

December \_\_, 2012

Mr. Larry Cohen, Manager  
Business Operations  
bgC3 LLC

**RE: Letter of Understanding Regarding New Investment Entity**

Dear Larry:

This letter sets forth certain general understandings by and between bgC3 LLC (“bgC3”) and Boris Nikolic (“BN”). BN has previously entered into an Employment Agreement with bgC3. This letter does is not intended to alter the terms of that Employment Agreement, including without limitation the “at will” and “confidentiality” provisions of the Employment Agreement.

Company Formation The parties anticipate the formation of a corporation:

bgC3 or an affiliate of bgC3 will form and provide all necessary funding for a separate corporation (“bgC4”) that will be organized as a Washington corporation

- ~~The parties anticipate that bgC3 or an affiliate of bgC3 will form a separate company (the “Company”), structured as a Washington~~ wholly owned and ultimately or controlled by William H. Gates III (the “Owner”), the sole purpose of which will be to evaluate, make, and manage investments in Opportunities (as hereinafter defined) in third-party entities as deemed appropriate by Owner in his sole discretion.
- BN will be a director and executive officer of bgC4 for as long as the Call Option (as hereinafter defined) and the Put Option (as hereinafter defined) remain outstanding and unexercised, or, in the event the Call Option is exercised, for so long as BN owns shares of bgC4 common stockthe.
- The total number of authorized shares of bgC4 common stock shall be \_\_\_\_\_. Immediately after bgC4 is incorporated, all of the authorized shares of common stock shall be issued to the Owner and no other shares of stock of bgC4 shall be authorized or issued by bgC4, and no warrants, options or other rights in respect of shares of stock of bgC4 shall be issued or granted by bgC4, without the unanimous consent of the directors, including BN. The Owner shall not transfer any shares of the common stock of bgC4 that have been issued to the Owner or grant any options or other rights with respect to such shares of common stock (other than the Call Option and the Put Option). The Owner, BN and bgC4 shall sign any and all documents necessary or appropriate to evidence

these obligations and restrictions.

- There shall be no payments or distributions by bgC4 other than to fund investments in Opportunities, to pay reasonable and necessary expenses in connection therewith, and to pay ordinary and necessary operating expenses of bgC4 incurred in the ordinary course of business, unless and until such time as the Call Option or the Put Option has been exercised, or both the Call Option and the Put Option have expired. No investments other than investments in Opportunities (for this purpose, investments in Opportunities shall not include proposed follow-on investments in Opportunities in which bgC4 previously invested) shall be made without the unanimous consent of the directors of the bgC4, including BN. No shares of stock of bgC4 shall be authorized or issued by bgC4, and no warrants, options or other rights in respect of shares of stock of bgC4 (other than the Call Option and the Put Option) shall be issued or granted by bgC4, without the unanimous consent of the directors of bgC4, including BN. The Owner, BN and bgC4 shall sign any and all documents necessary or appropriate to evidence these obligations and restrictions.

[what office shall BN hold in the Company?]

#### BN Activities

BN will be responsible for the following:

- Sourcing and presenting to bgC4, as BN in his discretion may select, potential investment opportunities in bioscience and health-related industries, which may from time to time include investment opportunities in the technology sector (collectively, “**Opportunities**”), at a target rate of (but not limited to) three Opportunities per calendar year;
- Conducting due diligence on ~~Ensuring that~~ all Opportunities presented to bgC4 to determine that the Opportunities involve investments in bona fide third parties having no affiliation or conflict of interest with bgC3, the Owner, or any of their respective affiliates or existing investment relationships (including, without limitation, “BGI,” the Bill and Melinda Gates Foundation, Cascade Investment, L.L.C., Intellectual Ventures LLC, Gates Ventures, LLC, and Microsoft Corporation); and
- Conducting scientific and operational due diligence as BN determines in his sole discretion to be appropriate on all Opportunities.

