As filed with the Securities and Exchange Commission on June 8, 2018.

Registration No. 333-225194

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Kezar Life Sciences, Inc.

(Exact name of registrant as specified in its charter)

Delaware	2834	47-3366145
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

4000 Shoreline Court, Suite 300
South San Francisco, California 94080
(650) 822-5600
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

John Fowler
Chief Executive Officer
Kezar Life Sciences, Inc.
4000 Shoreline Court, Suite 300, South San Francisco, California 94080
(650) 822-5600
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Laura A. Berezin Robert W. Phillips Jaime L. Chase Cooley LLP 3175 Hanover Street Palo Alto, California 94304 (650) 843-5000	John Fowler Chief Executive Officer Kezar Life Sciences, Inc. 4000 Shoreline Court, Suite 300 South San Francisco, California 94080 (650) 822-5600	B. Shayne Kennedy Brian J. Cuneo Brett C. Urig Latham & Watkins LLP 650 Town Center Drive, 20th Floor Costa Mesa, California 92626 (714) 540-1235

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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	☐	Smaller reporting company	☐
Non-accelerated filer	☒ (Do not check if a smaller reporting company)	Accelerated filer	☐
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 7(a)(2)(B) of the Securities Act. ☒

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price (1)(2)	Amount of registration fee (2)(3)
Common Stock, $0.001 par value per share	5,366,667	$16.00	$85,866,672	$10,691

(1) Includes 700,000 shares that the underwriters have the option to purchase to cover over-allotments, if any.
(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.
(3) The Registrant previously paid a registration fee of $10,023 in connection with the initial filing of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 8, 2018

PRELIMINARY PROSPECTUS

4,666,667 Shares

KEZAR LIFE SCIENCES

Common Stock

This is the initial public offering of shares of our common stock. We are offering 4,666,667 shares of our common stock. Prior to this offering, there has been no public market for our common stock. We currently expect the initial public offering price to be between $14.00 and $16.00 per share of common stock.

We have applied to list our common stock on The Nasdaq Global Market under the symbol "KZR."

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 11 of this prospectus.

Certain of our stockholders (or their affiliates), including those affiliated with certain of our directors, have indicated an interest in purchasing an aggregate of approximately $30.0 million of shares of our common stock in this offering at the public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer, or no shares in this offering to these entities, or these entities may determine to purchase more, fewer, or no shares of common stock in this offering. The underwriters will receive the same underwriting discounts and commissions on any shares of common stock purchased by these entities as they will on any other shares of common stock sold to the public in this offering.

We are an "emerging growth company" under the federal securities laws and will be subject to reduced public company reporting requirements for this prospectus and future filings.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
Initial public offering price	$	$
Underwriting discount and commissions (1)	$	$
Proceeds to Kezar Life Sciences, Inc. (before expenses)	$	$

(1) We refer you to "Underwriting" beginning on page 137 for additional information regarding underwriter compensation.

We have granted the underwriters an option to purchase up to 700,000 additional shares of common stock to cover over-allotments, if any, on the same terms and conditions as set forth above.

The underwriters expect to deliver the shares to purchasers against payment in New York, New York on , 2018 through the book-entry facilities of The Depository Trust Company.

Lead Book-Running Managers *Joint Book-Running Managers*

Jefferies **Cowen** **Wells Fargo Securities** **William Blair**

, 2018

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, especially the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus. Unless the context otherwise requires, the terms "Kezar," "Kezar Life Sciences," "the company," "we," "us," "our" and similar references in this prospectus refer to Kezar Life Sciences, Inc.

Overview

We are a clinical-stage biotechnology company, discovering and developing novel small molecule therapeutics to treat unmet needs in autoimmunity and cancer. Our lead product candidate, KZR-616, a first-in-class selective immunoproteasome inhibitor, has completed testing in healthy volunteers and is now enrolling a Phase 1b/2 clinical trial in lupus and lupus nephritis. We believe that the immunoproteasome is a validated target for the treatment of a wide variety of autoimmune diseases given the compelling published activity seen with proteasome inhibitors administered to patients with severe autoimmune diseases. Our Phase 1a clinical trial results provide evidence that KZR-616 avoids the side effects caused by non-selective proteasome inhibitors, side effects that prevent them from being developed as a treatment in autoimmunity. Initial top-line results from the Phase 1b portion of our KZR-616 trial are expected in 2019, and we plan to initiate up to four additional trials in autoimmune diseases in 2019. We are also leveraging our protein secretion pathway platform to discover and develop small molecule therapies targeting cancer and immuno-oncology.

We believe that KZR-616 has potential for the treatment of multiple autoimmune disease indications. In the last decade, research directed by our Chief Scientific Officer, along with work performed in multiple academic laboratories, has led to over 15 peer-reviewed publications showing that selective immunoproteasome inhibition results in a broad anti-inflammatory response, reducing autoimmune disease in animal models of lupus, lupus nephritis, rheumatoid arthritis, inflammatory bowel disease, multiple sclerosis, Type 1 diabetes and other indications. This immunomodulatory response was broadly seen across many cell types of the immune system, including both T-cells and B-cells, and was demonstrated in a safe and non-immunosuppressive manner. This is distinct from other agents currently used to treat autoimmunity, which typically target a single cytokine or immune cell type or are broadly immunosuppressive.

We intend to develop KZR-616 to address underserved autoimmune diseases, including lupus nephritis and idiopathic inflammatory myopathies, where we have planned initial Phase 2 clinical trials, as well as other autoimmune indications. We estimate the addressable patient population in the United States for lupus, lupus nephritis and idiopathic inflammatory myopathies is 460,000, 100,000 and 70,000, respectively. Our first Phase 2 clinical trial is intended to evaluate KZR-616 for treatment of lupus nephritis, which currently has no FDA-approved drugs.

In 2017, we completed a Phase 1a clinical trial of KZR-616 in 82 healthy volunteers. In this trial, KZR-616 was generally well tolerated and we observed positive pharmacokinetics, or PK, and pharmacodynamics, or PD. This trial also identified multiple dose levels that resulted in selective and potent inhibition of the immunoproteasome and demonstrated biologic activity in ex vivo assays. We acquired exclusive worldwide rights to KZR-616 and an accompanying library of similar molecules pursuant to a license agreement with Onyx Therapeutics, Inc., or Onyx, a wholly owned subsidiary of Amgen, Inc., in June 2015. Patent coverage for KZR-616 extends to at least 2034.

Our discovery-stage platform, focused on the protein secretion pathway and the Sec61 translocon, builds upon research conducted by our co-founder Dr. Jack Taunton. We believe this platform has the potential to yield oral small molecule alternatives to currently marketed biologic therapeutics, to act as cytotoxic anti-cancer agents or to block the secretion of novel targets of interest in immuno-oncology or inflammation.

We are led by a strong management team with deep experience in small molecule drug discovery and development, operations, corporate finance and strategic planning. To finance our operations, we have raised equity capital from investors, including Morningside Venture Investments Limited, Cormorant Asset Management, Cowen Healthcare Investments, EcoR1 Capital Fund, Omega Fund IV, L.P., Pappas Capital, Qiming U.S. Healthcare Fund L.P., Bay City Capital and AJU IB Investment.

Autoimmunity and Selective Inhibition of the Immunoproteasome

Autoimmune disease is an immune response directed against the body's own healthy cells and tissues. Approximately 50 million people in the United States suffer from more than 100 diagnosed autoimmune diseases according to the American Autoimmune Related Diseases Association, Inc. In indications large and small, there remain significant unmet medical needs and indications with no approved drugs beyond broadly prescribed steroids and similar immunosuppressive regimens. These result in high rates of infection, increased risk of malignancy and a wide variety of side effects arising from prolonged steroid use and, in diseases such as lupus nephritis, do not induce high rates of clinically meaningful responses.

Found in all cells of the body, proteasomes regulate intracellular protein degradation and are essential for many cellular processes such as cell division, cell differentiation and cytokine production. There are two main forms of the proteasome: the constitutive proteasome and the immunoproteasome. In most tissues of the body, the constitutive proteasome is the predominant form. In cells of the immune system, the immunoproteasome is the predominant form. While both forms of the proteasome mediate protein degradation, the two forms of the proteasome accomplish this utilizing different active sites. These active sites are responsible for cleaving and degrading proteins. Selective inhibition of the immunoproteasome has the potential to reduce inflammation by targeting dysfunctional immune cells involved in autoimmunity, such as T-cells and B-cells, without causing widespread immunosuppression.

Safety and Efficacy of Approved Proteasome Inhibitors

The three proteasome inhibitors approved for the treatment of multiple myeloma, Velcade® (bortezomib), Kyprolis® (carfilzomib) and Ninlaro® (ixazomib), are potent "dual inhibitors" of both the immunoproteasome and the constitutive proteasome. This dual-targeting profile is necessary to make them effective treatments for multiple myeloma. However, dual proteasome inhibition is associated with hematologic issues such as thrombocytopenia, neutropenia and anemia, as well as constitutional toxicities such as fatigue and myalgia. In addition, Velcade and Ninlaro are associated with risk of peripheral neuropathy, likely due to the off-target activity of these drugs against proteins found in peripheral neurons.

Velcade has demonstrated clinical activity in several autoimmune diseases, including lupus, lupus nephritis, idiopathic thrombocytopenia purpura, autoimmune hemolytic anemia, primary Sjögren's syndrome and graft-versus-host disease. In preclinical models, proteasome inhibition blocked production of most inflammatory cytokines, including many of those targeted by current biologic drugs. However, long-term, chronic administration of Velcade in the setting of autoimmune diseases is not considered feasible due to its side effect profile, in particular hemologic toxicities and risk of peripheral neuropathy. As a result, this promising drug target has remained untapped for use in the treatment of autoimmune diseases.

KZR-616

We believe we are the only company with a selective immunoproteasome inhibitor that has been nominated as a clinical candidate or is in clinical trials. In addition, we believe that KZR-616, if successfully developed and approved, may have the ability to become the standard of care across a broad range of autoimmune diseases based on the following expected key attributes:

- broad immunomodulatory activity that may allow it to outperform approved therapies and to work in indications where other drugs have failed;
- lack of immunosuppression, a key drawback to other approved therapies in autoimmunity; and

- avoidance of systemic toxicities associated with dual proteasome inhibitors and the peripheral neuropathy associated with Velcade and Ninlaro.

Our Phase 1a Clinical Trial and Ongoing Phase 1b/2 Clinical Trial

In 2017, we completed a Phase 1a clinical trial in Australia to assess the safety, tolerability, PK, PD and immunomodulatory activity of KZR-616 in 82 healthy volunteers. In this trial, KZR-616 or placebo was administered as a single or repeat weekly subcutaneous administration over four weeks. Results from the trial were presented at the 2017 American College of Rheumatology Annual Meeting.

Administration of KZR-616 to healthy volunteers resulted in a dose-dependent increase in exposure and inhibition of immunoproteasome activity. Selective inhibition of the immunoproteasome over the constitutive proteasome was demonstrated using multiple PD assays and cytokine levels in ex vivo stimulation assays demonstrated an anti-cytokine effect of KZR-616 treatment consistent with preclinical models. Single and repeat weekly administration at doses that resulted in potent inhibition of the immunoproteasome were generally well tolerated. Two of 82 subjects experienced Grade 2 adverse events that were considered “systemic drug reactions” and were recorded as serious adverse events. These reactions included hypotension, sinus tachycardia, nausea, vomiting and rigors and chills. However, we observed none of the hematologic adverse events that are often seen with Velcade and Kyprolis. In addition, there were no changes in liver or kidney function, ECG abnormalities, prolonged constitutional adverse events, or signs of immunosuppression with weekly administration of KZR-616.

Following the completion of this trial, we filed an investigational new drug application, or IND, with the Division of Pulmonary and Rheumatology Products at the FDA. The IND is currently open with the FDA, and in March 2018, we began enrollment of patients in KZR-616-002, a multi-center Phase 1b/2 clinical trial in patients with lupus and lupus nephritis. The Phase 1b portion includes open-label dose escalation in patients with active lupus, with and without lupus nephritis, who have failed to respond to at least one standard therapeutic regimen. The primary endpoints of both portions of the trial are safety and tolerability. Secondary and exploratory endpoints include PK, PD and biomarker assessments and measures of efficacy. Initial top-line results from the Phase 1b portion of the trial are expected in the first half of 2019. The Phase 2 portion will be a randomized placebo-controlled, double-blind trial to evaluate the safety and efficacy of KZR-616 in patients with active proliferative lupus nephritis.

Protein Secretion and the Sec61 Translocon

We are conducting research and discovery efforts targeting protein secretion pathways as potential therapies for oncology and immuno-oncology indications. In mammalian cells, the secretion of proteins such as cytokines and the expression of cell surface transmembrane proteins such as cytokine receptors involve a process called cotranslational translocation. For most proteins, this process occurs via the Sec61 translocon, a highly conserved multi-subunit protein complex found in the membrane of the endoplasmic reticulum of all cells. Inhibition of the Sec61 translocon with small molecules blocks the secretion of some or all proteins, which can result in several physiologic outcomes, including altered cellular function, inhibition of cytokine release and/or cell death. We believe this platform has the potential to yield oral small molecule alternatives to currently marketed biologic therapeutics to act as cytotoxic anti-cancer agents or to block the secretion of novel targets of interest in inflammation or immuno-oncology.

Our Pipeline

The following table sets forth the status and initial focus of our lead product candidate:

Program	Therapeutic Indication	Development Stage & Anticipated Milestones						
		Discovery	Preclinical	Phase 1a	Phase 1b	Phase 2	Phase 3	Anticipated Milestones
KZR-616	Systemic lupus erythematosus (SLE)							Phase 1b initial top-line data H1 2019
	Lupus nephritis							Initiate Phase 2 H1 2019
	Idiopathic inflammatory myopathies							Initiate Phase 2 in 2019
	Orphan / unmet need autoimmune							Potential to initiate Phase 1b or Phase 2 in 2019
	Orphan / unmet need autoimmune							Potential to initiate Phase 1b or Phase 2 in 2019
	Orphan / unmet need autoimmune							Potential to initiate Phase 1b or Phase 2 in 2019

Our Strategy

Our strategy is to focus on the discovery, development and commercialization of novel small molecule therapeutics to address unmet medical needs. Key elements of our strategy are to:

- ***Rapidly advance KZR-616 in multiple autoimmune indications, including orphan diseases and other areas of unmet needs***. We believe that KZR-616 has the potential to treat a wide range of autoimmune diseases. We are currently enrolling a Phase 1b/2 clinical trial in patients with lupus and lupus nephritis and plan to initiate additional Phase 1b or Phase 2 clinical trials in up to four other autoimmune indications in 2019. Assuming positive results from these trials, we intend to explore registration-enabling trials in each indication.
- ***Identify small molecule disruptors of the protein secretion pathway and advance them into IND-enabling studies***. We believe we are the only company exploring the therapeutic potential of modulating the protein secretion pathway and the Sec61 translocon. We intend to leverage this platform to identify product candidates for the treatment of diseases with significant clinical need, initially in oncology and immuno-oncology.
- ***Develop next-generation immunoproteasome inhibitors***. Over time, we intend to develop new chemistries with differentiated properties, alternate drug delivery methods, such as oral versus subcutaneous, or improved therapeutic windows.
- ***Leverage our technical and business expertise to expand our pipeline of small-molecule product candidates.*** Our management team, board of directors and clinical and scientific advisors have many years of institutional experience. As such, we intend to leverage the collective talent within our organization and network of advisors to guide our development plans and pipeline expansion, including acquiring or in-licensing small molecule compounds.
- ***Maximize the value of our programs by maintaining flexibility to commercialize our product candidates independently or through collaborative partnerships***. We currently have exclusive global development and commercialization rights for our product candidates for all indications that we may pursue. While we may develop these products independently, we may also enter into strategic relationships with biotechnology or pharmaceutical companies to advance our product candidates.

Risks Associated with Our Business

Our business is subject to a number of risks of which you should be aware before making a decision to invest in our common stock. These risks are more fully described in the section titled "Risk Factors," including the following:

- We have a limited operating history, have never generated any revenues from product sales and have incurred significant operating losses since inception.
- We anticipate that we will continue to incur substantial operating losses for the foreseeable future and may never achieve or maintain profitability.
- We will require additional capital to finance our operations, which may not be available on acceptable terms, if at all.
- We may be required to make significant payments in connection with our license of KZR-616 from Onyx Therapeutics, Inc.
- Our future success is dependent on the successful clinical development, regulatory approval and commercialization of KZR-616 and any future drug candidates, without which our ability to generate revenue will be adversely affected.
- Because the results of preclinical studies or earlier clinical trials are not necessarily predictive of future results, our product candidates may not have favorable results in planned or future studies or trials, or may not receive regulatory approval.
- KZR-616 is intended to be used with a self-administered dual-chamber system, which may result in additional regulatory and other risks.
- We may encounter substantial delays in our clinical trials or we may fail to demonstrate safety and efficacy to the satisfaction of applicable regulatory authorities.
- If we are unable to obtain and maintain patent protection for KZR-616 or any future product candidates, or if the scope of the patent protection obtained is not sufficiently broad, we may not be able to compete effectively in our markets.

Our Corporate Information

We were incorporated under the laws of the State of Delaware on February 19, 2015. Our principal executive offices are located at 4000 Shoreline Court, Suite 300, South San Francisco, California 94080, and our telephone number is (650) 822-5600. In January 2016, we incorporated our wholly owned Australian subsidiary, Kezar Life Sciences Australia Pty Ltd, which is a proprietary company limited by shares. Our corporate website address is *www.kezarlifesciences.com*. Information contained on, or accessible through, our website is not a part of this prospectus. We have included our website in this prospectus solely as an inactive textual reference.

Implications of Being an Emerging Growth Company

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, enacted in April 2012, and we may remain an emerging company for up to five years. For so long as we remain an emerging growth company, we are permitted and intend to rely on certain exemptions from various public company reporting requirements, including not being required to have our internal control over financial reporting audited by our independent registered public accounting firm pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments not previously approved. In particular, in this prospectus, we have provided only two years of audited financial statements and have not included all of the executive compensation related information that would be required if we were not an emerging growth company. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of delayed adoption of new or revised accounting standards, and therefore we will be subject to the same requirements to adopt new or revised accounting standards as other public companies that are not emerging growth companies.

THE OFFERING

Common stock to be offered	4,666,667 shares
Common stock to be outstanding after this offering	17,988,189 shares
Over-allotment option to purchase additional shares	700,000 shares
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $61.3 million (or approximately $71.1 million if the underwriters exercise in full their option to purchase up to 700,000 additional shares of common stock to cover over-allotments), based on an assumed initial public offering price of $15.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We currently intend to use the net proceeds from this offering, together with our existing cash and cash equivalents, as follows: ▪ to advance KZR-616 for the treatment of lupus and lupus nephritis through our KZR-616-002 Phase 1b/2 clinical trial; ▪ to advance KZR-616 for the treatment of idiopathic inflammatory myopathies and up to three additional autoimmune indications into Phase 1b or Phase 2 clinical trials; ▪ to advance discovery and preclinical development in our protein secretion program; and ▪ the remainder to fund other research and development activities, working capital and other general corporate purposes. See “Use of Proceeds” for additional information.
Risk factors	You should read the section titled “Risk Factors” for a discussion of factors to consider carefully, together with all the other information included in this prospectus, before deciding to invest in our common stock.
Proposed Nasdaq Global Market symbol	“KZR”

Certain of our stockholders (or their affiliates), including those affiliated with certain of our directors, have indicated an interest in purchasing an aggregate of approximately $30.0 million of shares of our common stock in this offering at the public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer, or no shares in this offering to these entities, or these entities may determine to purchase more, fewer, or no shares of common stock in this offering. The underwriters will receive the same underwriting discounts and commissions

on any shares of common stock purchased by these entities as they will on any other shares of common stock sold to the public in this offering.

