

MEMORANDUM OF TERMS
FOR PRIVATE PLACEMENT OF
SERIES A-1 PREFERRED STOCK OF
ANGIOCRINE BIOSCIENCE, INC.

April 27, 2017

This memorandum summarizes the principal terms of the Series A-1 Preferred Stock financing of Angiocrine Bioscience, Inc. (the "**Company**"). The completion of the transactions contemplated by this memorandum will be subject to, among other things, satisfactory completion of financial and legal due diligence by the investors (collectively, the "**Investors**"), as well as the completion of final documents acceptable to the Investors and the Company.

Offering Terms

Investors: Dr. Jeffrey Port and Dr. Jeffrey Rush (the "**Lead Investors**") and other accredited investors acceptable to the Company.

Securities to be issued: The Company's Series A-1 Preferred Stock (the "**Series A-1 Stock**").

Securities to be issued: Up to \$8,000,000 of new money, excluding the aggregate amount of principal and accrued interest under the outstanding convertible notes.

Price: The per share price of the Series A-1 Stock will be determined based on a \$27,000,000 pre-money valuation. The number of shares of Common Stock and options available for issuance under the Company's stock option plans shall equal 15% of the fully diluted capitalization of the Company following the Closing (as defined below), based on the actual number of shares of Series A-1 Stock authorized for sale.

Convertible Notes: Simultaneous with the Closing, all of the Company's outstanding convertible notes (the "**Notes**") will be converted into shares of Series A-1 Stock.

Initial Closing: The initial closing (the "**Closing**") shall occur upon the close of the sale of not less than \$2,000,000 worth of Series A-1 Stock, excluding the aggregate amount of principal and interest of the Notes converting at such time.

Terms of Series A-1 Preferred Stock

Certificate of Incorporation

Dividends: Consistent with the Series A Preferred Stock of the Company (the "**Existing Preferred**") and together with the Series A-1 Stock, the "**Preferred Stock**"), annual 8% dividend on the Preferred Stock, payable when and if declared by the board, on a pari passu basis, and prior and in

preference to any declaration or payment of other dividends; dividends are not cumulative.

Liquidation Preference: First pay 1x the original purchase price plus declared but unpaid dividends on each share of Preferred Stock, on a pari passu basis. Any remaining proceeds shall be paid to the holders of Common Stock.

Redemption: The Preferred Stock will not be redeemable.

Conversion: Each share of Preferred Stock shall initially be convertible into one share of Common Stock at any time at the holder's option.

Automatic Conversion: Consistent with the Existing Preferred: Preferred Stock automatically converts into Common Stock upon the earlier of (i) the election of a majority of the outstanding shares of Preferred Stock or (ii) the consummation of an underwritten public offering with aggregate proceeds in excess of \$30,000,000 (a "*Qualified IPO*")

Price-Based Antidilution Adjustments Consistent with the Existing Preferred. Conversion ratio for the Preferred Stock shall be adjusted on a broad-based weighted average basis in the event of an issuance below the original issuance price of such series of Preferred Stock, as adjusted.

No adjustment shall be made for (i) the sale of shares of Common Stock reserved for employees and other service providers, (ii) Common Stock issued pursuant to a stock split or similar reorganization, (iii) Common Stock issued upon conversion of Preferred Stock, (iv) securities issued in connection with a bona fide business acquisition by the Company or a Qualified IPO, (v) securities issued to persons or entities with which the Company has business or strategic relationships, which issuances are approved by the Board and for primarily non-equity financing purposes, (vi) securities issued or issuable pursuant to equipment lease financings or bank credit arrangements that are approved by the Board and for primarily non-equity financing purposes or (vii) Common Stock determined by the Board and by the holders of a majority of the outstanding shares of Preferred Stock to be excluded from the anti-dilution provisions and which are not offered to any existing stockholder of the Company.

The anti-dilution adjustment with respect to a series of Preferred Stock may not be waived without the consent of the holders of a majority of such series of Preferred Stock.

Voting Rights: Preferred Stock votes on an as-converted basis, but also has class and series vote as provided by law.

Protective Provisions: Consistent with the Existing Preferred, approval of a majority of the Preferred Stock required on: (i) any increase or decrease in the size of the Board, (ii) any amendment of the Certificate of Incorporation or Bylaws that adversely affect the powers, preferences or special privileges of the Preferred Stock, (iii) any increase or decrease in the number of