#### Activities of bgC3

bgC3 (or another appropriate affiliate of the Owner) will be responsible for the following:

- Evaluating such Opportunities as the Owner determines, in his sole discretion, to be appropriate;

- Maintaining the existence of bgC4 as a separate legal entity;
- Coordinating with BGI, Inc. to provide limited financial due diligence on such Opportunities as the Owner determines to be appropriate in his sole discretion; and
- Coordinating with Larry Cohen to provide business management and communication services for bgC4.

No Obligation

Notwithstanding anything in this letter to the contrary, neither the Owner, bgC3 nor bgC4 will have any obligation to evaluate any Opportunities, to make any investments in any Opportunities, or to invest any particular amount in any Opportunities, unless such evaluations, investments and amounts are approved by the Owner in his sole discretion.

Annual Valuations and Reports

Beginning in the year 2013 and continuing each year thereafter, an annual valuation of bgC4, its investments in Opportunities and the fair market value of its common stock, calculated as of November 1<sup>st</sup> of such year, shall be prepared by bgC4 and reported to BN and the Owner by no later than December 1<sup>st</sup> of such year.

Independent Valuations ~~and~~ Allocation of Proceeds

An independent valuation of bgC4, specifying, among other things, the amounts and investment dates of all capital theretofore invested by bgC4 in Opportunities (the "Total Investment"), the total fair market value of bgC4's investments in Opportunities, the fair market value per share of bgC4's shares of common stock, the Call Price (as hereinafter defined) and the Put Price (as hereinafter defined), shall be calculated as of, when and in the manner provided below (an "Independent Valuation").

An Independent Valuation shall be calculated as of the following dates and shall be commenced within forty-five (45) days thereafter (each, a "Valuation Event"):

- The effective date of BN's election which may be made, in BN's sole discretion, effective as of the 1<sup>st</sup> day of November in any and each of the years of 2014 through and including 2017, provided that BN gives notice of such election not later than fifteen (15) days prior to said effective date.
- The effective date of BN's election which may be made, in BN's sole discretion, effective at any time on and after the cessation of BN's employment with bgC3 or any affiliate of the Owner, with or without cause.

The full amount of all fees, costs and expenses of each Independent Valuation will be borne solely by bgC4.

Each Independent Valuation shall be conducted by an independent appraiser, jointly agreed to by BN and the Owner, having no affiliation with BN, bgC3, the Owner, or any of their respective affiliates or existing investment relationships, including, without limitation, "BGI," the Bill and Melinda Gates Foundation, Cascade Investment, L.L.C., Intellectual Ventures LLC, Gates Ventures, LLC, and Microsoft Corporation (an "Independent Appraiser"). BN and the Owner shall use reasonable efforts to jointly agree on an Independent Appraiser within ten (10) days after the effective date of each Valuation Event. If BN and the Owner are unable to jointly agree on an Independent Appraiser by the end of said ten (10)-day period, then within fifteen days after the effective date of such Valuation Event, each of BN and the Owner shall select, and give written notice to the other of, their own respective Independent Appraisers to conduct the valuation, and within twenty-five (25) days after the effective date of such Valuation Event, the two Independent Appraisers so selected by BN and the Owner, respectively, shall select a third Independent Appraiser to conduct a joint valuation with the two other Independent Appraisers so selected. The jointly agreed Independent Appraiser, or the three Independent Appraisers selected as provided above, shall commence the valuation within forty-five (45) days after the effective date of such Valuation Event and by not later than ninety (90) days after the effective date of such Valuation Event shall complete said valuation and provide to bgC4, the Owner and BN a written report of such valuation containing comprehensive explanations of all assumptions and calculations made in connection with such valuation. The valuation and written report of the jointly agreed Independent Appraiser shall be binding on the parties hereto absent manifest error or proof of bias. In the event that three Independent Appraisers are selected as provided above, and all three Independent Appraisers are unable or unwilling to agree upon the valuation, the approval of the valuation and the written report by two of the three Independent Appraisers shall be binding on the parties hereto absent manifest error or proof of bias.