The number of shares of our common stock to be outstanding after this offering is based on 13,321,522 shares of common stock outstanding as of March 31, 2018, and excludes:

- 1,354,965 shares of our common stock issuable upon the exercise of outstanding stock options as of March 31, 2018, at a weighted-average exercise price of $1.68 per share;
- 784,507 shares of our common stock issuable upon the exercise of outstanding stock options granted subsequent to March 31, 2018 at an exercise price of $5.91 per share;
- 4,000,000 shares of our common stock reserved for future issuance under our 2018 Equity Incentive Plan, or the 2018 Plan, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future increases in the number of shares of common stock reserved for issuance under our 2018 Plan; and
- 200,000 shares of our common stock reserved for future issuance under our 2018 Employee Stock Purchase Plan, or ESPP, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future increases in the number of shares of common stock reserved for issuance under our ESPP.

Unless otherwise indicated, all information contained in this prospectus assumes or gives effect to:

- the filing and effectiveness of our amended and restated certificate of incorporation immediately after the completion of this offering and the adoption of our amended and restated bylaws immediately prior to the completion of this offering;
- the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of March 31, 2018 into an aggregate of 12,263,126 shares of our common stock upon the completion of this offering;
- a 1-for-5.62 reverse stock split of our common stock and redeemable convertible preferred stock to be effected prior to the completion of this offering;
- no purchases by certain of our stockholders (or their affiliates), including those affiliated with certain of our directors, who have indicated an interest in purchasing an aggregate of approximately $30.0 million of shares of our common stock in this offering;
- no exercise of the outstanding options described above; and
- no exercise by the underwriters of their option to purchase up to 700,000 additional shares of our common stock to cover over-allotments, if any.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables set forth our summary consolidated statements of operations data for the years ended December 31, 2016 and 2017, which has been derived from our audited consolidated financial statements appearing elsewhere in this prospectus. We have derived the statements of operations data for the three months ended March 31, 2017 and 2018 and the balance sheet data as of March 31, 2018 from our unaudited interim condensed consolidated financial statements appearing elsewhere in this prospectus. We have prepared the unaudited interim condensed consolidated financial statements on the same basis as our audited financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, that are necessary for the fair statement of our unaudited interim condensed consolidated financial statements. The following summary consolidated financial data should be read with the sections titled "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected for any period in the future and our interim results are not necessarily indicative of our expected results for the year ending December 31, 2018.

	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
(in thousands, except share and per share data)	2016	2017	2017	2018
			(unaudited)	
Summary of Consolidated Operations Data:				
Operating expenses:				
Research and development	$ 7,373	$ 6,469	$ 1,831	$ 3,572
General and administrative	1,617	2,280	426	1,514
Total operating expenses	8,990	8,749	2,257	5,086
Loss from operations	(8,990)	(8,749)	(2,257)	(5,086)
Interest income	—	232	—	139
Net loss	$ (8,990)	$ (8,517)	$ (2,257)	$ (4,947)
Net loss per share: (1)				
Basic and diluted	$ (26.56)	$ (14.21)	$ (4.43)	$ (6.53)
Weighted average shares used in computing net loss per share: (1)				
Basic and diluted	338,446	599,291	509,143	757,399
Pro forma net loss per share (unaudited): (1)				
Basic and diluted		$ (0.87)		$ (0.38)
Weighted average shares outstanding used in computing pro forma net loss per share (unaudited): (1)				
Basic and diluted		9,762,770		13,020,525

(1) See Notes 2, 11 and 12 to our audited consolidated financial statements and Notes 2 and 5 to our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net loss per share, pro forma net loss per share and the weighted-average number of shares used in the computation of the per share amounts.

(in thousands)	AS OF MARCH 31, 2018 ACTUAL	PRO FORMA (1)	PRO FORMA AS ADJUSTED (2) (3)
			(unaudited)
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 47,085	$ 47,085	$ 108,385
Working capital	45,636	45,636	106,936
Total assets	54,251	54,251	115,551
Redeemable convertible preferred stock	77,931	—	—
Accumulated deficit	(30,975)	(30,975)	(30,975)
Total stockholders' (deficit) equity	(30,489)	47,442	108,742

(1) The pro forma column reflects the conversion of all of the outstanding shares of our redeemable convertible preferred stock into an aggregate of 12,263,126 shares of common stock upon completion of this offering.

(2) The pro forma as adjusted column reflects the pro forma adjustments set forth above and: (i) the sale of 4,666,667 shares of our common stock in this offering at an assumed initial public offering price of $15.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us; and (ii) the filing and effectiveness of our amended and restated certificate of incorporation.

(3) Each $1.00 increase or decrease in the assumed initial public offering price of $15.00 per share would increase or decrease, respectively, the amount of cash and cash equivalents, working capital, total assets and total stockholders' (deficit) equity by $4.3 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase or decrease of 1.0 million in the number of shares of common stock offered by us would increase or decrease each of cash and cash equivalents, working capital, total assets and stockholders' (deficit) equity by $14.0 million, assuming the assumed initial public offering price of $15.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this prospectus, including our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding whether to invest in our common stock. The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations and prospects. In such an event, the market price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Financial Position and Capital Needs

We have incurred significant operating losses since inception and anticipate that we will continue to incur substantial operating losses for the foreseeable future and may never achieve or maintain profitability.

Since inception in February 2015, we have incurred significant operating losses. Our net loss was $9.0 million and $8.5 million for the years ended December 31, 2016 and 2017, respectively, and $4.9 million for the three months ended March 31, 2018. As of March 31, 2018, we had an accumulated deficit of $31.0 million. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. Since inception, we have devoted substantially all of our efforts to research and preclinical and clinical development of our product candidates, as well as to expanding our management team and infrastructure. It could be several years, if ever, before we have a commercialized drug. The net losses we incur may fluctuate significantly from quarter to quarter and year to year. We anticipate that our expenses will increase substantially if, and as, we:

- continue the ongoing and planned development of KZR-616;
- seek to discover and develop additional product candidates;
- initiate preclinical studies and clinical trials for any additional product candidates that we may pursue in the future;
- establish a sales, marketing, manufacturing and distribution infrastructure to commercialize any product candidate for which we may obtain marketing approval;
- continue to build a portfolio of product candidates through the acquisition or in-license of drugs, product candidates or technologies;
- seek marketing approvals for KZR-616 and any future product candidates that successfully complete clinical trials;
- maintain, protect and expand our portfolio of intellectual property rights, including patents, trade secrets and know-how;
- implement operational, financial and management systems;
- attract, hire and retain additional administrative, clinical, regulatory and scientific personnel; and
- incur additional legal, accounting and other expenses associated with operating as a public company.

In addition, because of the numerous risks and uncertainties associated with pharmaceutical products and development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. Our expenses could increase and profitability could be further delayed if we decide to or are required by regulatory authorities to perform studies or trials in addition to those currently expected, or if there are any delays in the development, or in the completion of any planned or future preclinical studies or clinical trials of our current and future product candidates. Even if we complete the development and regulatory processes described above, we anticipate incurring significant costs associated with launching and commercializing KZR-616 and any future product candidates.

Even 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 raise capital, maintain our research and development efforts, expand our business or continue our operations.

We have a limited operating history and have never generated any revenue from product sales, which may make it difficult to evaluate the success of our business to date and to assess our future viability.

We are a clinical-stage company founded in February 2015, and our operations to date have been largely focused on raising capital and undertaking preclinical studies and conducting early-stage clinical trials for KZR-616. As an organization, we have not yet demonstrated an ability to successfully complete clinical development, obtain regulatory 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 commercialization. Consequently, any predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history.

Our ability to generate revenue from product sales and achieve profitability depends on our ability, alone or with any future collaborative partners, to successfully complete the development of, and obtain the regulatory approvals necessary to commercialize, KZR-616 and any future product candidates. We do not anticipate generating revenue from product sales for the next several years, if ever. Our ability to generate revenue from product sales depends heavily on our, or any future collaborators', success in:

- timely and successfully completing preclinical and clinical development of KZR-616 and any future product candidates;
- obtaining regulatory approvals for KZR-616 and any future product candidates for which we successfully complete clinical trials;
- launching and commercializing any product candidates for which we obtain regulatory approval by establishing a sales force, marketing and distribution infrastructure or, alternatively, collaborating with a commercialization partner;
- qualifying for coverage and adequate reimbursement by government and third-party payors for any product candidates for which we obtain regulatory approval, both in the United States and internationally;
- developing, validating and maintaining commercially viable, sustainable, scalable, reproducible and transferable manufacturing processes for KZR-616, a self-administered dual-chamber system for KZR-616 and any future product candidates that are compliant with current good manufacturing practices, or cGMP;
- establishing and maintaining supply and manufacturing relationships with third parties that can provide adequate amount and quality of starting materials, drug substance, drug product and drug delivery devices and services to support clinical development, as well as the market demand for KZR-616 and any future product candidates, if approved;
- obtaining market acceptance, if and when approved, of KZR-616 or any future product candidate as a viable treatment option by physicians, patients, third-party payors and others in the medical community;
- effectively addressing any competing technological and market developments;
- implementing additional internal systems and infrastructure, as needed;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter and performing our obligations pursuant to such arrangements;
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how; and
- securing appropriate pricing in the United States and internationally.

We expect our financial condition and operating results to continue to fluctuate from quarter to quarter and year to year due to a variety of factors, many of which are beyond our control. We may need to eventually transition from a company with a research and development focus to a company capable of undertaking commercial activities. We may encounter unforeseen expenses, difficulties, complications and delays and may not be successful in such a transition.

We will require substantial additional capital to finance our operations, which may not be available on acceptable terms, if at all. Failure to obtain this necessary capital when needed may force us to delay, reduce or terminate certain of our product development programs or other operations.

Our operations have consumed substantial amounts of cash since our inception. We expect our expenses to increase in connection with our ongoing and planned activities, particularly as we continue to develop and potentially commercialize our product candidates, in addition to costs associated with the acquisition or in-licensing of any

additional product candidates we may pursue. Our expenses could increase beyond expectations if the U.S. Food and Drug Administration, or FDA, or other regulatory authorities require us to perform clinical and other studies in addition to those that we currently anticipate. In addition, if we obtain marketing approval for our product candidates, we expect to incur significant expenses related to sales, marketing, manufacturing and distribution. Furthermore, upon the completion of this offering, we expect to incur additional costs associated with operating as a public company.

As of March 31, 2018, our cash and cash equivalents was $47.1 million. We believe that the net proceeds from this offering, together with our existing cash and cash equivalents, will fund our current operating plans through at least the next 12 months from the date the financial statements were issued. However, our operating plan may change as a result of many factors currently unknown to us, and we may need to seek additional funds sooner than planned, through public or private equity or debt financings, third-party funding, marketing and distribution arrangements, as well as other collaborations, strategic alliances and licensing arrangements, or any combination of these approaches.

In any event, we will require substantial additional capital to develop a delivery system for KZR-616, conduct additional clinical trials, seek regulatory approval and commence commercialization of KZR-616 or any future product candidates. Even if we believe we have sufficient capital for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations. Any additional capital raising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize KZR-616 and any future product candidates.

If we do not raise additional capital in sufficient amounts, or on terms acceptable to us, we may be prevented from pursuing discovery, development and commercialization efforts, which will harm our business, operating results and prospects.

Raising additional capital may cause dilution to our stockholders, including purchasers of shares of our common stock in this offering, restrict our operations or require us to relinquish proprietary rights.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through public or private equity or debt financings, third-party funding, marketing and distribution arrangements, as well as other collaborations, strategic alliances and licensing arrangements, or any combination of these approaches. We do not have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest may be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a stockholder. In addition, we may issue equity or debt securities as consideration for obtaining rights to additional compounds.

Debt and equity financings, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as redeeming our shares, making investments, incurring additional debt, making capital expenditures, declaring dividends or placing limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could negatively impact our ability to conduct our business. If we raise additional capital through future collaborations, strategic alliances or third-party licensing arrangements, we may have to relinquish valuable rights to our intellectual property, 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 capital when needed, we may be required to delay, limit, reduce or terminate our drug development or future commercialization efforts, or grant rights to develop and market product candidates that we would otherwise develop and market ourselves.

We may be required to make significant payments in connection with our license agreement with Onyx Therapeutics, Inc., or Onyx, for KZR-616 and other compounds.

In June 2015, we acquired rights to KZR-616, pursuant to a license agreement with Onyx, or the Onyx license agreement. Under the Onyx license agreement, we are subject to significant obligations, including payment obligations triggered upon achievement of specified milestones and royalties on licensed product sales, as well as other material obligations. We are obligated to pay Onyx milestone payments up to an aggregate of $172.5 million upon the achievement of certain development, regulatory and sales milestone events. In addition, we are obligated to pay Onyx tiered royalties based on net sales of KRZ-616. If these payments become due, we may not have sufficient funds available to meet our obligations and our development efforts may be harmed.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

We have incurred substantial losses since inception and do not expect to become profitable in the near future, if ever. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until such unused losses expire. Under Sections 382 and 383 of the U.S. Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a rolling three-year period, the corporation's ability to use its pre-change net operating loss carryforwards, or NOLs, and other pre-change tax attributes (such as research tax credits) to offset its post-change income or taxes may be limited. We may have experienced ownership changes in the past and may experience ownership changes in the future as a result of this offering and/or subsequent shifts in our stock ownership (some of which shifts are outside our control). As a result, if we earn net taxable income, our ability to use our pre-change NOLs to offset such taxable income may be subject to limitations. Similar provisions of state tax law may also apply to limit our use of accumulated state tax attributes. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. As a result, even if we attain profitability, we may be unable to use a material portion of our NOLs and other tax attributes, which could negatively impact our future cash flows.

Comprehensive tax reform legislation could adversely affect our business and financial condition.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017, or the Tax Act, was signed into law. The Tax Act contains, among other things, significant changes to corporate taxation, including (i) a reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, (ii) a limitation of the tax deduction for interest expense to 30% of adjusted earnings (except for certain small businesses), (iii) a limitation of the deduction for net operating losses to 80% of current year taxable income in respect of net operating losses generated during or after 2018 and elimination of net operating loss carrybacks, (iv) a one-time tax on offshore earnings at reduced rates regardless of whether they are repatriated, (v) immediate deductions for certain new investments instead of deductions for depreciation expense over time, and (vi) a modification or repeal of many business deductions and credits, including a reduction of the Orphan Drug Credit from 50% to 25% of eligible clinical costs. Any federal NOLs incurred in 2018 and in future years may now be carried forward indefinitely pursuant to the Tax Act. It is uncertain if and to what extent various states will conform to the newly enacted federal tax law. We will continue to examine the impact the Tax Act may have on our business and financial condition.

Risks Related to the Development and Commercialization of Our Product Candidates

Our future success is substantially dependent on the successful clinical development, regulatory approval and commercialization of KZR-616 and any future product candidates. If we are not able to obtain required regulatory approvals, we will not be able to commercialize our product candidates and our ability to generate revenue will be adversely affected.

The time required to obtain approval or other marketing authorizations by the FDA and comparable foreign regulatory authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. 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. KZR-616 is currently our only product candidate. We have not obtained regulatory approval for KZR-616 or any product candidate, and it is possible that neither KZR-616 nor any product candidates we may seek to develop in the future will ever obtain regulatory approval. Neither we nor any future collaborator is permitted to market KZR-616 or any future drug product candidates in the United States or abroad until we receive regulatory approval from the FDA or applicable foreign regulatory agency.

Prior to obtaining approval to commercialize KZR-616 and any other drug product candidate in the United States or abroad, we must demonstrate with substantial evidence from well controlled clinical trials, and to the satisfaction of the FDA or comparable foreign regulatory authorities, that such product candidates are safe and effective for their intended uses. Results from nonclinical studies and clinical trials can be interpreted in different ways. Even if we believe the nonclinical or clinical data for our product candidates are promising, such data may not be sufficient to support approval by the FDA and other regulatory authorities. The FDA may also require us to conduct additional nonclinical studies or clinical trials for our product candidates either prior to or post-approval, or it may object to

elements of our clinical development program. In addition, the FDA typically refers applications for novel drugs, like KZR-616 and potentially other of our future product candidates, to an advisory committee comprised of outside experts. The FDA is not bound by the recommendation of the advisory committee, but it considers such recommendation when making its decision.

Of the large number of products in development, only a small percentage successfully complete the FDA or comparable foreign regulatory authorities approval processes and are commercialized. The lengthy approval or marketing authorization process as well as the unpredictability of future clinical trial results may result in our failing to obtain regulatory approval or marketing authorization to market our product candidates, which would significantly harm our business, financial condition, results of operations and prospects.

We have invested a significant portion of our time and financial resources in the development of KZR-616. Our business is dependent on our ability to successfully complete development of, obtain regulatory approval for, and, if approved, successfully commercialize KZR-616 and any future product candidates in a timely manner.

Even if we eventually complete clinical testing and receive approval of a new drug application, or NDA, or foreign marketing application for KZR-616 or any future product candidates, the FDA or the comparable foreign regulatory authorities may grant approval or other marketing authorization contingent on the performance of costly additional clinical trials, including post-market clinical trials. The FDA or the comparable foreign regulatory authorities also may approve or authorize for marketing a product candidate for a more limited indication or patient population that we originally request, and the FDA or comparable foreign regulatory authorities may not approve or authorize the labeling that we believe is necessary or desirable for the successful commercialization of a product candidate. Any delay in obtaining, or inability to obtain, applicable regulatory approval or other marketing authorization would delay or prevent commercialization of that product candidate and would materially adversely impact our business and prospects.

In addition, the FDA and comparable foreign regulatory authorities may change their policies, adopt additional regulations or revise existing regulations or take other actions, which may prevent or delay approval of our future products under development on a timely basis. Such policy or regulatory changes could impose additional requirements upon us that could delay our ability to obtain approvals, increase the costs of compliance or restrict our ability to maintain any marketing authorizations we may have obtained.

Furthermore, even if we obtain regulatory approval for KZR-616 and any future product candidates, we will still need to develop a commercial organization, establish a commercially viable pricing structure and obtain approval for adequate reimbursement from third-party and government payors. If we are unable to successfully commercialize KZR-616 and any future product candidates, we may not be able to generate sufficient revenue to continue our business.

We may not be successful in our efforts to expand our pipeline of product candidates.

A key element of our strategy is to build a pipeline of product candidates and to progress these product candidates through clinical development for the treatment of autoimmune indications. We may not be able to develop product candidates that are safe and effective. Even if we are successful in continuing to build our pipeline, the potential product candidates that we identify may not be suitable for clinical development, including as a result of safety, tolerability, efficacy or other characteristics that indicate that they are unlikely to be drugs that will receive marketing approval, achieve market acceptance or obtain reimbursements from third-party payors. If we do not successfully develop and commercialize product candidates or collaborate with others to do so, we will not be able to generate product revenue, which could significantly harm our financial position and adversely affect the trading price of our common stock.