authorized shares of Preferred Stock, (iv) consummation of any Deemed Liquidation Event, (v) the creation of any class or series of stock that is senior to the Preferred Stock, (vi) create any convertible or debt security that is convertible into equity securities that are senior to the Preferred Stock, (vii) reclassify any class or series of shares of common stock into shares of a different class or series of stock that is senior or pari passu to the Preferred Stock, (viii) increase the number of shares authorized for issuance under the Company's 2012 Equity Incentive Plan, (ix) redemptions or repurchases of Common Stock or Preferred Stock, except for purchases at cost upon termination of service or the exercise by the Company of contractual rights of first refusal over such shares, (x) payment of dividends on any class of stock, (xi) change the Company's principal business, (xii) incur indebtedness, individually or in the aggregate, in excess of \$500,000 or encumber/grant a security interest in all or substantially all the assets of the Company in connection with indebtedness of the Company in an amount greater than or equal to \$150,000, (xiii) assume or guarantee any indebtedness of any other person which exceeds, in the aggregate, \$500,000, (xiv) appoint or terminate the Company's CEO, (xv) appoint or remove the Company's auditors, and (xvi) incorporate or otherwise create any subsidiary of the Company.

Terms of Preferred Stock Purchase Agreement

Representations and Warranties:	Customary representations and warranties by the Company.
Conditions to Closing:	(a) Customary conditions to Closing, which shall include, among other things, satisfactory completion of financial and legal due diligence by the Investors. (b) All current and former employees and consultants shall have entered into the Company's standard form proprietary information and inventions agreement in form and substance acceptable to the Investors. (c) Board composition at Closing shall be as described under "Board of Directors" below. (d) The Company shall have entered into indemnification agreements with the members of the Board in a form acceptable to the Investors.
Expenses:	Counsel to the Company will draft documents. The Company shall pay, at the closing, reasonable fees and expenses of one (1) counsel to the Investors, not to exceed \$15,000.

Terms of Investor Rights Agreement

Registration Rights:	Consistent with the holders of the Existing Preferred.
Market Stand-Off:	Consistent with the holders of the Existing Preferred.

Right of First Offer: Investors purchasing at least 500,000 shares of Series A-1 Stock (each a “*Significant Holder*”) shall have a pro rata right, consistent with the holders of the Existing Preferred, to participate in subsequent financings of the Company.

Financial Information: Significant Holders shall receive information rights consistent with the holders of the Existing Preferred.

Board of Directors Matters

Board of Directors: At the Closing the Board shall consist of five (5) members, who shall be Jeffery Port, Andrew Brooks, Jeff Jonas, Paul Finnegan and one (1) vacancy. Holders of Preferred Stock (voting together as a single class and not as separate series, and on an as-converted basis) shall be entitled to elect two (2) members (the “*Preferred Directors*”). Holders of Common Stock shall be entitled to elect two (2) members, one of whom shall be the Company’s CEO (the “*Common Directors*”). Holders of Preferred Stock (voting together as a single class and not as separate series, and on an as-converted basis) and the major common holders (voting as a separate class from the holders of Preferred Stock) shall be entitled to elect one (1) director (the “*Mutual Director*”). Holders of the Preferred Stock and Common Stock, voting as a single class on an as-converted basis, shall elect any remaining directors.

Other Matters

Employee Common Stock Vesting: Unless otherwise approved by the Board, employee Common Stock shall vest as follows: after 12 months of employment, 25% will vest; the remainder will vest monthly over the following 36 months. The Company shall have a repurchase option on unvested shares at cost.

Restrictions on Common Stock:

- (a) No transfers allowed prior to vesting except for certain estate planning.
- (b) Company right of first refusal on vested shares until initial public offering.
- (c) No transfers or sales permitted during lock-up period of up to 180 days as required by underwriters in connection with stock offerings by the Company.
- (d) The number of authorized shares of Common Stock may be increased or decreased upon the approval of the holders of a majority of the outstanding shares of the Company’s capital stock, regardless of Section 242 of the DGCL.

Right of First Refusal and
Co-Sale Right:

Consistent with the holders of the Existing Preferred, until the Company's initial public offering or a Deemed Liquidation Event, each non-selling Investor and major holder of common stock (the "**ROFR Stockholders**") shall have the right to participate on a pro rata basis in transfers of any stock held by a selling ROFR Stockholder; and a right of first refusal on such transfers, subordinate to the Company's right of first refusal. The right of first refusal and co-sale shall not apply to (a) transfers to any spouse or member of Founder's immediate family, or to other estate planning transfers, (b) any sale to the public pursuant to an effective registration, and (c) any transfer or transfers by a venture capital fund to an affiliate.

This term sheet is non-binding and is intended solely as a summary of the terms that are currently proposed by the parties. The parties acknowledge that they neither intend to enter, nor have they entered into, any agreement to negotiate a definitive agreement pursuant to this term sheet, and either party may, at any time prior to execution of such definitive agreement, propose different terms from those summarized herein or unilaterally terminate all negotiations pursuant to this term sheet without any liability whatsoever to the other party. Each party shall be solely liable for all of its own fees, costs and other expenses in conjunction with negotiation and preparation of a final agreement pursuant to this term sheet.