All Proceeds will be allocated as follows:

- The first 5% of gross Proceeds will be allocated to Owner; and
- Thereafter, BN will be allocated 30% of the remaining Proceeds, and the Owner will be allocated 70% of the remaining Proceeds; provided that BN's share of the Proceeds shall be further increased by 10% to account for ordinary income tax treatment of such proceeds.

Call Option

Immediately following the incorporation of bgC4, the Owner shall grant BN a Call Option to purchase from the Owner 30% of the issued and outstanding shares of common stock of bgC4 (the "Call Option"). The term of the Call Option shall be for five (5) years. The exercise price of the Call Option (the "Call Price") shall equal to:

- the sum of the Total Investment, plus a 5% per annum return on each of the amounts invested in Opportunities, calculated from their respective dates of investment

divided by

- the total number of issued and outstanding shares of bgC4 common stock

multiplied by

- the total number of shares of common stock issuable upon exercise of the Call Option.

The Call Option may be exercised, at the discretion of BN, after the effective date of any Valuation Event, by written notice to the Owner given not later than thirty (30) days after BN's receipt of the written report of the Independent Appraiser(s) from such Valuation Event. Upon exercise of the Call Option, BN's purchase from the Owner of the shares of bgC4 common stock issuable upon exercise of the Call Option shall close on a date mutually agreed to by BN and the Owner, but not later than thirty (30) days after the exercise of the Call Option.

~~If BN's employment is terminated with cause, then the terms of this letter will immediately become null and void, all obligations of bgC3 and Owner under this letter will immediately cease and be of no further force or effect, and no amounts will be payable to BN under this letter (whether or not accrued as of the date of termination).~~

#### Put Option

Included in the terms of the Call Option shall be the right of BN to require the Owner to purchase the Call Option from BN (the "Put Option"). The term of the Put Option shall be for five (5) years. The exercise price of the Put Option shall be equal to the difference of:

- the fair market value per share of the bgC4 common stock, as set forth in the written report from the most recently completed Independent Valuation, multiplied by the number of shares of bgC4 common stock issuable upon exercise of the Call Option

minus

- the Call Price

The Put Option may be exercised, at the discretion of BN, after the effective date of any Valuation Event, by written notice to the Owner given not later than thirty (30) days after BN's receipt of the written report of the Independent Appraiser(s) from such Valuation Event. The Owner's purchase from BN of the Call Option upon exercise of the Put Option shall be closed not later than thirty (30) days after the exercise of the Put Option. At the closing, the Owner shall pay BN the Put Price in cash or in-kind at the sole discretion of BN. The assets to be utilized by the Owner for any such in-kind payment shall be subject to BN's approval in

his sole discretion.

- Termination            The obligations under this letter will terminate immediately in the event of BN's conviction by final judgment, not subject to any appeal, of either a misdemeanor criminal offense for a crime involving conduct of dishonesty, fraud or theft, or a felony criminal offense.
- Governing Law        This letter will be governed, interpreted, and construed under the laws of the State of Washington without regard to its conflicts of law provisions.
- Expenses              Each party will be responsible for its own costs and expenses (including any fees and expenses of their representatives or advisors) incurred at any time in connection with this letter or any definitive agreements entered into in connection with the matters addressed by this letter.
- Confidentiality      Neither party will disclose the existence or terms of this letter (other than to such party's attorneys, accountants and professional advisors) without the prior consent of the other party, except as required by law.
- Expiration            Please advise Boris Nikolic in person or by e-mail to Boris Nikolic [REDACTED] of your response by to this letter by 5:00 p.m. on December \_\_\_, 2012, after which time it will expire.

I look forward to working with you.

Sincerely,

\_\_\_\_\_  
Boris Nikolic

AGREED AND ACCEPTED TO THIS \_\_\_ day of December, 2012

**bgC3 LLC**

By: \_\_\_\_\_  
Larry Cohen, Manager – Business Operations