Success in preclinical studies or earlier clinical trials may not be indicative of results in future clinical trial results and we cannot assure you that any on-going, planned or future clinical trials will lead to results sufficient for the necessary regulatory approvals.

Success in preclinical testing and earlier clinical trials does not ensure that later clinical trials will generate the same results or otherwise provide adequate data to demonstrate the efficacy and safety of a product candidate. Preclinical tests and Phase 1 and Phase 2 clinical trials are primarily designed to test safety, to study pharmacokinetics and pharmacodynamics and to understand the side effects of product candidates at various doses

and schedules. Success in preclinical studies and earlier clinical trials does not ensure that later efficacy trials will be successful, nor does it predict final results. Our product candidates may fail to show the desired safety and efficacy in clinical development despite positive results in preclinical studies or having successfully advanced through earlier clinical trials.

In addition, the design of a clinical trial can determine whether its results will support approval of a product, and flaws in the design of a clinical trial may not become apparent until the clinical trial is well advanced. As an organization, we have limited experience designing clinical trials and may be unable to design and execute a clinical trial to support regulatory approval. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials even after achieving promising results in preclinical testing and earlier clinical trials. Data obtained from preclinical and clinical activities are subject to varying interpretations, which may delay, limit or prevent regulatory approval. In addition, we may experience regulatory delays or rejections as a result of many factors, including changes in regulatory policy during the period of our product candidate development. Any such delays could negatively impact our business, financial condition, results of operations and prospects.

We may encounter substantial delays or difficulties in our clinical trials.

We may not commercialize, market, promote or sell any product candidate without obtaining marketing approval from the FDA or other comparable regulatory authority, and we may never receive such approvals. It is impossible to predict when or if any of our product candidates will prove effective or safe in humans and will receive regulatory approval. Before obtaining marketing approval from regulatory authorities for the sale of our product candidates, we must complete preclinical development and then conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more clinical trials can occur at any stage of testing. 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 products.

We may experience numerous unforeseen events prior to, during, or as a result of, clinical trials that could delay or prevent our ability to receive marketing approval or commercialize KZR-616 or any future product candidates, including:

- delays in reaching a consensus with regulatory authorities on design or implementation of our clinical trials;
- regulators or institutional review boards, or IRBs, may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- delays in reaching agreement on acceptable terms with prospective clinical research organizations, or CROs, and clinical trial sites;
- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate, participants may drop out of these clinical trials at a higher rate than we anticipate or fail to return for post-treatment follow-up or we may fail to recruit suitable patients to participate in a trial;
- clinical trials of our product candidates may produce negative or inconclusive results;
- imposition of a clinical hold by regulatory authorities as a result of a serious adverse event, concerns with a class of product candidates or after an inspection of our clinical trial operations, trial sites or manufacturing facilities;
- occurrence of serious adverse events associated with the product candidate that are viewed to outweigh its potential benefits;
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols; or
- we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs.

Any inability to successfully complete preclinical and clinical development could result in additional costs to us or impair our ability to generate revenue from future drug sales or other sources. In addition, if we make manufacturing

or formulation changes to our product candidates, we may need to conduct additional testing to bridge our modified product candidate to earlier versions. Clinical trial delays could also shorten any periods during which we may have the exclusive right to commercialize our product candidates, if approved, or allow our competitors to bring competing drugs to market before we do, which could impair our ability to successfully commercialize our product candidates and may harm our business, financial condition, results of operations and prospects.

Additionally, if the results of our clinical trials are inconclusive or if there are safety concerns or serious adverse events associated with our product candidates, we may:

- be delayed in obtaining marketing approval, if at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings;
- be subject to additional post-marketing testing requirements;
- be required to perform additional clinical trials to support approval or be subject to additional post-marketing testing requirements;
- have regulatory authorities withdraw, or suspend, their approval of the drug or impose restrictions on its distribution in the form of a modified risk evaluation and mitigation strategy, or REMS;
- be subject to the addition of labeling statements, such as warnings or contraindications;
- be sued; or
- experience damage to our reputation.

Our product development costs will also increase if we experience delays in testing or obtaining marketing approvals. We do not know whether any of our preclinical studies or clinical trials will begin as planned, need to be restructured or be completed on schedule, if at all.

Further, we, the FDA or an IRB may suspend our clinical trials at any time if it appears that we or our collaborators are failing to conduct a trial in accordance with regulatory requirements, including the FDA's current Good Clinical Practice, or GCP, regulations, that we are exposing participants to unacceptable health risks, or if the FDA finds deficiencies in our investigational new drug applications, or INDs, or the conduct of these trials. Therefore, we cannot predict with any certainty the schedule for commencement and completion of future clinical trials. If we experience delays in the commencement or completion of our clinical trials, or if we terminate a clinical trial prior to completion, the commercial prospects of our product candidates could be negatively impacted, and our ability to generate revenues from our product candidates may be delayed.

We may not be able to obtain or maintain orphan drug designations or exclusivity for our product candidates, which could limit the potential profitability of our product candidates.

Regulatory authorities in some jurisdictions, including the United States, may designate drugs for relatively small patient populations as orphan drugs. Under the Orphan Drug Act of 1983, the FDA may designate a drug as an orphan drug if it is a drug intended to treat a rare disease or condition, which is a disease or condition that affects fewer than 200,000 individuals in the United States, or if it affects more than 200,000, there is no reasonable expectation that sales of the drug in the United States will be sufficient to offset the costs of developing and making the drug available in the United States. If a drug with an orphan drug designation subsequently receives the first marketing approval for use in the rare disease or condition for which it was designated, then the sponsor is eligible for a seven-year period of marketing during which the FDA may not approve another sponsor's marketing application for a drug with the same active moiety and intended for the same use or indication as the approved orphan drug, except in limited circumstances, such as if a subsequent sponsor demonstrates its product is clinically superior. During a sponsor's orphan drug exclusivity period, however, competitors may receive approval for drugs with different active moieties for the same indication as the approved orphan drug, or for drugs with the same active moiety as the approved orphan drug, but for different indications. Orphan drug exclusivity could block the approval of one of our products for seven years if a competitor obtains approval for a drug with the same active moiety intended for the same indication before we do, unless we are able to demonstrate that grounds for withdrawal of the orphan drug exclusivity exist or that our product is clinically superior. Further, if a designated orphan drug receives marketing approval for an indication broader than the rare disease or condition for which it received orphan drug designation, it may not be entitled to exclusivity. For purposes of small molecule drugs, the FDA defines "same drug" as a drug that

contains the same active moiety and is intended for the same use as the drug in question. A designated orphan drug may not receive orphan drug exclusivity if it is approved for a use that is broader than the indication for which it received orphan designation.

We intend to pursue orphan drug designation for KZR-616 in orphan autoimmune indications. Obtaining orphan drug designation can be difficult, and we may not be successful in doing so. Even if we were to obtain orphan drug designation for a product candidate, that exclusivity may not effectively protect the drug from the competition of different drugs for the same condition, which could have already been approved or could be approved before or during the exclusivity period. Additionally, after an orphan drug is approved, the FDA could subsequently approve another application for the same drug for the same indication if the FDA concludes that the later drug is shown to be safer, more effective or makes a major contribution to patient care. Orphan drug exclusive marketing rights in the United States also may be lost if the FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition. The failure to obtain an orphan drug designation for any product candidates we may develop, the inability to maintain that designation for the duration of the applicable period, or the inability to obtain or maintain orphan drug exclusivity could reduce our ability to make sufficient sales of the applicable product candidate to balance our expenses incurred to develop it, which would have a negative impact on our operational results and financial condition.

KZR-616 is intended to be used with a self-administered dual-chamber system, which may result in additional regulatory and other risks.

Beginning in Phase 2, KZR-616 is a lyophilized product candidate, meaning it is freeze-dried and must be reconstituted with water prior to delivery to a patient. While lyophilized products are common in the drug industry, we intend that if approved and commercialized, KZR-616 will be self administered by patients via a self-administered dual-chamber system. There are several technical challenges we will need to solve related to use of a self-administered dual-chamber system, including whether KZR-616 is amenable to use in such a device and whether it is sufficiently stable to meet regulatory requirements. We may not be able to solve these technical challenges, which would require that patients reconstitute KZR-616 themselves prior to injection. This method for administering KZR-616 could adversely affect market acceptance of KZR-616 and make it more difficult to conduct clinical trials of KZR-616. In addition, if we have not successfully developed the self-administered dual-chamber system by the time we commence Phase 3 clinical trials for KZR-616, we may need to seek approval for KZR-616 via a different delivery system, which could require additional bio-equivalence or efficacy clinical trials.

In addition, we will need to enter into an agreement with a contract manufacturing organization, or CMO, to manufacture the self-administered dual-chamber system, and we are aware of only one company that manufactures a self-administered dual-chamber system that has received FDA approval. We may be dependent on the sustained cooperation of a third-party or collaborators to supply the devices; to conduct the studies required for approval or clearance by the applicable regulatory agencies; and to continue to meet the applicable regulatory and other requirements to maintain approval or clearance once it has been received.

We may experience delays in obtaining regulatory approval of KZR-616 with a self-administered dual-chamber system given the increased complexity of the review process when approval of the product and device is sought under a single marketing application. If delivered by a self-administered dual-chamber system, KZR-616 may be regulated as a drug/device combination product. In the United States, each component of a combination product is subject to the requirements established by the FDA for that type of component, whether a drug, biologic or device. The determination whether a combination product requires a single marketing application or two separate marketing applications for each component is made by the FDA on a case-by-case basis. Although a single marketing application is generally sufficient for the approval of a combination product, the FDA may determine that separate marketing applications are necessary. This could significantly increase the resources and time required to bring a particular combination product to market. While we expect KZR-616, along with the self-administered dual-chamber system, to be subject to a single marketing application reviewed by the drug center at the FDA based on its primary mode of action as a drug, the FDA could disagree.

Failure to successfully develop or supply the device, delays in or failure of the studies conducted by us, our collaborators or third-party providers, or failure by us, our collaborators or the third-party providers to obtain or

maintain regulatory approval or clearance of the device could result in increased development costs, delays in or failure to obtain regulatory approval and associated delays in KZR-616 reaching the market. Further, failure to successfully develop or supply the device, or to gain or maintain its approval, could adversely affect sales of KZR-616.

If we are not successful in discovering, developing and commercializing additional product candidates, our ability to expand our business and achieve our strategic objectives would be impaired.

A key element of our strategy is to discover, develop and potentially commercialize a portfolio of product candidates to treat autoimmune diseases. We focus our clinical development on autoimmune diseases with high, unmet medical needs to leverage the development and regulatory paths available for first-in-class or best-in-class agents. Efforts to identify and develop product candidates require substantial technical, financial and human resources, whether or not any product candidates are ultimately identified. Our research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development, approved products or commercial revenues for many reasons, including the following:

- the research methodology used may not be successful in identifying potential product candidates;
- competitors may develop alternatives that render any product candidates we develop obsolete;
- any product candidates we develop may nevertheless be covered by third parties' patents or other exclusive rights;
- a product candidate may be shown to have harmful side effects or other characteristics that indicate it is unlikely to be effective or otherwise does not meet applicable regulatory criteria;
- a product candidate may not be capable of being produced in commercial quantities at an acceptable cost, or at all; and
- a product candidate may not be accepted as safe and effective by physicians, patients, the medical community or third-party payors.

We have limited financial and management resources and, as a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater market potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial drugs or profitable market opportunities. 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 circumstances under which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate. If we are unsuccessful in identifying and developing additional product candidates or are unable to do so, our business may be harmed.

Clinical trials are very expensive, time consuming and difficult to design and implement.

Our product candidates will require clinical testing before we are prepared to submit an NDA for regulatory approval. We cannot predict with any certainty if or when we might submit an NDA for regulatory approval for any of our product candidates or whether any such NDA will be approved by the FDA. Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. For instance, the FDA may not agree with our proposed endpoints for any future clinical trial of our product candidates, which may delay the commencement of our clinical trials. In addition, we may not succeed in developing and validating disease-relevant clinical endpoints based on insights regarding biological pathways for the disorders we are studying. The clinical trial process is also time consuming. We estimate that the successful completion of clinical trials of our product candidates will take several years to complete. Furthermore, failure can occur at any stage, and we could encounter problems that cause us to abandon or repeat clinical trials.

Enrollment and retention of patients in clinical trials is an expensive and time-consuming process and could be delayed, made more difficult or rendered impossible by multiple factors outside our control.

Identifying and qualifying patients to participate in our clinical trials is critical to our success. We intend to develop KZR-616 to address several autoimmune diseases with high degrees of unmet medical need, including lupus nephritis and idiopathic inflammatory myopathies, where we have planned initial Phase 2 clinical trials, as well as other rare autoimmune indications. If the actual number of patients with these disorders is smaller than we anticipate, we may encounter difficulties in enrolling patients in our clinical trials, thereby delaying or preventing development and approval of KZR-616 and any future product candidates. Even once enrolled we may be unable to

retain a sufficient number of patients to complete any of our trials. Patient enrollment and retention in clinical trials depends on many factors, including the size of the patient population, the nature of the trial protocol, the existing body of safety and efficacy data, the number and nature of competing treatments and ongoing clinical trials of competing therapies for the same indication, the proximity of patients to clinical sites and the eligibility criteria for the trial. Because our focus includes rare disorders, there are limited patient pools from which to draw in order to complete our clinical trials in a timely and cost-effective manner. Furthermore, our efforts to build relationships with patient communities may not succeed, which could result in delays in patient enrollment in our clinical trials. In addition, any negative results we may report in clinical trials of our product candidate may make it difficult or impossible to recruit and retain patients in other clinical trials of that same product candidate. Delays or failures in planned patient enrollment or retention may result in increased costs, program delays or both, which could have a harmful effect on our ability to develop our product candidates or could render further development impossible. In addition, we may rely on CROs and clinical trial sites to ensure proper and timely conduct of our future clinical trials and, while we intend to enter into agreements governing their services, we will be limited in our ability to compel their actual performance.

Our product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial potential or result in significant negative consequences following any potential marketing approval. During the conduct of clinical trials, patients report changes in their health, including illnesses, injuries and discomforts, to their doctor. Often, it is not possible to determine whether or not the product candidate being studied caused these conditions. Regulatory authorities may draw different conclusions or require additional testing to confirm these determinations, if they occur. In addition, it is possible that as we test our product candidates in larger, longer and more extensive clinical trials, or as use of these product candidates becomes more widespread if they receive regulatory approval, illnesses, injuries, discomforts and other adverse events that were observed in earlier trials, as well as conditions that did not occur or went undetected in previous trials, will be reported by subjects or patients. Many times, side effects are only detectable after investigational drugs are tested in large-scale pivotal trials or, in some cases, after they are made available to patients on a commercial scale after approval. If additional clinical experience indicates that KZR-616 or any future product candidates has side effects or causes serious or life-threatening side effects, the development of the product candidate may fail or be delayed, or, if the product candidate has received regulatory approval, such approval may be revoked, which would harm our business, prospects, operating results and financial condition.

Moreover, if we elect, or are required, to delay, suspend or terminate any clinical trial of our product candidates, the commercial prospects of our product candidates may be harmed and our ability to generate revenue through their sale may be delayed or eliminated. Any of these occurrences may harm our business, financial condition and prospects significantly.

Additionally, if any of our product candidates receive marketing approval, the FDA could require us to include a black box warning in our label or adopt a REMS to ensure that the benefits outweigh the risks, which may include, among other things, a Medication Guide outlining the risks of the drug for distribution to patients and a communication plan to health care practitioners. Furthermore, if we or others identify undesirable side effects caused by our product candidates during development or after obtaining U.S. regulatory approval several potentially significant negative consequences could result, including:

- regulatory authorities may not permit us to initiate our studies or could put them on hold;
- regulatory authorities may not approve, or may withdraw, their approval of the product;
- regulatory authorities may require us to recall the product;
- regulatory authorities may add new limitations for distribution and marketing of the product;
- regulatory authorities may require the addition of warnings in the product label or narrowing of the indication in the product label;
- we may be required to create a Medication Guide outlining the risks of such side effects for distribution to patients;
- we may be required to change the way the product is administered or modify the product in some other way;
- we may be required to implement a REMS program;

- the FDA may require us to conduct additional clinical trials or costly post-marketing testing and surveillance to monitor the safety or efficacy of the product;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of the above events resulting from undesirable side effects or other previously unknown problems could prevent us from achieving or maintaining market acceptance of the affected product candidate, if approved. In addition, these events could substantially increase the costs of commercializing our product candidates and could significantly harm our business, prospects, financial condition and results of operations.

Interim "top-line" 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 publish interim top-line or preliminary data from our 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. Preliminary or top-line 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, interim and preliminary data should be viewed with caution until the final data are available. Differences between preliminary or interim data and final data could significantly harm our business prospects and may cause the trading price of our common stock to fluctuate significantly.

We may explore strategic collaborations that may never materialize or we may be required to relinquish important rights to and control over the development and commercialization of our product candidates to any future collaborators.

Overtime, our business strategy includes acquiring or in-licensing small molecule compounds directed at autoimmune or cancer indications. As a result, we intend to periodically explore a variety of possible strategic collaborations in an effort to gain access to additional product candidates or resources. At the current time, we cannot predict what form such a strategic collaboration might take. We are likely to face significant competition in seeking appropriate strategic collaborators, and strategic collaborations can be complicated and time consuming to negotiate and document. We may not be able to negotiate strategic collaborations on acceptable terms, or at all. We are unable to predict when, if ever, we will enter into any strategic collaborations because of the numerous risks and uncertainties associated with establishing them.

Future collaborations could subject us to a number of risks, including:

- we may be required to undertake the expenditure of substantial operational, financial and management resources;
- we may be required to issue equity securities that would dilute our stockholders' percentage ownership of our company;
- we may be required to assume substantial actual or contingent liabilities;
- we may not be able to control the amount and timing of resources that our strategic collaborators devote to the development or commercialization of our product candidates;
- strategic collaborators may select indications or design clinical trials in a way that may be less successful than if we were doing so;
- strategic collaborators may delay clinical trials, provide insufficient funding, terminate a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new version of a product candidate for clinical testing;
- strategic collaborators may not pursue further development and commercialization of products resulting from the strategic collaboration arrangement or may elect to discontinue research and development programs;
- strategic collaborators may not commit adequate resources to the marketing and distribution of our product candidates, limiting our potential revenues from these products;

- disputes may arise between us and our strategic collaborators 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's attention and consumes resources;
- strategic collaborators may experience financial difficulties;
- strategic collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in a manner that could jeopardize or invalidate our proprietary information or expose us to potential litigation;
- business combinations or significant changes in a strategic collaborator's business strategy may adversely affect a strategic collaborator's willingness or ability to complete its obligations under any arrangement;
- strategic collaborators could decide to move forward with a competing product candidate developed either independently or in collaboration with others, including our competitors; and
- strategic collaborators could terminate the arrangement or allow it to expire, which would delay the development and may increase the cost of developing our product candidates.

If the market opportunities for KZR-616 and any future product candidates are smaller than we believe they are, our business may suffer.

We currently focus our drug development on treatments of autoimmune diseases. Our eligible patient population and pricing estimates may differ significantly from the actual market addressable by our product candidates. Our projections of both the number of people who have these disorders, as well as the subset of people with these disorders who have the potential to benefit from treatment with our product candidates, are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including the scientific literature, patient foundations or market research, and may prove to be incorrect. Further, new studies may change the estimated incidence or prevalence of these disorders. The number of patients may turn out to be lower than expected. Likewise, the potentially addressable patient population for each of our product candidates may be limited or may not be amenable to treatment with our product candidates, and new patients may become increasingly difficult to identify or access. If the market opportunities for our product candidates are smaller than we estimate, our business and results of operations could be adversely affected.

