) pertaining to the Zentalis Pharmaceuticals, Inc. 2020 Incentive Award Plan, and
(2) Registration Statement (Form S-8 No. 333-254506) pertaining to the Zentalis Pharmaceuticals, Inc. 2020 Employee Stock Purchase Plan;

of our report dated March 25, 2021, with respect to the consolidated financial statements of Zentalis Pharmaceuticals, Inc. (Successor to Zentalis Pharmaceuticals, LLC) included in this Annual Report (Form 10-K) of Zentalis Pharmaceuticals, Inc. for the year ended December 31, 2020.

/s/ Ernst & Young LLP

San Diego, California
March 25, 2021

Exhibit 31.1

CERTIFICATION

I, Anthony Y. Sun, M.D. certify that:

1. I have reviewed this Annual Report on Form 10-K of Zentalis Pharmaceuticals, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) [omitted];

   (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: March 25, 2021

By: /s/ Anthony Y. Sun, M.D.

Anthony Y. Sun, M.D.

Chief Executive Officer, President and Chairman
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Melissa B. Epperly, certify that:

1. I have reviewed this Annual Report on Form 10-K of Zentalis Pharmaceuticals, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) [omitted];

   (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: March 25, 2021

By: /s/ Melissa B. Epperly

Melissa B. Epperly

Chief Financial Officer

(*principal financial officer*)

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of Zentalis Pharmaceuticals, Inc. (the "Company") for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: March 25, 2021

By: /s/ Anthony Y. Sun, M.D.

Anthony Y. Sun, M.D.

Chief Executive Officer, President and Chairman
(principal executive officer)

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of Zentalis Pharmaceuticals, Inc. (the "Company") for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: March 25, 2021

By: /s/ Melissa B. Epperly
Melissa B. Epperly
Chief Financial Officer
(*principal financial officer*)