

December \_\_, 2012

Mr. Boris Nikolic

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

Dear Boris:

This letter sets forth certain general understandings by and between you (“**BN**”) and bgC3 LLC (“**bgC3**”). BN has previously entered into an Employment Agreement with bgC3, the terms of which are hereby ratified by BN. Except as may be explicitly set forth herein, this letter does not intend 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 that bgC3 or an affiliate of bgC3 will form a separate company (the “**Company**”), structured as a Washington limited liability company of perpetual duration and wholly owned or controlled by William H. Gates III (the “**Owner**”), the sole purpose of which will be to evaluate, make, and manage investments in third-party entities as deemed appropriate by Owner in his sole discretion.

**BN Activities** BN will be responsible for the following:

- Sourcing and presenting to the Company 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;
- Ensuring that all Opportunities presented to the Company 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 appropriate scientific and operational due diligence on all Opportunities.

**Activities of bgC3** bgC3 (or another appropriate affiliate of 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 the Company 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 the Company.

No Obligation

Notwithstanding anything in this letter to the contrary, neither Owner, bgC3 or the Company will have any obligation to evaluate any Opportunities, to make any investments, or to invest any particular amount in any Opportunities, except as determined by the Owner in his sole discretion.

Distribution and Allocation of Proceeds

Distributions of any returns received by the Company on investments arising out of Opportunities sourced by BN ("**Proceeds**") will be deemed to occur upon any of the following events:

- Any liquidity events affecting the entity in which Company funds are invested, including any IPO, acquisition, or other sale or divestiture; or
- An independent valuation of the Company, which may take place, at the Owner's sole discretion, any time after the fourth anniversary of the first investment in an Opportunity; or
- Upon BN's termination of employment without cause, an independent valuation of the Company will take place.

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.

Any payments of Proceeds to BN will be made in the form of a lump sum bonus, payable by bgC3 in accordance with its standard payroll procedures, and subject to ordinary withholdings and deductions, but in all events will be due and payable within 60 days after the date of determination. Notwithstanding the foregoing, in no event will the payment be made later than March 15<sup>th</sup> of the year following the year in which the triggering event occurs.

Termination

The obligations under this letter will terminate immediately in the event that BN ceases to be employed by bgC3 or, at the sole election of Owner, another affiliate of Owner.

If BN's employment is terminated by either party without cause, then an independent valuation of the Company shall occur and BN shall be paid a bonus according to the distribution terms set forth above and after such payment, no party will have any further obligation to the other under this letter (except for such surviving obligations as may be expressly identified

herein or in the Employment Agreement).

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).

Section 409A	This letter is intended to comply with Section 409A of the Internal Revenue Code (" <b>Section 409A</b> ") or an exemption under Section 409A and will be construed and administered in accordance with Section 409A. Any payments to be made under this letter upon a termination of employment will only be made if such termination of employment constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing, bgC3 makes no representations that the payments and benefits provided under this letter comply with Section 409A and in no event will bgC3 be liable for any portion of any taxes, penalties, interest, or other expenses that may be incurred by BN as a result of non-compliance with Section 409A.
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, in the case of bgC3, to its employees, directors, advisors, or other agents or representatives who are obligated to maintain such confidentiality) without the prior consent of the other party, except as required by law.
Relationship of the Parties	This letter and any continuing actions between the parties or their respective affiliates (whether before or after the date of this letter) create no relationship of agency, joint venture, or partnership, and give rise to no fiduciary or similar obligations or other expectancy between the parties or their respective affiliates. The parties' relationship remains that of employer and employee.
Expiration	Please advise Larry Cohen in person or by e-mail to [REDACTED] of your response by to this letter by 5:00 p.m. on December __, 2012, after which time it will expire.

We look forward to working with you.

Sincerely,

**bgC3 LLC**

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

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

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Boris Nikolic