We face substantial competition, which may result in others developing or commercializing drugs before or more successfully than us.

The development and commercialization of new drugs is highly competitive. We face competition with respect to KZR-616 and will face competition with respect to any other product candidates that we may seek to develop or commercialize in the future from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of large pharmaceutical and biotechnology companies that currently market and sell drugs or are pursuing the development of product candidates for the treatment of the indications that we are pursuing. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

More established companies may have a competitive advantage over us due to their greater size, resources and institutional experience. In particular, these companies have greater experience and expertise in securing reimbursement, government contracts and relationships with key opinion leaders, conducting testing and clinical trials, obtaining and maintaining regulatory approvals and distribution relationships to market products and marketing approved drugs. These companies also have significantly greater research and marketing capabilities than we do. If we are not able to compete effectively against existing and potential competitors, our business and financial condition may be harmed.

As a result of these factors, our competitors may obtain regulatory approval of their drugs before we are able to, which may limit our ability to develop or commercialize our product candidates. Our competitors may also develop therapies that are safer, more effective, more widely accepted or less expensive than ours, and may also be more successful than we in manufacturing and marketing their drugs. These advantages could render our product candidates obsolete or non-competitive before we can recover the costs of such product candidates' development and commercialization.

Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific, management and commercial personnel, establishing clinical trial sites and subject registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

Even if KZR-616 or any future product candidates receive marketing approval, they may fail to achieve market acceptance by physicians, patients, third-party payors or others in the medical community necessary for commercial success.

Even if KZR-616 or any future product candidates receive marketing approval, they may fail to gain market acceptance by physicians, patients, third-party payors and others in the medical community. If they do not achieve an adequate level of acceptance, we may not generate significant drug revenue and may not become profitable. The degree of market acceptance of KZR-616 or any future product candidates, if approved for commercial sale, will depend on a number of factors, including but not limited to:

- the efficacy and potential advantages compared to alternative treatments and therapies;
- the effectiveness of sales and marketing efforts;
- the strength of our relationships with patient communities;
- the cost of treatment in relation to alternative treatments and therapies, including any similar generic treatments;
- our ability to offer such drug for sale at competitive prices;
- the convenience and ease of administration compared to alternative treatments and therapies;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of marketing and distribution support;
- the availability of third-party coverage and adequate reimbursement;
- the prevalence and severity of any side effects; and
- any restrictions on the use of the drug together with other medications.

Our efforts to educate physicians, patients, third-party payors and others in the medical community on the benefits of our product candidates may require significant resources and may never be successful. Such efforts may require more resources than are typically required due to the complexity and uniqueness of our product candidates. Because we expect sales of our product candidates, if approved, to generate substantially all of our revenues for the foreseeable future, the failure of our product candidates to find market acceptance would harm our business. In addition, our rights to receive milestone payments and royalties related to KZR-616 and other product candidates will depend on our collaborators' abilities to achieve market acceptance of those product candidates.

Even if we obtain regulatory approval for KZR-616 or any future product candidates, they will remain subject to ongoing regulatory oversight.

Even if we obtain regulatory approvals for KZR-616 or any future product candidates, such approvals will be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping and submission of safety and other post-market information. Any regulatory approvals that we receive for KZR-616 or any future product candidates may also be subject to a REMS, limitations on the approved indicated uses for which the drug may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase 4 trials, and surveillance to monitor the quality, safety and efficacy of the drug. Such regulatory requirements may differ from country to country depending on where we have received regulatory approval.

In addition, drug manufacturers and their facilities are subject to payment of user fees and continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP requirements and adherence to commitments made in the NDA or foreign marketing application. If we, or a regulatory authority, discover previously unknown problems with a drug, such as adverse events of unanticipated severity or frequency, or problems with the facility where the drug is manufactured or if a regulatory authority disagrees with the promotion,

marketing or labeling of that drug, a regulatory authority may impose restrictions relative to that drug, the manufacturing facility or us, including requesting a recall or requiring withdrawal of the drug from the market or suspension of manufacturing.

If we fail to comply with applicable regulatory requirements following approval of KZR-616 or any future product candidates, a regulatory authority may:

- issue an untitled letter or warning letter asserting that we are in violation of the law;
- seek an injunction or impose administrative, civil or criminal penalties or monetary fines;
- suspend or withdraw regulatory approval;
- suspend any ongoing clinical trials;
- refuse to approve a pending NDA or comparable foreign marketing application or any supplements thereto submitted by us or our partners;
- restrict the marketing or manufacturing of the drug;
- seize or detain the drug or otherwise require the withdrawal of the drug from the market;
- refuse to permit the import or export of product candidates; or
- refuse to allow us to enter into supply contracts, including government contracts.

Any government investigation of alleged violations of law could require us to expend significant time and resources in response and could generate negative publicity. The occurrence of any event or penalty described above may inhibit our ability to commercialize KZR-616 or any future product candidates and harm our business, financial condition, results of operations and prospects.

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. For example, in December 2016, the 21st Century Cures Act, or Cures Act, was signed into law. The Cures Act, among other things, is intended to modernize the regulation of drugs and to spur innovation, but its ultimate implementation is unclear. 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, which would adversely affect our business, prospects, financial condition and results of operations.

In addition, we cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. For example, certain policies of the Trump administration may impact our business and industry. Namely, the Trump administration has taken 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 regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. It is difficult to predict how these executive actions, including the Executive Orders, will be implemented and the extent to which they will affect the FDA's ability to exercise its regulatory authority. If these executive actions impose constraints on the FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell KZR-616 or any future product candidates, we may not be successful in commercializing KZR-616 or any future product candidates, if and when they are approved.

To successfully commercialize any product candidate that may result from our development programs, we will need to build out our sales and marketing capabilities, either on our own or with others. The establishment and development of our own commercial team or the establishment of a contract sales force to market any product candidate we may develop will be expensive and time-consuming and could delay any drug launch. Moreover, we cannot be certain that we will be able to successfully develop this capability. We may seek to enter into collaborations with other entities to utilize their established marketing and distribution capabilities, but we may be unable to enter into such agreements on favorable terms, if at all. If any current or future collaborators do not commit sufficient resources to commercialize our product candidates, or we are unable to develop the necessary

capabilities on our own, we may be unable to generate sufficient revenue to sustain our business. We compete with many companies that currently have extensive, experienced and well-funded marketing and sales operations to recruit, hire, train and retain marketing and sales personnel. We will likely also face competition if we seek third parties to assist us with the sales and marketing efforts of KZR-616 and any future product candidates. Without an internal team or the support of a third party to perform marketing and sales functions, we may be unable to compete successfully against these more established companies.

Even if we obtain and maintain approval for KZR-616 or any future product candidates from the FDA, we may never obtain approval for KZR-616 or any future product candidates outside of the United States, which would limit our market opportunities and could harm our business.

Approval of a product candidate in the United States by the FDA does not ensure approval of such product candidate by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. Sales of KZR-616 and any future product candidates outside of the United States will be subject to foreign regulatory requirements governing clinical trials and marketing approval. Even if the FDA grants marketing approval for a product candidate, comparable foreign regulatory authorities also must approve the manufacturing and marketing of the product candidate in those countries. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from, and more onerous than, those in the United States, including additional preclinical studies or clinical trials. In many countries outside the United States, a product candidate must be approved for reimbursement before it can be approved for sale in that country. In some cases, the price that we intend to charge for any product candidates, if approved, is also subject to approval. Obtaining approval for KZR-616 and any future product candidates in the European Union from the European Commission following the opinion of the European Medicines Agency, if we choose to submit a marketing authorization application there, would be a lengthy and expensive process. Even if a product candidate is approved, the FDA or the European Commission, as the case may be, may limit the indications for which the drug may be marketed, require extensive warnings on the drug labeling or require expensive and time-consuming additional clinical trials or reporting as conditions of approval. Obtaining foreign regulatory approvals and compliance with foreign regulatory requirements could result in significant delays, difficulties and costs for us and could delay or prevent the introduction of KZR-616 and any future product candidates in certain countries.

Further, clinical trials conducted in one country may not be accepted by regulatory authorities in other countries. Also, regulatory approval for our product candidates may be withdrawn. If we fail to comply with the regulatory requirements, our target market will be reduced and our ability to realize the full market potential of KZR-616 and any future product candidates will be harmed and our business, financial condition, results of operations and prospects could be harmed.

We will be required to obtain international regulatory approval to market and sell our product candidates outside of the United States.

We anticipate marketing our product candidates, if approved, outside of the United States. In order to market any of our product candidates outside of the United States, we must obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. The requirements for approval differ from country to country and approval in one country, including approval by the FDA in the United States, does not ensure approval by the applicable regulatory authorities in any other country. As a result, we may not obtain foreign regulatory approvals on a timely basis, if at all. A failure or delay in obtaining regulatory approval in one jurisdiction could have a negative effect on the regulatory approval process in other jurisdictions, including approval by the FDA. The failure to obtain regulatory approval in foreign jurisdictions could harm our business.

If we seek approval to commercialize KZR-616 or any future product candidates outside of the United States, a variety of risks associated with international operations could harm our business.

If we seek approval of KZR-616 or any future product candidates outside of the United States, we expect that we will be subject to additional risks in commercialization including:

- different regulatory requirements for approval of therapies in foreign countries;
- reduced protection for intellectual property rights;
- unexpected changes in tariffs, trade barriers and 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 currency fluctuations, which could result in increased operating expenses and reduced revenues, and other obligations incident to doing business in another country;
- foreign reimbursement, pricing and insurance regimes;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geopolitical actions, including war and terrorism or natural disasters including earthquakes, typhoons, floods and fires.

We have no prior experience in these areas. In addition, there are complex regulatory, tax, labor and other legal requirements imposed by many of the individual countries in and outside of Europe with which we will need to comply. Many biopharmaceutical companies have found the process of marketing their own products in foreign countries to be very challenging.

Product liability lawsuits against us could cause us to incur substantial liabilities and could limit commercialization of any product candidate that we may develop.

We face an inherent risk of product liability exposure related to the testing of KZR-616 and any future product candidates in clinical trials and may face an even greater risk if we commercialize any product candidate that we may develop. If we cannot successfully defend ourselves against claims that any such product candidates caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidate that we may develop;
- loss of revenue;
- substantial monetary awards to trial participants or patients;
- significant time and costs to defend the related litigation;
- withdrawal of clinical trial participants;
- increased insurance costs;
- the inability to commercialize any product candidate that we may develop; and
- injury to our reputation and significant negative media attention.

Although we maintain product liability insurance coverage, such insurance may not be adequate to cover all liabilities that we may incur. We anticipate that we will need to increase our insurance coverage each time we commence a clinical trial and if we successfully commercialize any product candidate. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

Risks Related to Regulatory Compliance

Our relationships with customers, physicians, and third-party payors will be subject, directly or indirectly, to federal and state healthcare fraud and abuse laws, false claims laws, health information privacy and security laws, and other healthcare laws and regulations. If we are unable to comply, or have not fully complied, with such laws, we could face substantial penalties.

Healthcare providers, physicians and third-party payors in the United States and elsewhere will 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, principal investigators, consultants, customers and third-party payors may subject us to various federal and state fraud and abuse laws and other health care laws, including, without limitation, the federal Anti-Kickback Statute, the federal civil and criminal false claims laws and the law commonly referred to as the Physician Payments Sunshine Act and regulations. These laws will impact, among other things, our clinical research, proposed sales, marketing and educational programs. In addition, we may be subject to

patient privacy laws by both the federal government and the states in which we conduct or may conduct our business. The laws that will affect our operations include, but are not limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, receiving, offering or paying any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind, in return for the purchase, recommendation, leasing or furnishing of an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand, and prescribers, purchasers and formulary managers on the other. A person or entity does not need to have actual knowledge of this statute or specific intent to violate it to have committed a violation;
- federal civil and criminal false claims laws, including, without limitation, the False Claims Act, and civil monetary penalty laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment or approval from Medicare, Medicaid or other government payors that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government. Federal Anti-Kickback Statute violations and certain marketing practices, including off-label promotion, implicate the False Claims Act;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal statutes that prohibit, among other things, a person from knowingly and willfully executing a scheme or making false or fraudulent statements to defraud any healthcare benefit program, regardless of the payor (e.g., public or private). In addition, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and its implementing regulations, impose certain requirements relating to the privacy, security and transmission of individually identifiable health information without appropriate authorization on health plans, health care clearinghouses and certain health care providers, and their respective business associates that perform certain services involving the use or disclosure of individually identifiable health information;
- federal transparency laws, including the federal Physician Payments Sunshine Act, that require certain manufacturers of 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 report annually to the Centers for Medicare & Medicaid Services, or CMS, information related to: (i) payments or other "transfers of value" made to physicians and teaching hospitals; and (ii) ownership and investment interests held by physicians and their immediate family members; and
- state and foreign law equivalents of each of the above federal laws, state laws that require manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures, 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 and state and local laws that require the registration of pharmaceutical sales representatives, or that otherwise restrict payments that may be made to healthcare providers; as well as state and foreign laws that 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.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws.

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 civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, exclusion from participating in government funded healthcare programs, such as Medicare and Medicaid, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, contractual damages, reputational harm and the curtailment or restructuring of our operations.

The risk of our being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply with multiple jurisdictions with different compliance and/or reporting requirements increases the possibility that a healthcare company may run afoul of one or more of the requirements.

Coverage and adequate reimbursement may not be available for KZR-616 or any future product candidates, which could make it difficult for us to sell profitably, if approved.

Market acceptance and sales of any product candidates that we commercialize, if approved, will depend in part on the extent to which reimbursement for these drugs and related treatments will be available from third-party payors, including government health administration authorities, managed care organizations and other private health insurers. Third-party payors decide which therapies they will pay for and establish reimbursement levels. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own coverage and reimbursement policies. However, decisions regarding the extent of coverage and amount of reimbursement to be provided for any product candidates that we develop will be made on a payor-by-payor basis. One payor's determination to provide coverage for a drug does not assure that other payors will also provide coverage, and adequate reimbursement, for the drug. Additionally, a third-party payor's decision to provide coverage for a therapy does not imply that an adequate reimbursement rate will be approved. Each payor determines whether or not it will provide coverage for a therapy, what amount it will pay the manufacturer for the therapy, and on what tier of its formulary it will be placed. The position on a payor's list of covered drugs, or formulary, generally determines the co-payment that a patient will need to make to obtain the therapy and can strongly influence the adoption of such therapy by patients and physicians. Patients who are prescribed treatments for their conditions and providers prescribing such services generally rely on third-party payors to reimburse all or part of the associated healthcare costs. Patients are unlikely to use our products unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our products.

Third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. We cannot be sure that coverage and reimbursement will be available for any drug that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Inadequate coverage and reimbursement may impact the demand for, or the price of, any drug for which we obtain marketing approval. If coverage and adequate reimbursement are not available, or are available only to limited levels, we may not be able to successfully commercialize KZR-616 or any future product candidates that we develop.

Healthcare legislative reform measures may have a negative impact on our business and results of operations.

In the United States and some foreign jurisdictions, there have been, and continue to be, several legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of product candidates, restrict or regulate post-approval activities, and affect our ability to profitably sell any product candidates for which we obtain marketing approval.

Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives. In March 2010, the Patient Protection and Affordable Care Act of 2010, or the PPACA, was passed, which substantially changed the way healthcare is financed by both the government and private insurers, and significantly impacts the U.S. pharmaceutical industry. The PPACA, among other things: (i) addressed 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; (ii) increased the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and extends the rebate program to individuals enrolled in Medicaid managed care organizations; (iii) established annual fees and taxes on manufacturers of certain branded prescription drugs; (iv) expanded the availability of lower pricing under the 340B drug pricing program by adding new entities to the program; and (v) established a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% (and 70% commencing January 1, 2019)

point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D.

Some of the provisions of the PPACA have yet to be fully implemented, while certain provisions have been subject to judicial and Congressional challenges, as well as recent efforts by the Trump administration to repeal or replace certain aspects of the PPACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the PPACA have been signed into law. The Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the PPACA 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." Additionally, on January 22, 2018, President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain PPACA-mandated fees, including the so-called "Cadillac" tax on certain high cost employer-sponsored insurance plans, the annual fee imposed on certain health insurance providers based on market share, and the medical device excise tax on non-exempt medical devices. Further, the Bipartisan Budget Act of 2018, or the BBA, among other things, amends the PPACA, effective January 1, 2019, to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole." Congress may consider additional legislation to repeal or repeal and replace other elements of the PPACA. We continue to evaluate the effect that the PPACA and its possible repeal and replacement has on our business.

Other legislative changes have been proposed and adopted since the PPACA was enacted. These changes include aggregate reductions to Medicare payments to providers of 2% per fiscal year pursuant to the Budget Control Act of 2011, which began in 2013, and due to subsequent legislative amendments to the statute, including the BBA, will remain in effect through 2027 unless additional Congressional action is taken. The American Taxpayer Relief Act of 2012, among other things, further reduced Medicare payments to several providers, including hospitals and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding, which could have an adverse effect on customers for our product candidates, if approved, and, accordingly, our financial operations.

Additional changes that may affect our business include the expansion of new programs such as Medicare payment for performance initiatives for physicians under the Medicare Access and CHIP Reauthorization Act of 2015 which will be fully implemented in 2019. At this time, it is unclear how the introduction of the Medicare quality payment program will impact overall physician reimbursement. Also, there has been heightened governmental scrutiny recently over the manner in which drug manufacturers set prices for their marketed products, which have 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. At the federal level, the Trump administration's budget proposal for fiscal year 2019 contains further drug price control measures that could be enacted during the 2019 budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid, and to eliminate cost sharing for generic drugs for low-income patients. While any proposed measures will require authorization through additional legislation to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. At the state level, legislatures are increasingly passing legislation and implementing 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 these and 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 drug. 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 products.

Risks Related to Our Dependence on Third Parties

We will rely on third parties to produce clinical and commercial supplies of KZR-616 and any future product candidates.

Although we have small-scale internal manufacturing capabilities for characterization and preclinical assessment purposes, we do not expect to own or operate, facilities for drug manufacturing, storage and distribution, or testing. We will be dependent on third parties to manufacture the clinical supplies of our product candidates. The facilities used by our contract manufacturers to manufacture our product candidates must be approved by the FDA pursuant to inspections that will be conducted after we submit our NDA to the FDA. We do not control the manufacturing process of, and are completely dependent on, our contract manufacturing partners for compliance with the regulatory requirements, known as cGMPs for manufacture of both active drug substances and finished product candidates, and the quality system regulation, or QSR, applicable to the self-administered dual-chamber system for KZR-616. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA or others, we will not be able to secure and/or maintain regulatory approval for our product candidates. In addition, we have no control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA 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 regulatory approval for or market our product candidates, if approved.

Further, we also will rely on third-party manufacturers to supply us with sufficient quantities of our product candidates, including KZR-616, to be used, if approved, for commercialization. Any significant delay in the supply of a product candidate, or the raw material components thereof, for an ongoing clinical trial due to the need to replace a third-party manufacturer could considerably delay completion of our clinical trials, product testing and potential regulatory approval of our product candidates.

Further, our reliance on third-party manufacturers entails risks to which we would not be subject if we manufactured product candidates ourselves, including:

- inability to meet our product specifications and quality requirements consistently;
- delay or inability to procure or expand sufficient manufacturing capacity;
- issues related to scale-up of manufacturing;
- costs and validation of new equipment and facilities required for scale-up;
- our third-party manufacturers may not be able to execute our manufacturing procedures and other logistical support requirements appropriately;
- our third-party manufacturers may fail to comply with cGMP-compliance and other inspections by the FDA or other comparable regulatory authorities;
- our inability to negotiate manufacturing agreements with third parties under commercially reasonable terms, if at all;
- breach, termination or nonrenewal of manufacturing agreements with third parties in a manner or at a time that is costly or damaging to us;
- reliance on single sources for drug components;
- lack of qualified backup suppliers for those components that are currently purchased from a sole or single source supplier;
- our third-party manufacturers may not devote sufficient resources to our product candidates;
- we may not own, or may have to share, the intellectual property rights to any improvements made by our third-party manufacturers in the manufacturing process for our product candidates;
- operations of our third-party manufacturers or suppliers could be disrupted by conditions unrelated to our business or operations, including the bankruptcy of the manufacturer or supplier; and
- carrier disruptions or increased costs that are beyond our control.

Any of these events could lead to clinical trial delays, failure to obtain regulatory approval or impact our ability to successfully commercialize our current or any future product candidates once approved. Some of these events could

be the basis for FDA action, including injunction, request for recall, seizure, or total or partial suspension of production.

Our business involves the use of hazardous materials and we and our third-party manufacturers and suppliers must comply with environmental laws and regulations, which can be expensive and restrict how we do business.

Our research and development activities and our third-party manufacturers' and suppliers' activities involve the controlled storage, use and disposal of hazardous materials owned by us, including the components of our product candidates and other hazardous compounds. We and our manufacturers and suppliers are subject to laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. In some cases, these hazardous materials and various wastes resulting from their use are stored at our and our manufacturers' facilities pending their use and disposal. We cannot eliminate the risk of contamination, which could cause an interruption of our commercialization efforts, research and development efforts and business operations, environmental damage resulting in costly clean-up and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. Although we believe that the safety procedures utilized by our third-party manufacturers for handling and disposing of these materials generally comply with the standards prescribed by these laws and regulations, we cannot guarantee that this is the case or eliminate the risk of accidental contamination or injury from these materials. In such an event, we may be held liable for any resulting damages and such liability could exceed our resources and state or federal or other applicable authorities may curtail our use of certain materials and/or interrupt our business operations. Furthermore, environmental laws and regulations are complex, change frequently and have tended to become more stringent. We cannot predict the impact of such changes and cannot be certain of our future compliance. We do not currently carry hazardous waste insurance coverage.

We rely on third parties to conduct, supervise and monitor our preclinical studies and clinical trials, and if those third parties perform in an unsatisfactory manner, it may harm our business.

We do not currently have the ability to independently conduct any clinical trials. We intend to rely on CROs and clinical trial sites to ensure the proper and timely conduct of our preclinical studies and clinical trials, and we expect to have limited influence over their actual performance. We rely upon CROs to monitor and manage data for our clinical programs, as well as the execution of future nonclinical studies. We expect to control only certain aspects of our CROs' activities. Nevertheless, we will be responsible for ensuring that each of our preclinical studies and clinical trials is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities.

We and our CROs are required to comply with the good laboratory practices, or GLPs, and GCPs, which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities in the form of International Conference on Harmonization guidelines for any of our product candidates that are in preclinical and clinical development. The regulatory authorities enforce GCPs through periodic inspections of trial sponsors, principal investigators and clinical trial sites. Although we rely on CROs to conduct GCP-compliant clinical trials, we remain responsible for ensuring that each of our GLP preclinical studies and clinical trials is conducted in accordance with its investigational plan and protocol and applicable laws and regulations, and our reliance on the CROs does not relieve us of our regulatory responsibilities. If we or our CROs fail to comply with 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. Accordingly, if our CROs fail to comply with these regulations or fail to recruit a sufficient number of subjects, we may be required to repeat clinical trials, which would delay the regulatory approval process.

Our reliance on third parties to conduct clinical trials will result in less direct control over the management of data developed through clinical trials than would be the case if we were relying entirely upon our own staff. Communicating with CROs and other third parties can be challenging, potentially leading to mistakes as well as difficulties in coordinating activities. Such parties may:

- have staffing difficulties;
- fail to comply with contractual obligations;
- experience regulatory compliance issues; or
- undergo changes in priorities or become financially distressed.

These factors may materially adversely affect the willingness or ability of third parties to conduct our clinical trials and may subject us to unexpected cost increases that are beyond our control. If our CROs do not successfully carry out their contractual duties or obligations, fail to meet expected deadlines, fail to comply with regulatory requirements, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for any 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, any product candidate that we develop. As a result, our financial results and the commercial prospects for any product candidate that we develop would be harmed, our costs could increase, and our ability to generate revenue could be delayed. While we will have agreements governing their activities, our CROs will not be our employees, and we will not control whether or not they devote sufficient time and resources to our future clinical and nonclinical programs. These CROs may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting clinical trials, or other drug development activities which could harm our business. We face the risk of potential unauthorized disclosure or misappropriation of our intellectual property by CROs, which may reduce our trade secret protection and allow our potential competitors to access and exploit our proprietary technology.

If our relationship with any of these CROs terminates, we may not be able to enter into arrangements with alternative CROs or do so on commercially reasonable terms. Switching or adding additional CROs involves substantial 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 negatively impact our ability to meet our desired clinical development timelines. Though we intend to carefully manage our relationships with our CROs, there can be no assurance that we will not encounter challenges or delays in the future or that these delays or challenges will not have a negative impact on our business, financial condition and prospects.

In addition, 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. The FDA may conclude that a financial relationship between us and a principal investigator has created a conflict of interest or otherwise affected interpretation of the trial. The FDA 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 and may ultimately lead to the denial of marketing approval of KZR-616 and any future product candidates.

Risks Related to Our Intellectual Property

If we are unable to obtain adequate protection for our proprietary know-how or obtain and maintain patent protection for KZR-616 or any future product candidates, or if the scope of the patent protection obtained is not sufficiently broad, or if our patents are insufficient to protect our product candidates for an adequate amount of time, we may not be able to compete effectively in our markets.

We rely upon a combination of patents, trade secret protection and confidentiality agreements to protect the intellectual property related to our development programs and product candidates. Our success depends in large part on our ability to obtain and maintain patent protection in the United States and other countries with respect to KZR-616 and any future product candidates. We seek to protect our proprietary position by, among other methods, filing patent applications in the United States and abroad related to our current and future development programs and product candidates. The patent prosecution process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We also rely on trade secrets, know-how and continuing technological innovation to develop and maintain our proprietary and intellectual property position.

We acquire, in-license and file patent applications directed to our product candidates in an effort to establish intellectual property positions directed to their compositions of matter as well as uses of these product candidates in the treatment of diseases. Our intellectual property includes patents and patent applications that we own as well as patents and patent applications that we in-license. For example, we have a field-specific exclusive license under the Onyx license agreement to some of our patent applications and patents relating to KZR-616.

We or our licensors have not pursued or maintained, and may not pursue or maintain in the future, patent protection for our product candidates in every country or territory in which we may sell our products, if approved. In addition, we cannot be sure that any of our pending patent applications or pending trademark applications will issue or that, if issued, they have or will issue in a form that will be advantageous to us. The United States Patent and Trademark Office, or the USPTO, international patent offices or judicial bodies may deny or significantly narrow claims made under our patent applications and our issued patents may be successfully challenged, may be designed around, or may otherwise be of insufficient scope to provide us with protection for our commercial products.

It is possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Moreover, patent prosecution is a lengthy process, during which the scope of the claims initially submitted for examination by the USPTO may be significantly narrowed by the time they issue, if issued at all. The claims of our issued patents or patent applications when issued may not cover our current or future product candidates, or even if such patents provide coverage, the coverage obtained may not provide any competitive advantage. The patent applications that we own or in-license may fail to result in issued patents with claims that cover our current or any future product candidates in the United States or in other foreign countries. There is no assurance that all of the potentially relevant prior art relating to our patents and patent applications has been found, which can invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue and even if such patents cover our current or any future product candidates, third parties may challenge their validity, enforceability or scope, which may result in such patents being narrowed, invalidated, or held unenforceable. Any successful opposition to these patents or any other patents owned by or licensed to us could deprive us of rights necessary for the successful commercialization of any product candidates or companion diagnostic that we may develop. Further, if we encounter delays in regulatory approvals, the period of time during which we could market a product candidate and companion diagnostic under patent protection could be reduced.

If the patent applications we hold or have in-licensed with respect to our development programs and product candidates fail to issue, if their breadth or strength of protection is threatened, or if they fail to provide meaningful exclusivity for KZR-616 or any future product candidates, it could dissuade companies from collaborating with us to develop and commercialize product candidates and future drugs and threaten our ability to commercialize, future drugs. Any such outcome could have a negative effect on our business.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. In addition, the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. For example, European patent law restricts the patentability of methods of treatment of the human body more than United States law does. Furthermore, other parties may have developed or may develop technologies that may be related or competitive to our own, and such parties may have filed or may file patent applications, or may have received or may receive patents, claiming inventions that may overlap or conflict with those claimed in our patent applications or issued patents, with respect to either the same methods or formulations or the same subject matter, in either case, that we may rely upon to dominate our patent position in the market. Publications of discoveries in scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot know with certainty whether we were the first to make the inventions claimed in our owned or licensed patents or pending patent applications, or that we were the first to file for patent protection of such inventions. As a result, the 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 which protect our technology or drugs, in whole or in part, or which effectively prevent others from commercializing competitive technologies and drugs. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection.

Recent 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. On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to the United States patent law. These include provisions that affect the way patent applications are prosecuted and may affect the scope, strength and enforceability of our patent rights or the nature of

proceedings that may be brought by or against us related to our patent rights. The Leahy-Smith Act, in particular, the first to file provisions, only became effective on March 16, 2013. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could harm our business and financial condition.

Moreover, we may be subject to a third-party pre-issuance submission of prior art to the USPTO or become involved in opposition, derivation, reexamination, inter partes review, post-grant review or interference proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or drugs and compete directly with us without payment to us, or result in our inability to manufacture or commercialize drugs without infringing third-party patent rights. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize KZR-616 or any future product candidates.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our owned and licensed patents may be challenged in the courts or patent offices in the United States and abroad. For example, we may be subject to a third-party submission of prior art to the USPTO challenging the priority of an invention claimed within one of our patents, which submissions may also be made prior to a patent's issuance, precluding the granting of any of our pending patent applications. An adverse determination in any such challenges may result in loss of exclusivity or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar or identical technology and drugs, or limit the duration of the patent protection of our technology and drugs. Moreover, patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years from the earliest filing date of a non-provisional patent application. Various extensions may be available; however, the life of a patent, and the protection it affords, is limited. Without patent protection for KZR-616 or any future product candidates, we may be open to competition from generic versions of such drugs. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing drugs similar or identical to ours.

Even if they are unchallenged, our issued patents and our pending patent applications, if issued, may not provide us with any meaningful protection or prevent competitors from designing around our patent claims to circumvent our owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner. For example, a third-party may develop a competitive drug that provides benefits similar to one or more of our product candidates but that has a different composition that falls outside the scope of our patent protection. If the patent protection provided by the patents and patent applications we hold or pursue with respect to our product candidates is not sufficiently broad to impede such competition, or if the breadth, strength or term (including any extensions or adjustments) of protection provided by the patents and patent applications we hold or pursue with respect to our product candidates or any future product candidates is successfully challenged, our ability to successfully commercialize our product candidates could be negatively affected, which would harm our business. Further, if we encounter delays in our clinical trials, the period of time during which we could market our product candidates or any future product candidates under patent protection would be reduced.

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

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In addition, periodic maintenance fees, renewal fees, annuity fees and various other government fees on patents and/or applications will have to be paid to the USPTO and various government patent agencies outside of the United States over the lifetime of our owned and licensed patents and/or applications and any patent rights we may own or license in the future. We rely on our outside counsel or our licensing partners to pay these fees due to non-U.S. patent agencies. The USPTO and various non-U.S. government patent agencies require compliance with several 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 we are also dependent on our licensors to take the necessary action to comply with these requirements with respect to our licensed intellectual property. Non-compliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we or our licensors fail to maintain the patents and patent applications covering our products or technologies, we may not be able to stop a competitor from marketing products that are the same as or similar to our product candidates, which would have a material adverse effect on our business. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. There are situations, however, in which non-compliance 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. In such an event, potential competitors might be able to enter the market and this circumstance could harm our business.

In addition, if we fail to apply for applicable patent term extensions or adjustments, we will have a more limited time during which we can enforce our granted patents. In addition, if we are responsible for patent prosecution and maintenance of patent rights in-licensed to us, any of the foregoing could expose us to liability to the applicable patent owner.

Patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time.
Given the amount of time required for the development, testing and regulatory review of new product candidates such as KZR-616, patents protecting such candidates might expire before or shortly after such candidates are commercialized. We expect to seek extensions of patent terms in the United States and, if available, in other countries where we are prosecuting patents. In the United States, the Drug Price Competition and Patent Term Restoration Act of 1984 permits a patent term extension of up to five years beyond the normal expiration of the patent, which is limited to the approved indication (or any additional indications approved during the period of extension). However, the applicable authorities, including the FDA and the USPTO in the United States, and any equivalent regulatory authority in other countries, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or may grant more limited extensions than we request. If this occurs, our competitors may be able to take advantage of our investment in development and clinical trials by referencing our clinical and preclinical data and launch their drug earlier than might otherwise be the case.

Intellectual property rights do not necessarily address all potential threats to our business.
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. The following examples are illustrative:

- others may be able to make compounds or formulations that are similar to our product candidates but that are not covered by the claims of any patents, should they issue, that we own or control;
- we or any strategic partners might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or control;
- we 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 pending patent applications will not lead to issued patents;
- issued patents that we own or control may not provide us with any competitive advantages, or may be held invalid or unenforceable as a result of legal challenges;
- our competitors might conduct research and development activities in the United States and other countries that provide a safe harbor from patent infringement claims for certain research and development activities, as well as in countries where we do not have patent rights and then use the information learned from such activities to develop competitive drugs 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.

Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a negative impact on the success of our business.

Our commercial success depends, in part, upon our ability and the ability of our future collaborators to develop, manufacture, market and sell KZR-616 and any future product candidates and use our proprietary technologies without infringing the proprietary rights and intellectual property of third parties. The biotechnology and pharmaceutical industries are characterized by extensive and complex litigation regarding patents and other intellectual property rights. We may in the future become party to, or be threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to KZR-616 and any future product candidates and technology, including interference proceedings, post grant review and inter partes review before the USPTO. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future, regardless of their merit. There is a risk that third parties may choose to engage in litigation with us to enforce or to otherwise assert their patent rights against us. Even if we believe such claims are without merit, a court of competent jurisdiction could hold that these third-party patents are valid, enforceable and infringed, which could have a negative impact on our ability to commercialize KZR-616 and any future product candidates. In order to successfully challenge the validity of any such U.S. patent in federal court, we would need to overcome a presumption of validity. As this burden is a high one requiring us to present clear and convincing evidence as to the invalidity of any such U.S. patent claim, there is no assurance that a court of competent jurisdiction would invalidate the claims of any such U.S. patent. Moreover, given the vast number of patents in our field of technology, we cannot be certain that we do not infringe existing patents or that we will not infringe patents that may be granted in the future. Many companies and research institutions have filed, and continue to file, patent applications related to selective immunoproteasome inhibitors. Some of these patent applications have already been allowed or issued, and others may issue in the future. While we may decide to initiate proceedings to challenge the validity of these or other patents in the future, we may be unsuccessful, and courts or patent offices in the United States and abroad could uphold the validity of any such patent. Furthermore, because patent applications can take many years to issue and may be confidential for 18 months or more after filing, and because pending patent claims can be revised before issuance, there may be applications now pending which may later result in issued patents that may be infringed by the manufacture, use or sale of our product candidates. Regardless of when filed, we may fail to identify relevant third party patents or patent applications, or we may incorrectly conclude that a third party patent is invalid or not infringed by our product candidates or activities. If a patent holder believes our product candidate infringes its patent, the patent holder may sue us even if we have received patent protection for our technology. Moreover, we may face patent infringement claims from non-practicing entities that have no relevant drug revenue and against whom our own patent portfolio may thus have no deterrent effect. If a patent infringement suit were threatened or brought against us, we could be forced to stop or delay research, development, manufacturing or sales of the drug or product candidate that is the subject of the actual or threatened suit

If we are found to infringe a third party's valid and enforceable intellectual property rights, we could be required to obtain a license from such third party to continue developing, manufacturing and marketing our product candidate(s) and technology. Under any such license, we would most likely be required to pay various types of fees, milestones, royalties or other amounts. Moreover, we may not be able to obtain any required license on commercially reasonable terms or at all.

The licensing or acquisition of third-party intellectual property rights is a competitive area, and more established companies may also pursue strategies to license or acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, capital resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. If we are unable to successfully obtain rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant program or product candidate, which could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore, even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us, and it could require us to make substantial licensing and royalty payments. We could be forced, including by court order, to cease developing, manufacturing and commercializing the infringing technology or product candidate. In

addition, we could be found liable for monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent or other intellectual property right. We may be required to indemnify collaborators or contractors against such claims. A finding of infringement could prevent us from manufacturing and commercializing KZR-616 or any future product candidates or force us to cease some or all of our business operations, which could materially harm our business. Even if we are successful in defending against such claims, litigation can be expensive and time consuming and would divert management's attention from our core business. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business, financial condition, results of operations and prospects.

We may be subject to claims asserting that our employees, consultants or advisors have wrongfully used or disclosed alleged trade secrets of their current or former employers or claims asserting ownership of what we regard as our own intellectual property.

Certain of our employees, consultants or advisors are currently, or were previously, employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees, consultants and advisors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that these individuals or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. 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. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, we may in the future be subject to claims by our former employees or consultants asserting an ownership right in our patents or patent applications, as a result of the work they performed on our behalf. Although it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own, and we cannot be certain that our agreements with such parties will be upheld in the face of a potential challenge or that they will not be breached, for which we may not have an adequate remedy. The assignment of intellectual property rights may not be self-executing or the assignment agreements may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property.

Licensing of intellectual property is of critical importance to our business and involves complex legal, business and scientific issues. If we breach the Onyx license agreement or any of the other agreements under which we acquired, or will acquire, our product candidates, we could lose the ability to continue the development and commercialization of the related product.

The licensing of intellectual property is of critical importance to our business and to our current and future product candidates, and we expect to enter into additional such agreements in the future.

In particular, our immunoproteasome program, including KZR-616, is dependent on our license agreement with Onyx. Pursuant to the Onyx license agreement, Onyx granted us an exclusive license under certain patent rights, and a non-exclusive license to certain know-how, controlled by Onyx and relating to our immunoproteasome program, to develop, manufacture or commercialize certain types of compounds, including KZR-616, that are selective for the immunoproteasome, for any and all uses other than those related to the diagnosis and/or treatment in humans of cancerous or pre-cancerous diseases and/or conditions, including those related to hematological diseases and/or conditions.

The licensed compounds, including KZR-616, are selective for the immunoproteasome and therefore are not known or believed (based on scientific literature and the Company's own research and development activities) to have any application in cancer or pre-cancerous conditions. However, notwithstanding these known characteristics of the licensed compounds, Onyx retains all rights under the licensed intellectual property rights that are not granted to the Company, and therefore Onyx retains rights under such intellectual property rights to develop and commercialize the licensed compounds in connection with the diagnosis and/or treatment in humans of cancerous or pre-cancerous diseases and/or conditions, including those related to hematological diseases and/or conditions, and also has the

rights to transfer these rights to a third-party. If one or more of the licensed compounds were found to have any application in cancer or pre-cancerous indications, and if Onyx or a third-party commercialized these compounds in such indications in forms that are commercially interchangeable with our licensed compounds during time periods in which we also commercialize such licensed compounds within our licensed field, sales of such compounds for such cancer and pre-cancerous indications could result in a threat of off-label use of such compounds in our licensed field, potentially diminishing our sales of the applicable licensed compounds in our licensed field.

The Onyx license agreement 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. Specifically, under the Onyx license agreement, Onyx has a right of first negotiation under certain circumstances to obtain a license or a similar transfer of rights, if we are seeking to out-license rights to develop and/or commercialize certain licensed products.

Disputes may arise between us and any of these counterparties regarding intellectual property rights that are subject to such agreements, including, but not limited to:

- the scope of rights granted under the agreement and other interpretation-related issues;
- whether and the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the agreement;
- our right to sublicense patent 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;
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners;
- our right to transfer or assign our license; and
- the effects of termination.

These or other disputes over intellectual property that we have licensed (or will license or acquire in the future) may prevent or impair our ability to maintain our current arrangements on acceptable terms, or may impair the value of the arrangement to us. Any such dispute could have an adverse effect on our business.

If we fail to meet our obligations under these agreements in any material respect, the counterparty may have the right to terminate the respective agreement. Any uncured, material breach under a license could result in our loss of exclusive rights and may lead to a complete termination of our product development and any commercialization efforts for each of our product candidates. While we would expect to exercise all rights and remedies available to us, including seeking to cure any breach by us, and otherwise seek to preserve our rights under the technology licensed to or acquired by us, we may not be able to do so in a timely manner, at an acceptable cost or at all.

Furthermore, certain provisions in our intellectual property agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could affect the scope of our rights to the relevant intellectual property or technology, or affect financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be involved in lawsuits to protect or enforce our patents, the patents of our licensors or our other intellectual property rights, which could be expensive, time consuming and unsuccessful.

Competitors may infringe or otherwise violate our patents, the patents of our licensors or our other intellectual property rights. To counter infringement or unauthorized use, we may be required to file legal claims, which can be expensive and time consuming and is likely to divert significant resources from our core business, including distracting our technical and management personnel from their normal responsibilities. In addition, in an infringement proceeding, a court may decide that a patent of ours or our licensors is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not issuing. The initiation of a claim against a third party may also cause the third party to bring counter claims against

us such as claims asserting that our patents are invalid or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, non-enablement or lack of statutory subject matter. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant material information from the USPTO, or made a materially misleading statement, during prosecution. Third parties may also raise similar validity claims before the USPTO in post-grant proceedings such as ex parte reexaminations, inter partes review, or post-grant review, or oppositions or similar proceedings outside the United States, in parallel with litigation or even outside the context of litigation. The outcome following legal assertions of invalidity and unenforceability is unpredictable. We cannot be certain that there is or will be no invalidating prior art, of which we and the patent examiner were unaware during prosecution. For the patents and patent applications that we have licensed, we may have limited or no right to participate in the defense of any licensed patents against challenge by a third party. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of any future patent protection on our current or future product candidates. Such a loss of patent protection could harm our business.

We may not be able to prevent, alone or with our licensors, misappropriation of our intellectual property rights, particularly in countries where the laws may not protect those rights as fully as in the United States. Our business could be harmed if in litigation the prevailing party does not offer us a license, and such a license may not be on commercially reasonable terms. Any litigation or other proceedings to enforce our intellectual property rights may fail, and even if successful, may result in substantial costs and distract our management and other employees.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have an adverse effect on the price of our common stock.

We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. 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 and more mature and developed intellectual property portfolios. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating or from successfully challenging our intellectual property rights. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

Changes in U.S. patent law or the patent law of other countries or jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect KZR-616 and any future product candidates.

The United States has recently enacted and implemented wide ranging patent reform legislation. 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 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 actions by the U.S. Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce patents that we have licensed or that we might obtain in the future. Similarly, changes in patent law and regulations in other countries or jurisdictions, changes in the governmental bodies that enforce them or changes in how the relevant governmental authority enforces patent laws or regulations may weaken our ability to obtain new patents or to enforce patents that we have licensed or that we may obtain in the future.

We may not be able to protect our intellectual property rights throughout the world, which could negatively impact our business.

Filing, prosecuting and defending patents covering KZR-616 and any future product candidates throughout the world would be prohibitively expensive. 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 may obtain patent protection but where patent enforcement is not as strong as that in the United

States. These products may compete with our products in jurisdictions where we do not have any issued or licensed patents and any future patent claims or other intellectual property rights may not be effective or sufficient to prevent them from so competing.

Reliance on third parties requires us to share our trade secrets, which increases the possibility that a competitor will discover them or that our trade secrets will be misappropriated or disclosed.

Since we rely on third parties to discover, develop, manufacture or commercialize KZR-616 or any future product candidates, or if we collaborate with third parties for the development of KZR-616 or any future product candidates, we must, at times, share trade secrets with them. We may also conduct joint research and development programs that may require us to share trade secrets under the terms of our research and development partnerships or similar agreements. We seek to protect our proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, consulting agreements or other similar agreements with our advisors, employees, third-party contractors and consultants prior to beginning research or disclosing proprietary information. These agreements typically limit the rights of the third parties to use or disclose our confidential information, including our trade secrets. Despite the contractual provisions employed when working with third parties, the need to share trade secrets and other confidential information increases the risk that such trade secrets become known by our competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. Given that our proprietary position is based, in part, on our know-how and trade secrets, a competitor's discovery of our trade secrets or other unauthorized use or disclosure could have an adverse effect on our business and results of operations.

In addition, these agreements typically restrict the ability of our advisors, employees, third-party contractors and consultants to publish data potentially relating to our trade secrets. Despite our efforts to protect our trade secrets, we may not be able to prevent the unauthorized disclosure or use of our technical know-how or other trade secrets by the parties to these agreements. Moreover, we cannot guarantee that we have entered into such agreements with each party that may have or have had access to our confidential information or proprietary technology and processes. Monitoring unauthorized uses and disclosures is difficult, and we do not know whether the steps we have taken to protect our proprietary technologies will be effective. If any of the collaborators, scientific advisors, employees, contractors and consultants who are parties to these agreements breaches or violates the terms of any of these agreements, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets as a result. Moreover, if confidential information that is licensed or disclosed to us by our partners, collaborators, or others is inadvertently disclosed or subject to a breach or violation, we may be exposed to liability to the owner of that confidential information. Enforcing a claim that a third-party illegally obtained and is using our trade secrets, like patent litigation, is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets.

Any trademarks we may obtain may be infringed or successfully challenged, resulting in harm to our business.

We expect to rely on trademarks as one means to distinguish any of our product candidates that are approved for marketing from the products of our competitors. We have not yet selected trademarks for KZR-616 and have not yet begun the process of applying to register trademarks for KZR-616 or any other product candidate. Once we select trademarks and apply to register them, our trademark applications may not be approved. Third parties may oppose our trademark applications or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition and could require us to devote resources to advertising and marketing new brands. Our competitors may infringe our trademarks, and we may not have adequate resources to enforce our trademarks.

In addition, any proprietary name we propose to use with KZR-616 or any other product candidate in the United States must be approved by the FDA, regardless of whether we have registered it, or applied to register it, as a trademark. The FDA typically conducts a review of proposed product names, including an evaluation of the potential for confusion with other product names. If the FDA objects to any of our proposed proprietary product names, we may be required to expend significant additional resources in an effort to identify a suitable proprietary product name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA.

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

In addition to seeking patent and trademark protection for our product candidates, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect our trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets. Monitoring unauthorized uses and disclosures of our intellectual property is difficult, and we do not know whether the steps we have taken to protect our intellectual property will be effective. In addition, we may not be able to obtain adequate remedies for any 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, our competitors may independently develop knowledge, methods and know-how equivalent to our trade secrets. Competitors could purchase our products and replicate some or all of the competitive advantages we derive from our development efforts for technologies on which we do not have patent protection. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they communicate it, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our competitive position would be harmed.

We also seek to preserve the integrity and confidentiality of our data and other confidential information by maintaining physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in these individuals, organizations and systems, agreements or security measures may be breached and detecting the disclosure or misappropriation of confidential information and enforcing a claim that a party illegally disclosed or misappropriated confidential information is difficult, expensive and time-consuming, and the outcome is unpredictable. Further, we may not be able to obtain adequate remedies for any breach. In addition, our confidential information may otherwise become known or be independently discovered by competitors, in which case we would have no right to prevent them, or those to whom they communicate it, from using that technology or information to compete with us.

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

We are highly dependent on the services of our Chief Executive Officer, John Fowler, and our President and Chief Scientific Officer, Dr. Christopher Kirk, and if we are not able to retain these members of our management team or recruit and retain additional management, clinical and scientific personnel, our business will be harmed.

We are highly dependent on our Chief Executive Officer, John Fowler, and our President and Chief Scientific Officer, Dr. Christopher Kirk. Each of them may currently terminate their employment with us at any time and will continue to be able to do so after the closing of this offering. The loss of the services of either of these persons could impede the achievement of our research, development and commercialization objectives.

Recruiting and retaining other senior executives, qualified scientific and clinical personnel and, if we progress the development of any of our product candidates, commercialization, manufacturing and sales and marketing personnel, will be critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize our product candidates. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on

consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high-quality personnel, our ability to pursue our growth strategy will be limited.

Our future performance will also depend, in part, on our ability to successfully integrate newly hired executive officers into our management team and our ability to develop an effective working relationship among senior management. Our failure to integrate these individuals and create effective working relationships among them and other members of management could result in inefficiencies in the development and commercialization of our product candidates, harming future regulatory approvals, sales of our product candidates and our results of operations. Additionally, we do not currently maintain "key person" life insurance on the lives of our executives or any of our employees.

We will need to expand our organization, and we may experience difficulties in managing this growth, which could disrupt our operations.

As of May 4, 2018, we had 20 full-time employees. As the clinical development of our product candidates progresses, we also expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of research, drug development, regulatory affairs and, if any of our product candidates receives marketing approval, sales, marketing and distribution. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

Significant disruptions of our information technology systems or data security incidents could result in significant financial, legal, regulatory, business and reputational harm to us.

We are increasingly dependent on information technology systems and infrastructure, including mobile technologies, to operate our business. In the ordinary course of our business, we collect, store, process and transmit large amounts of sensitive information, including intellectual property, proprietary business information, personal information and other confidential information. It is critical that we do so in a secure manner to maintain the confidentiality, integrity and availability of such sensitive information. We have also outsourced elements of our operations (including elements of our information technology infrastructure) to third parties, and as a result, we manage a number of third-party vendors who may or could have access to our computer networks or our confidential information. In addition, many of those third parties in turn subcontract or outsource some of their responsibilities to third parties. While all information technology operations are inherently vulnerable to inadvertent or intentional security breaches, incidents, attacks and exposures, the accessibility and distributed nature of our information technology systems, and the sensitive information stored on those systems, make such systems potentially vulnerable to unintentional or malicious, internal and external attacks on our technology environment. Potential vulnerabilities can be exploited from inadvertent or intentional actions of our employees, third-party vendors, business partners, or by malicious third parties. Attacks of this nature are increasing in their frequency, levels of persistence, sophistication and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, "hacktivists," nation states and others. In addition to the extraction of sensitive information, such attacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information. In addition, the prevalent use of mobile devices increases the risk of data security incidents.

Significant disruptions of our, our third-party vendors' and/or business partners' information technology systems or other similar data security incidents could adversely affect our business operations or result in the loss, misappropriation, or unauthorized access, use or disclosure of, or the prevention of access to, sensitive information, which could result in financial, legal, regulatory, business and reputational harm to us. In addition, information technology system disruptions, whether from attacks on our technology environment or from computer viruses, natural disasters, terrorism, war and telecommunication and electrical failures, could result in a material disruption

of our development programs and our business operations. 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 data.

There is no way of knowing with certainty whether we have experienced any data security incidents that have not been discovered. While we have no reason to believe this to be the case, attackers have become very sophisticated in the way they conceal access to systems, and many companies that have been attacked are not aware that they have been attacked. Any event that leads to unauthorized access, use or disclosure of personal information, including but not limited to personal information regarding our patients or employees, could disrupt our business, harm our reputation, compel us to comply with applicable federal and/or state breach notification laws and foreign law equivalents, subject us to time consuming, distracting and expensive litigation, regulatory investigation and oversight, mandatory corrective action, require us to verify the correctness of database contents, or otherwise subject us to liability under laws, regulations and contractual obligations, including those that protect the privacy and security of personal information. This could result in increased costs to us, and result in significant legal and financial exposure and/or reputational harm. In addition, any failure or perceived failure by us or our vendors or business partners to comply with our privacy, confidentiality or data security-related legal or other obligations to third parties, or any further security incidents or other inappropriate access events that result in the unauthorized access, release or transfer of sensitive information, which could include personally identifiable information, may result in governmental investigations, enforcement actions, regulatory fines, litigation, or public statements against us by advocacy groups or others, and could cause third parties, including clinical sites, regulators or current and potential partners, to lose trust in us or we could be subject to claims by third parties that we have breached our privacy- or confidentiality-related obligations, which could materially and adversely affect our business and prospects. Moreover, data security incidents and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. While we have implemented security measures intended to protect our information technology systems and infrastructure, there can be no assurance that such measures will successfully prevent service interruptions or security incidents.

Our employees, principal investigators, consultants and commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of fraud or other misconduct by our employees, principal investigators, consultants and commercial partners. Misconduct by these parties could include intentional failures to comply with FDA regulations or the regulations applicable in other jurisdictions, provide accurate information to the FDA and other regulatory authorities, comply with healthcare fraud and abuse laws and regulations in the United States and abroad, report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Such misconduct also could involve the improper use of information obtained in the course of clinical trials or interactions with the FDA or other regulatory authorities, which could result in regulatory sanctions and cause serious harm to our reputation. It is not always possible to identify and deter employee misconduct, 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 government 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 result in significant civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, exclusion from participating in government funded healthcare programs, such as Medicare and Medicaid, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, contractual damages, reputational harm and the curtailment or restructuring of our operations, any of which could have a negative impact on our business, financial condition, results of operations and prospects.

If we engage in future acquisitions or strategic collaborations, 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 acquisitions and strategic collaborations, including licensing or acquiring complementary drugs, intellectual property rights, technologies or businesses, as deemed appropriate to carry out our business plan. 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;
- assimilation of operations, intellectual property and drugs of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing drug programs and initiatives in pursuing such a strategic partnership, 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 drugs or product candidates and regulatory approvals; and
- our inability to generate revenue from acquired technology and/or drugs sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we engage in future acquisitions or strategic partnerships, 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 drugs that may be important to the development of our business.

Risks Related to This Offering and Ownership of Our Common Stock

No public market for our common stock currently exists, and a public market may not develop or be liquid enough for you to sell your shares quickly or at market price.

Prior to this offering, there has not been a public market for our common stock. If an active trading market for our common stock does not develop following this offering, you may not be able to sell your shares quickly or at the market price. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares of our common stock and may impair our ability to acquire other companies or technologies by using our common stock as consideration. The initial public offering price of our common stock will be determined by negotiations between us and representatives of the underwriters and may not be indicative of the market prices of our common stock that will prevail in the trading market.

The market price of our common stock may be volatile and fluctuate substantially, which could result in substantial losses for purchasers of our common stock in this offering.

The market price of our common stock is likely to be volatile. The stock market in general and the market for biopharmaceutical and pharmaceutical companies in particular, has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, you may not be able to sell your common stock at or above the initial public offering price. In addition to the factors discussed in this "Risk Factors" section and elsewhere in this prospectus, the market price for our common stock may be influenced by the following:

- the commencement, enrollment or results of our planned or future clinical trials of KZR-616 and any future product candidates or those of our competitors;
- the success of competitive drugs or therapies;
- regulatory or legal developments in the United States and other countries;
- the success of competitive products or technologies;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;

- the level of expenses related to KZR-616 and any future product candidates or clinical development programs;
- the results of our efforts to discover, develop, acquire or in-license additional product candidates;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- our inability to obtain or delays in obtaining adequate drug supply for any approved drug or inability to do so at acceptable prices;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- significant lawsuits, including patent or stockholder litigation;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, political, and market conditions and overall fluctuations in the financial markets in the United States and abroad; and
- investors' general perception of us and our business.

These and other market and industry factors may cause the market price and demand for our common stock to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from selling their shares at or above the price paid for the shares and may otherwise negatively affect the liquidity of our common stock. In addition, the stock market in general, and biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies.

Some companies that have experienced volatility in the trading price of their shares have been the subject of securities class action litigation. Any lawsuit to which we are a party, with or without merit, may result in an unfavorable judgment. We also may decide to settle lawsuits on unfavorable terms. Any such negative outcome could result in payments of substantial damages or fines, damage to our reputation or adverse changes to our business practices. Defending against litigation is costly and time-consuming, and could divert our management's attention and our resources. Furthermore, during the course of litigation, there could be negative public announcements of the results of hearings, motions or other interim proceedings or developments, which could have a negative effect on the market price of our common stock.

Concentration of ownership of our common stock among our existing executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.

Based upon our shares of our common stock outstanding as of June 1, 2018, upon the completion of this offering, our executive officers, directors and stockholders who owned more than 5% of our outstanding common stock before this offering will, in the aggregate, beneficially own shares representing approximately 47.4% of our outstanding common stock. If our executive officers, directors and stockholders who owned more than 5% of our outstanding common stock acted together, they may be able to significantly influence all matters requiring stockholder approval, including the election and removal of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. The concentration of voting power and transfer restrictions could delay or prevent an acquisition of our company on terms that other stockholders may desire or result in the management of our company in ways with which other stockholders disagree.

If research analysts do not publish research or reports, or publish unfavorable research or reports, about 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 industry or financial analysts publish about us or our business. We do not currently have, and may never obtain, research coverage by industry or financial analysts. Equity research analysts may elect not to provide research coverage of our common stock after the completion of this offering, and such lack of research coverage may adversely affect the market price of our common stock. In the event we do have equity research analyst coverage, we will not have any control over the analysts or the content and opinions included in their reports. The price of our shares could decline if one or more

equity research analysts downgrade our shares or issue other unfavorable commentary or research about us. If one or more equity research analysts ceases coverage of us or fails to publish reports on us regularly, demand for our shares could decrease, which in turn could cause the trading price or trading volume of our common stock to decline.

If you purchase shares of common stock in this offering, you will suffer immediate dilution of your investment.

The initial public offering price of our common stock will be substantially higher than the net tangible book value per share of our common stock. Therefore, if you purchase shares of our common stock in this offering, you will pay a price per share that substantially exceeds our net tangible book value per share after this offering. Based on an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, you will experience immediate dilution of $9.03 per share, representing the difference between our pro forma as adjusted net tangible book value per share after this offering and the initial public offering price per share. After this offering, we will also have outstanding options to purchase common stock with exercise prices lower than the initial public offering price. To the extent these outstanding options are exercised, there will be further dilution to investors in this offering. See the section titled “Dilution” for additional information.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be your sole source of gain.

You should not rely on an investment in our common stock to provide dividend income. We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future. Investors seeking cash dividends should not purchase our common stock in this offering.

We have broad discretion in the use of our cash and cash equivalents, including the net proceeds from this offering, and may use them ineffectively, in ways in which you do not agree or in ways that do not increase the value of your investment.

Our management will have broad discretion in the application of our cash and cash equivalents, including the net proceeds from this offering, and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our common stock. The failure by our management to apply these funds effectively could result in financial losses that could have a negative impact on our business, cause the price of our common stock to decline and delay the development of our product candidates. Pending their use, we may invest our cash and cash equivalents, including the net proceeds from this offering, in a manner that does not produce income or that loses value. See the section titled “Use of Proceeds” for additional information.

A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is performing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time, subject to certain restrictions described below. These sales, or the perception in the market that holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. After this offering, we will have outstanding 17,988,189 shares of common stock based on the number of shares outstanding as of March 31, 2018 assuming no exercise by the underwriters’ over-allotment option. This includes the shares that we are selling in this offering, which may be resold in the public market immediately without restriction, unless purchased by our affiliates. The remaining 13,321,522 shares are currently restricted as a result of securities laws or lock-up agreements but will be able to be sold after the offering as described in the sections titled “Shares Eligible for Future Sale” and “Underwriting.” Moreover, upon the completion of this offering, holders of an aggregate of approximately shares of our common stock will have rights, subject to some 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 intend to register all shares of common stock that we may issue under our equity compensation plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates and the lock-up agreements described in the section titled “Underwriting.”

We are an "emerging growth company," and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We are an "emerging growth company," or EGC, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we intend to take advantage of some of the exemptions from reporting requirements that are applicable to other public companies that are not emerging growth companies, including:

- being permitted to provide only two 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 in the assessment of our internal control over financial reporting;
- 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
- not being required to hold a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We cannot predict whether investors will find our common stock less attractive because we will 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 share price may be more volatile. We may take advantage of some or all of these reporting exemptions until we are no longer an EGC. We will remain an EGC until the earlier of (i) five years following the completion of this offering, (ii) the last day of the fiscal year in which we have total annual gross revenue of at least $1.07 billion, (iii) the last day of the first fiscal year in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, and (iv) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

Under Section 107(b) of the JOBS Act, EGCs can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not EGCs.

We will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public company, and particularly after we are no longer an EGC, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and rules subsequently implemented by the SEC and The Nasdaq Stock Market LLC have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance.

Pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, we will be required to furnish a report by our management on our internal control over financial reporting, including an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. However, while we remain an EGC, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that

controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that neither we nor our independent registered public accounting firm will be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our consolidated financial statements.

If we are unable to successfully remediate the existing material weakness in our internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected.

In connection with the audit of our consolidated financial statements as of and for the years ended December 31, 2016 and 2017, we identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our consolidated financial statements will not be prevented or detected on a timely basis. The material weakness is related to a lack of sufficient number of qualified personnel within our accounting function to adequately segregate duties, a lack of sufficient review and approval of manual journal entries posted to the general ledger and a lack of adequate review procedures over general ledger account reconciliations.

We are implementing measures designed to improve our internal control over financial reporting to remediate this material weakness, including the following:

- we are in the process of adding additional qualified accounting personnel and segregating duties among accounting personnel; and
- we are formalizing our internal control documentation and strengthening supervisory reviews by our management.

These additional resources and procedures are designed to enable us to broaden the scope and quality of our internal review of underlying information related to financial reporting and to formalize and enhance our internal control procedures. With the oversight of senior management and our audit committee, we have begun taking steps and plan to take additional measures to remediate the underlying causes of the material weakness.

We, and our independent registered public accounting firm, were not required to perform an evaluation of our internal control over financial reporting as of December 31, 2017 in accordance with the provisions of the Sarbanes-Oxley Act. Accordingly, we cannot provide assurance that we have identified all, or that we will not in the future have additional, material weaknesses.

If we fail to remediate the material weakness or to meet the demands that will be placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act, we may be unable to accurately report our financial results, or report them within the timeframes required by law or stock exchange regulations. Failure to comply with Section 404 could also potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. There is no assurance that we will be able to remediate the material weakness in a timely manner, or at all, or that in the future, additional material weaknesses will not exist or otherwise be discovered. If our efforts to remediate the material weakness identified are not successful, or if other material weaknesses or other deficiencies occur, our ability to accurately and timely report our financial position could be impaired.

Provisions in our corporate charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our corporate charter and our bylaws that will become effective upon the completion of this offering may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- establish a classified board of directors such that not all members of the board are elected at one time;

- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board;
- establish advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a stockholder rights plan, or so-called "poison pill," that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least 66 2⁄3% of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our charter or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, or DGCL, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. These provisions could discourage potential acquisition proposals and could delay or prevent a change in control transaction. They could also have the effect of discouraging others from making tender offers for our common stock, including transactions that may be in your best interests. These provisions may also prevent changes in our management or limit the price that investors are willing to pay for our stock.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums 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 amended and restated 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 breach of fiduciary duty;
- any action asserting a claim against us or any of our directors, officers, employees or agents arising under the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws;
- any action or proceeding to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws; and
- any action asserting a claim against us or any of our directors, officers, employees or agents that is governed by the internal-affairs doctrine.

Our amended and restated certificate of incorporation further provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

These exclusive-forum provisions 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. If a court were to find either exclusive-forum provision in our amended and restated 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.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this prospectus, including statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management and expected market growth, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "design," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "positioned," "potential," "seek," "should," "target," "will," "would" and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, including risks described in the section titled "Risk Factors" and elsewhere in this prospectus, regarding, among other things:

- our plans to develop and commercialize our product candidates;
- the initiation, timing, progress and results of our current and future clinical trials and our research and development programs;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our ability to successfully acquire or in-license additional product candidates on reasonable terms;
- our ability to maintain and establish collaborations or obtain additional funding;
- our ability to obtain regulatory approval of our current and future product candidates;
- our expectations regarding the potential market size and the rate and degree of market acceptance of such product candidates;
- our ability to fund our working capital requirements and expectations regarding the sufficiency of our capital resources;
- the implementation of our business model and strategic plans for our business and product candidates;
- our intellectual property position and the duration of our patent rights;
- developments or disputes concerning our intellectual property or other proprietary rights;
- our expectations regarding government and third-party payor coverage and reimbursement;
- our ability to compete in the markets we serve;
- the impact of government laws and regulations;
- developments relating to our competitors and our industry; and
- the factors that may impact our financial results.

The foregoing list of risks is not exhaustive. Other sections of this prospectus may include additional factors that could harm our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in, or implied by, any forward-looking statements.

In light of the significant uncertainties in these forward-looking statements, you should not rely upon forward-looking statements as predictions of future events. Although we believe that we have a reasonable basis for each forward-looking statement contained in this prospectus, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur at all. You should refer to the section titled "Risk Factors" for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. Furthermore, if our

forward-looking statements prove to be inaccurate, the inaccuracy may be material. Except as required by law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. The Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended, do not protect any forward-looking statements that we make in connection with this offering.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this prospectus by these cautionary statements.

MARKET AND INDUSTRY DATA

Certain market and industry data included in this prospectus were obtained from independent third-party surveys, market research, publicly available information, reports of governmental agencies and industry publications and surveys. All of the market and industry data used in this prospectus involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Although we are responsible for all of the disclosure contained in this prospectus and we believe the information from the industry publications and other third-party sources included in this prospectus is reliable, such information is inherently imprecise. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled “Risk Factors.” These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be approximately $61.3 million (or approximately $71.1 million if the underwriters exercise in full their option to purchase up to 700,000 additional shares of common stock to cover over-allotments), based on an assumed initial public offering price of $15.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Each $1.00 increase or decrease in the assumed initial public offering price of $15.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease the net proceeds to us from this offering by $4.3 million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million in the number of shares of common stock offered by us, as set forth on the cover of this prospectus, would increase or decrease the net proceeds to us by $14.0 million, assuming the assumed initial public offering price per share remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility, establish a public market for our common stock and to facilitate future access to the public equity markets by us, our employees and our stockholders, obtain additional capital to support our operations and increase our visibility in the marketplace.

As of March 31, 2018, we had cash and cash equivalents of $47.1 million. We currently intend to use the net proceeds from this offering, together with our existing cash and cash equivalents, as follows:

- approximately $20 million to advance KZR-616 for the treatment of lupus and lupus nephritis through our KZR-616-002 Phase 1b/2 clinical trial;
- approximately $14 million to advance KZR-616 for the treatment of idiopathic inflammatory myopathies and up to three additional autoimmune indications into a Phase 1b or Phase 2 clinical trial;
- approximately $14 million to advance discovery and preclinical development in our protein secretion program; and
- the remainder to fund other research and development activities, working capital and other general corporate purposes.

We may also use a portion of the remaining net proceeds to in-license, acquire or invest in complementary businesses, technologies, products or assets. However, we have no current commitments or obligations to do so.

This expected use of the net proceeds from this offering represents our intentions based on our current plans and business conditions, which could change in the future as our plans and business conditions evolve. Further, due to the uncertainties inherent in the drug development process, it is difficult to estimate with certainty the exact amounts of the net proceeds from this offering that may be used for the above purposes.

Our management will have broad discretion over the use of the net proceeds from this offering, and our investors will be relying on the judgment of our management regarding the application of the net proceeds of this offering. The amounts and timing of our expenditures will depend upon numerous factors including the results of our research and development efforts, the timing and success of preclinical studies and any ongoing clinical trials or clinical trials we may commence in the future, the timing of regulatory submissions and the amount of cash obtained through current and any future collaborations.

The expected net proceeds from this offering, together with our cash and cash equivalents, will not be sufficient for us to fund any of our product candidates through regulatory approval, and we will need to raise additional capital to complete the development and commercialization of our product candidates. We expect to finance our cash needs through a combination of equity offerings, debt financings and potential collaborations, and license and development agreements. We have based these estimates on assumptions that may prove to be incorrect, and we could expend our available capital resources at a rate greater than we currently expect.

Pending the use of the net proceeds from this offering as described above, we intend to invest the net proceeds in a variety of capital preservation instruments, including short-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the United States government.

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our capital stock in the foreseeable future. We currently intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business. Any future determination related to dividend policy will be made at the discretion of our board of directors, subject to applicable laws, and will depend upon, among other factors, our results of operations, financial condition, contractual restrictions and capital requirements. In addition, our ability to pay cash dividends on our capital stock in the future may be limited by the terms of any future debt or preferred securities we issue or any credit facilities we enter into.

CAPITALIZATION

The following table sets forth our cash and cash equivalents, and our capitalization as of March 31, 2018 on:

- an actual basis;
- a pro forma basis, giving effect to the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into an aggregate of 12,263,126 shares of our common stock upon the completion of this offering; and
- a pro forma as adjusted basis, giving effect to the pro forma adjustments discussed above, and giving further effect to: (i) the sale of 4,666,667 shares of our common stock in this offering at an assumed initial public offering price of $15.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us; and (ii) the filing and effectiveness of our amended and restated certificate of incorporation.

You should read this table together with the sections titled "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	AS OF MARCH 31, 2018		
(In thousands, except share and per share amounts)	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED (1)
		(unaudited)	
Cash and cash equivalents	$ 47,085	$ 47,085	$ 108,385
Redeemable convertible preferred stock, $0.001 par value, 75,533,240 shares authorized; 12,263,126 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma or pro forma as adjusted	$ 77,931	$ —	$ —
Stockholders' (deficit) equity:			
Preferred stock, $0.001 par value, no shares authorized, issued and outstanding, actual; no shares authorized, issued and outstanding pro forma; 10,000,000 shares authorized and no shares issued and outstanding pro forma and pro forma as adjusted	—	—	—
Common stock, $0.001 par value, 96,000,000 shares authorized; 1,058,396 shares issued and outstanding, actual; 125,000,000 shares authorized, 13,321,522 shares issued and outstanding, pro forma; 17,988,189 shares issued and outstanding, pro forma as adjusted	1	13	18
Additional paid-in capital	619	78,538	139,833
Accumulated other comprehensive loss	(134)	(134)	(134)
Accumulated deficit	(30,975)	(30,975)	(30,975)
Total stockholders' (deficit) equity	(30,489)	47,442	108,742
Total capitalization	$ 47,442	$ 47,442	$ 108,742

(1) Each $1.00 increase or decrease in the assumed initial public offering price of $15.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease each of pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' (deficit) equity and total capitalization by $4.3 million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million in the number of shares of common stock offered by us would increase or decrease each of pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' (deficit) equity and total capitalization by $14.0 million, assuming that the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The number of shares of common stock in the table above is based on 13,321,522 shares of common stock outstanding as of March 31, 2018, which gives effect to the pro forma transactions described above and excludes:

- 1,354,965 shares of our common stock issuable upon the exercise of outstanding stock options as of March 31, 2018, at a weighted-average exercise price of $1.68 per share;
- 784,507 shares of our common stock issuable upon the exercise of outstanding stock options granted subsequent to March 31, 2018 at an exercise price of $5.91 per share;
- 4,000,000 shares of our common stock reserved for future issuance under our 2018 Plan, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future increases in the number of shares of common stock reserved for issuance under our 2018 Plan; and
- 200,000 shares of our common stock reserved for future issuance under our ESPP, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future increases in the number of shares of common stock reserved for issuance under our ESPP.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering.

Our historical net tangible book deficit as of March 31, 2018 was $(31.8) million, or $(30.05) per share of our common stock. Our historical net tangible book deficit represents our total tangible assets (which excludes deferred offering costs) less total liabilities and redeemable convertible preferred stock. Historical net tangible book deficit per share is our historical net tangible book deficit divided by the number of shares of our common stock outstanding as of March 31, 2018.

Our pro forma net tangible book value as of March 31, 2018 was $46.1 million, or $3.46 per share of our common stock, which gives effect to the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into an aggregate of 12,263,126 shares of our common stock upon the completion of this offering. Pro forma net tangible book value per share is our pro forma net tangible book value divided by the number of shares of our common stock deemed to be outstanding as of March 31, 2018.

After giving effect to the sale of 4,666,667 shares of common stock in this offering at an assumed initial public offering price of $15.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2018 would have been $107.4 million, or $5.97 per share. This represents an immediate increase in pro forma as adjusted net tangible book value of $2.51 per share to our existing stockholders and an immediate dilution of $9.03 per share to new investors participating in this offering.

The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		$15.00
Historical net tangible book deficit per share as of March 31, 2018	$(30.05)	
Pro forma increase in net tangible book value per share as of March 31, 2018 attributable to pro forma transactions described above	33.51	
Pro forma net tangible book value per share as of March 31, 2018	3.46	
Increase in pro forma net tangible book value per share attributable to new investors participating in this offering	2.51	
Pro forma as adjusted net tangible book value per share after this offering		5.97
Dilution per share to new investors participating in this offering		$ 9.03

Each $1.00 increase or decrease in the assumed initial public offering price of $15.00, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease our pro forma as adjusted net tangible book value per share after this offering by $0.24 per share and the dilution per share to new investors participating in this offering by $0.76 per share, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, an increase of 1.0 million in the number of shares of common stock offered by us would increase the pro forma as adjusted net tangible book value after this offering by $0.42 per share and decrease the dilution per share to new investors participating in this offering by $0.42 per share, and a decrease of 1.0 million in the number of shares of common stock offered by us would decrease the pro forma as adjusted net tangible book value by $0.47 per share, and increase the dilution per share to new investors in this offering by $0.47 per share, assuming that the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise in full their option to purchase up to 700,000 additional shares of common stock to cover over-allotments, the pro forma as adjusted net tangible book value per share after giving effect to this offering would be $6.27 per share and dilution to new investors participating in this offering would be $8.73 per share.

The following table summarizes, as of March 31, 2018, on the pro forma as adjusted basis described above:

- the total number of shares of common stock purchased from us by our existing stockholders and by new investors participating in this offering;
- the total consideration paid to us by our existing stockholders and by new investors participating in this offering, at the assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting underwriting discounts and commissions and estimated offering expenses payable by us; and
- the average price per share paid by existing stockholders and by new investors participating in this offering.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing stockholders	13,321,522	74%	$ 78,663,976(1)	53%	$ 5.91
New investors	4,666,667	26	70,000,005	47	$ 15.00
Total	17,988,189	100%	$148,663,981	100%	

(1) Includes non-cash consideration received in connection with the Onyx license agreement.

If the underwriters exercise their option to purchase additional shares in full, our existing stockholders would own 71% and our new investors would own 29% of the total number of shares of our common stock outstanding upon the completion of this offering.

The foregoing discussion and tables are based on 13,321,522, shares of common stock outstanding as of March 31, 2018, which gives effect to the pro forma transactions described above and excludes:

- 1,354,965 shares of our common stock issuable upon the exercise of outstanding stock options as of March 31, 2018, at a weighted-average exercise price of $1.68 per share;
- 784,507 shares of our common stock issuable upon the exercise of outstanding stock options granted subsequent to March 31, 2018 at an exercise price of $5.91 per share;
- 4,000,000 shares of our common stock reserved for future issuance under our 2018 Plan, which became effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future increases in the number of shares of common stock reserved for issuance under our 2018 Plan; and
- 200,000 shares of our common stock reserved for future issuance under our ESPP, which became effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future increases in the number of shares of common stock reserved for issuance under our ESPP.

Effective upon completion of this offering, 4,000,000 shares of our common stock will be reserved for future issuance under our 2018 Plan and 200,000 shares of our common stock will be reserved for future issuance under our ESPP, and the number of reserved shares under each such plan will also be subject to automatic annual increases in accordance with the terms of the plans. New awards that we may grant under our 2018 Plan or shares issued under our ESPP will further dilute investors purchasing common stock in this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data together with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus. The selected consolidated financial data included in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and the related notes included elsewhere in this prospectus.

The following tables set forth our selected consolidated statement of operations data for the years ended December 31, 2016 and 2017, and our selected consolidated balance sheet data as of December 31, 2016 and 2017, all of which has been derived from our audited consolidated financial statements appearing elsewhere in this prospectus. The following selected consolidated statement of operations data for the three months ended March 31, 2017 and 2018 and the selected consolidated balance sheet data as of March 31, 2018 are derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. The unaudited interim condensed consolidated financial statements were prepared on a basis consistent with our audited consolidated financial statements and include, in management's opinion, all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of the results that may be expected for any period in the future and our interim results are not necessarily indicative of our expected results for the year ending December 31, 2018.

(in thousands except share and per share data)	YEAR ENDED DECEMBER 31, 2016	YEAR ENDED DECEMBER 31, 2017	THREE MONTHS ENDED MARCH 31, 2017	THREE MONTHS ENDED MARCH 31, 2018
			(unaudited)	
Summary of Consolidated Operations Data:				
Operating expenses:				
Research and development	$ 7,373	$ 6,469	$ 1,831	$ 3,572
General and administrative	1,617	2,280	426	1,514
Total operating expenses	8,990	8,749	2,257	5,086
Loss from operations	(8,990)	(8,749)	(2,257)	(5,086)
Interest income	—	232	—	139
Net loss	$ (8,990)	$ (8,517)	$ (2,257)	$ (4,947)
Net loss per share: (1)				
Basic and diluted	$ (26.56)	$ (14.21)	$ (4.43)	$ (6.53)
Weighted average shares used in computing net loss per share: (1)				
Basic and diluted	338,446	599,291	509,143	757,399
Pro forma net loss per share (unaudited): (1)				
Basic and diluted		$ (0.87)		$ (0.38)
Weighted average shares outstanding used in computing pro forma net loss per share (unaudited): (1)				
Basic and diluted		9,762,770		13,020,525

(1) See Notes 2, 11 and 12 to our audited consolidated financial statements and Notes 2 and 5 to our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net loss per share, pro forma net loss per share and the weighted-average number of shares used in the computation of the per share amounts.

(in thousands)	AS OF DECEMBER 31, 2016	AS OF DECEMBER 31, 2017	AS OF MARCH 31, 2018 (unaudited)
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 9,747	$ 51,033	$ 47,085
Working capital	9,836	50,842	45,636
Total assets	11,424	54,222	54,251
Redeemable convertible preferred stock	28,176	77,931	77,931
Accumulated deficit	(17,511)	(26,028)	(30,975)
Total stockholders' deficit	(17,428)	(25,687)	(30,489)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the section titled "Selected Consolidated Financial Data" and the consolidated financial statements and the related notes included elsewhere in this prospectus. In addition to historical financial information, the following discussion contains forward-looking statements based upon our current plans, expectations and beliefs that involve risks, uncertainties and assumptions. Our actual results may differ materially from those described in or implied by these forward-looking statements as a result of many factors, including those set forth under the section titled "Risk Factors" and in other parts of this prospectus.

Overview

We are a clinical-stage biotechnology company, discovering and developing novel small molecule therapeutics to treat unmet needs in autoimmunity and cancer. Our lead product candidate, KZR-616, a first-in-class selective immunoproteasome inhibitor, has completed testing in healthy volunteers and is now enrolling a Phase 1b/2 clinical trial in lupus and lupus nephritis. We believe that the immunoproteasome is a validated target for the treatment of a wide variety of autoimmune diseases, given the compelling published activity seen with proteasome inhibitors administered to patients with severe autoimmune diseases. Our Phase 1a clinical trial results provide evidence that KZR-616 avoids the side effects caused by non-selective proteasome inhibitors, side effects that prevent them from being developed as a treatment in autoimmunity. Initial top-line results from the Phase 1b portion of our trial are expected in 2019, and we plan to initiate up to four additional trials in autoimmune diseases in 2019. We are also leveraging our protein secretion pathway research platform to discover and develop small molecule therapies targeting cancer and immuno-oncology.

Since the commencement of our operations in mid-2015, we have devoted substantially all of our resources to performing research and development activities in support of our product development efforts, hiring personnel, raising capital to support and expand such activities and providing general and administrative support for these operations. We do not have any products approved for sale and have not generated any revenue from product sales. We have funded our operations to date primarily from the issuance and sale of convertible preferred stock.

Since our inception, we have incurred significant operating losses. Our ability to generate product revenue sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of one or more of our current or future product candidates and programs. Our net losses were $9.0 million, $8.5 million and $4.9 million for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, respectively, and we expect to continue to incur significant losses for the foreseeable future. As of March 31, 2018, we had an accumulated deficit of $31.0 million. We anticipate that a substantial portion of our capital resources and efforts in the foreseeable future will be focused on discovering, completing the necessary development, obtaining regulatory approval and preparing for potential commercialization of our product candidates.

We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. Our net losses may fluctuate significantly from period to period, depending on the timing of our planned clinical trials and expenditures on other research and development activities. We expect our expenses will increase substantially over time as we:

- continue the ongoing and planned development of KZR-616;
- seek to discover and develop additional product candidates;
- initiate preclinical studies and clinical trials for any additional product candidates that we may pursue in the future;
- establish a sales, marketing, manufacturing and distribution infrastructure to commercialize any product candidate for which we may obtain marketing approval;
- continue to build a portfolio of product candidates through the acquisition or in-license of drugs, product candidates or technologies;

- seek marketing approvals for KZR-616 and any future product candidates that successfully complete clinical trials;
- maintain, protect and expand our portfolio of intellectual property rights, including patents, trade secrets and know-how;
- implement operational, financial and management systems; and
- attract, hire and retain additional administrative, clinical, regulatory and scientific personnel.

Furthermore, following the closing of this offering, 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.

Financial Operations Overview

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for the development of our product candidates, which include:

- employee-related expenses, which include salaries, benefits and stock-based compensation;
- fees paid to consultants for services directly related to our product development and regulatory effort;
- expenses incurred under agreements with third-party contract organizations, investigative clinical trial sites and consultants that conduct research and development activities on our behalf;
- costs associated with preclinical studies and clinical trials;
- costs associated with technology and intellectual property licenses;
- the costs related to production of clinical supplies; and
- facilities and other allocated expenses, which include expenses for rent and other facility related costs and other supplies.

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

We are eligible under the AusIndustry Research and Tax Development Tax Incentive Program to obtain a cash amount from the Australian Taxation Office. The tax incentive is available to us on the basis of specific criteria with which we must comply related to research and development expenditures in Australia. These research and development tax incentives are recognized as contra research and development expense when the right to receive has been attained and funds are considered to be collectible. The amounts are determined based on a cost-reimbursement basis, and the incentive is related to our research and development expenditures and is due to us regardless of whether any Australian tax is owed. Amounts related to the AusIndustry Research and Development Tax Incentive Program are recognized when there is reasonable assurance that the incentive will be received, the relevant expenditure has been incurred by our Australian subsidiary and the amount of the consideration can be reliably measured.

The following table summarizes our research and development expenses incurred during the respective periods (in thousands):

	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED, MARCH 31,	
	2016	2017	2017	2018
			(unaudited)	
Discovery research	$ 5,680	$ 4,545	$1,465	$2,270
Clinical development	1,133	2,010	601	1,030
Manufacturing related expenses	945	413	39	275
Less: Australian Research and Development Tax Incentive Program	(385)	(499)	(274)	(3)
Total research and development expenses	$ 7,373	$ 6,469	$1,831	$3,572

We expect our research and development expenses to increase substantially for the foreseeable future as we continue to invest in research and development activities related to developing our product candidate and our preclinical programs and as they advance into later stages of development. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming, and the successful development of our product candidates is highly uncertain. As a result, we are unable to determine the duration and completion costs of our research and development projects or when and to what extent we will generate revenue from the commercialization and sale of any of our product candidates.

General and Administrative Expenses

Our general and administrative expenses consist primarily of personnel costs, allocated facilities costs and other expenses for outside professional services, including legal, human resource, audit and accounting services. Personnel costs consist of salaries, benefits and stock-based compensation. We expect to incur additional expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the Securities and Exchange Commission, The Nasdaq Stock Market and any other securities exchange on which our securities are traded, additional insurance expenses, investor relations activities and other administrative and professional services. We also expect to increase the size of our administrative function to support the growth of our business.

Interest Income

Our interest income consists of interest income earned on our cash and cash equivalents.

Results of Operations

Comparison of the Three Months Ended March 31, 2017 and 2018

	THREE MONTHS ENDED MARCH 31,			
(dollars in thousands)	2017	2018	$ CHANGE	% CHANGE
Operating expenses:				
Research and development	$ 1,831	$ 3,572	$ 1,741	95%
General and administrative	426	1,514	1,088	255
Total operating expenses	2,257	5,086	2,829	125
Loss from operations	(2,257)	(5,086)	(2,829)	125
Interest income	—	139	139	100
Net loss	$ (2,257)	$ (4,947)	$ (2,690)	(119)%

Research and Development Expenses

Research and development expenses increased by $1.7 million, or 95%, for the three months ended March 31, 2018, compared to the three months ended March 31, 2017. The increase was due to an increase of $0.5 million in pharmacology and toxicology studies, an increase of $0.3 million in clinical trial costs due to the initiation of the Phase 1b clinical trial of KZR-616, an increase of $0.2 million in medicinal chemistry efforts related to our protein secretion discovery program, an increase of $0.2 million in personnel expenses due to an increase in headcount and an increase of $0.1 million in facility-related expenses due to the move to our new location. In addition, the Australian Research and Development Tax Incentive credit earned for the three months ended March 31, 2018 decreased by $0.3 million compared to the same period in 2017, which is recorded as a reduction in our research and development expenses.

General and Administrative Expenses

General and administrative expenses increased by $1.1 million, or 255%, for the three months ended March 31, 2018, compared to the three months ended March 31, 2017. The increase was due to an increase of $0.5 million in legal and professional fees related to our intellectual property activities and preparing to be a public company, an increase of $0.3 million in payroll expenses related to an increase in headcount and increased salaries and an increase of $0.3 million in facility-related expenses due to the move to our new location and disposal of property and equipment from our prior facility.

Interest Income

Interest income increased by $0.1 million for the three months ended March 31, 2018, compared to the three months ended March 31, 2017. The increase was attributable to interest income earned on higher cash equivalents balance resulting from our Series B convertible preferred stock financing in June and July 2017.

Comparison of the Years Ended December 31, 2016 and 2017

(dollars in thousands)	YEAR ENDED DECEMBER 31, 2016	2017	$ CHANGE	% CHANGE
Operating expenses:				
Research and development	$ 7,373	$ 6,469	$ (904)	(12)%
General and administrative	1,617	2,280	663	41
Total operating expenses	8,990	8,749	(241)	(3)
Loss from operations	(8,990)	(8,749)	241	(3)
Interest income	—	232	232	100
Net loss	$(8,990)	$(8,517)	$ 473	(5)

Research and Development Expenses

Research and development expenses decreased by $0.9 million, or 12%, for the year ended December 31, 2017, compared to the year ended December 31, 2016. The decrease was due to a reduction of $1.9 million in the costs of GLP toxicology studies, which were mostly completed in 2016, and a reduction of $0.5 million in contract manufacturing related process development costs. These decreases were partially offset by an increase of $0.9 million in clinical trial costs due to the initiation of the Phase 1 clinical trial of KZR-616, an increase of $0.5 million in personnel expenses due to an increase in headcount and an increase of $0.3 million in medicinal chemistry efforts related to our protein secretion discovery program. In addition, the amount of our Australian Research and Development Tax Incentive increased by $0.1 million for the year ended December 31, 2017.

General and Administrative Expenses

General and administrative expenses increased by $0.7 million, or 41%, for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase was primarily due to an increase of $0.3 million in payroll expenses related to an increase in headcount and increased salaries and bonuses and an increase of $0.2 million in legal and professional fees related to our intellectual property activities and preparation to become a public company.

Interest Income

Interest income increased by $0.2 million for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase was attributable to interest income earned on cash equivalents due to additional funds received from our Series B redeemable convertible preferred stock financing in June and July 2017.

Liquidity and Capital Resources

Overview

Since inception and through March 31, 2018, we have funded our operations primarily by net proceeds of $72.6 million from the sale of our convertible preferred stock. At March 31, 2018, we had available cash and cash equivalents of $47.1 million.

We have incurred operating losses and experienced negative operating cash flows since our inception and anticipate that we will continue to incur losses for at least the foreseeable future. Our net loss was $4.9 million for the three months ended March 31, 2018 and, as of March 31, 2018, we had an accumulated deficit of $31.0 million.

We believe that our cash and cash equivalents as of March 31, 2018 will be sufficient to meet our projected operating requirements at least through the next 12 months from the date the financial statements were issued. We

have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect.

Funding Requirements

Our primary use of cash is to fund operating expenses, primarily research and development expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable, accrued expenses and prepaid expenses.

We will require additional financing to fund working capital and pay our obligations. We may pursue financing opportunities through the issuance of debt or equity. There can be no assurance that we will be successful in acquiring additional funding at levels sufficient to fund our operations or on terms favorable to us or at all. Our future funding requirements will depend on many factors, including the following:

- the progress, timing, scope, results and costs of our clinical trials and preclinical studies for our product candidates, including the ability to enroll patients in a timely manner for our clinical trials;
- the costs of obtaining clinical and commercial supplies for KZR-616 and any other product candidates we may identify and develop;
- the cost, timing and outcomes of regulatory approvals;
- the extent to which we may acquire or in-license other product candidates and technologies;
- the cost of attracting, hiring and retaining qualified personnel;
- our ability to successfully commercialize any product candidates for which we obtain regulatory approval; and
- the cost of preparing, filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

Further, our operating plan may change, and we may need additional funds to meet operational needs and capital requirements for clinical trials and other research and development expenditures. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated clinical studies.

If we need to raise additional capital to fund our operations, funding may not be available to us on acceptable terms, or at all. If we are unable to obtain adequate financing when needed, we may have to delay, reduce the scope of or suspend one or more of our preclinical studies, clinical trials, research and development programs or commercialization efforts. We may seek to raise any necessary additional capital through a combination of public or private equity offerings, debt financings, collaborations and other licensing arrangements. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

Cash Flows

The following summarizes our cash flows for the periods indicated (in thousands):

	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	2016	2017	2017	2018
			(unaudited)	
Cash used in operating activities	$ (9,760)	$ (8,109)	$ (2,012)	$ (3,766)
Cash used in investing activities	(132)	(389)	—	(195)
Cash provided by financing activities	36	49,755	—	25
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(150)	29	—	(12)
Net (decrease) increase in cash and cash equivalents and restricted cash	$(10,006)	$41,286	$ (2,012)	$ (3,948)

Cash Flows from Operating Activities

During the three months ended March 31, 2018, cash used in operating activities was $3.8 million, which consisted of a net loss of $4.9 million, adjusted by non-cash charges of $0.3 million and a net change of $0.8 million in our net operating assets and liabilities. The non-cash charges consisted of $0.1 million for depreciation and amortization, $0.1 million for stock-based compensation expense and $0.1 million for loss on disposal of property and equipment. The change in our net operating assets and liabilities was primarily due to an increase of $0.6 million in prepaid expenses, including advance payments for clinical activities, offset by an increase of $1.1 million in accounts payable, accrued expenses and other liabilities due to professional services, and clinical expenditures as well as an increase of $0.3 million related to the lease incentive for our new facility.

During the three months ended March 31, 2017, cash used in operating activities was $2.0 million, which consisted of a net loss of $2.3 million, adjusted by non-cash charges of $0.1 million and a net change of $0.2 million in our net operating assets and liabilities. The non-cash charges consisted of $0.1 million for depreciation and amortization and stock-based compensation expense. The change in our net operating assets and liabilities was primarily due to an increase of $0.3 million in other current assets primarily due to the Australian Research and Development Tax Incentive receivable, offset by an increase of $0.4 million in accounts payable due to the timing of payments.

During the year ended December 31, 2017, cash used in operating activities was $8.1 million, which consisted of a net loss of $8.5 million, adjusted by non-cash charges of $0.4 million. The non-cash charges are primarily comprised of $0.2 million for depreciation and amortization and of $0.2 million for stock-based compensation expense. The change in our net operating assets and liabilities was primarily due to an increase in payroll-related accruals of $0.4 million and clinical expenditures of $0.3 million and an increase in prepaid expenses of $0.6 million, including advance payments for clinical activities.

During the year ended December 31, 2016, cash used in operating activities was $9.8 million, which consisted of a net loss of $9.0 million, adjusted by non-cash charges of $0.3 million and a net change of $1.1 million in our net operating assets and liabilities. The non-cash charges are primarily comprised of $0.2 million for depreciation and amortization and $0.1 million for stock-based compensation expense. The change in our net operating assets and liabilities was primarily due to an increase of $0.5 million in accounts payable primarily related to clinical development expenditures and $0.4 million for research and development tax incentive receivable.

Cash Flows from Investing Activities

During the three months ended March 31, 2018, cash used in investing activities was $0.2 million, related to the purchase of property and equipment, compared to zero for the three months ended March 31, 2017.

During the years ended December 31, 2017 and 2016, cash used in investing activities was $0.4 million and $0.1 million, respectively, related to the purchase of property and equipment.

Cash Flows from Financing Activities

During the three months ended March 31, 2018, cash provided by financing activities was $25,000, consisting of proceeds from the issuance of common stock upon the exercise of stock options, compared to zero for the three months ended March 31, 2017.

During the year ended December 31, 2017, cash provided by financing activities was $49.8 million from the issuance of Series B redeemable convertible preferred stock.

During the year ended December 31, 2016, cash provided by financing activities was $36,000 of proceeds from the issuance of common stock upon the exercise of stock options.

Contractual Obligations and Other Commitments

The following table summarizes our contractual obligations as of December 31, 2017 (in thousands):

	PAYMENTS DUE BY PERIOD				
	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Contractual obligations:					
Operating lease (1)	$ 1,974	$4,509	$4,052	$ 4,664	$15,199

(1) Amounts in the table represent the operating lease obligations of our space at 300 Utah Avenue, South San Francisco, California and of the office and laboratory space at 4000 Shoreline Court, South San Francisco, California. We entered into the 4000 Shoreline lease on August 16, 2017. Subsequent to December 31, 2017, the 300 Utah lease was terminated effective April 1, 2018 and therefore we will not incur $1.0 million of lease costs included in the table above. As such, we are no longer obligated to pay the remainder of rent, nor are we required to pay any early termination fee.

Except as disclosed in the table above, we have no long-term debt or capital leases and no material non-cancelable purchase commitments with service providers, as we have generally contracted on a cancelable, purchase order basis.

The contractual obligations table does not include any potential contingent payments upon the achievement by us of clinical, regulatory and commercial events, as applicable, or royalty payments that we may be required to make under license agreements we have entered into or may enter into with various entities pursuant to which we have in-licensed certain intellectual property, including our license agreement with Onyx. Under the Onyx license agreement, we are obligated to pay Onyx milestone payments of up to $172.5 million in the aggregate upon the achievement of certain development, regulatory and sales milestones. We excluded the contingent payments given that the timing and amount (if any) of any such payments cannot be reasonably estimated at this time. See the section titled “Business—License Agreement with Onyx” for additional information.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements and do not have holdings in any variable interest entities.

Quantitative and Qualitative Disclosures about Market Risk

The primary objectives of our investment activities are to ensure liquidity and to preserve capital. We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate sensitivities. We had cash and cash equivalents of $51.0 million and $47.1 million as of December 31, 2017 and March 31, 2018, respectively, which consisted of bank deposits and highly liquid money market funds. Historical fluctuations in interest rates have not been significant for us. We had no outstanding debt as of December 31, 2017 and March 31, 2018. Due to the short-term maturities of our cash equivalents, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our cash equivalents. To minimize the risk in the future, we intend to maintain our portfolio of cash equivalents in institutional market funds that are composed of U.S. Treasury and U.S. Treasury-backed repurchase agreements or short-term U.S. Treasury securities.

Approximately $0.7 million of our cash balance is located in Australia as of December 31, 2017 and March 31, 2018. Our expenses, except those related to our Australian operations, are generally denominated in U.S. dollars. For our operations in Australia, the majority of the expenses are denominated in Australian dollars. To date, we have not had a formal hedging program with respect to foreign currency. A 10% increase or decrease in current exchange rates would not have a material effect on our consolidated financial results.

Critical Accounting Polices and Estimates

Our management’s discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with United States generally accepted

accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 2 to our consolidated financial statements appearing elsewhere in this prospectus, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our consolidated financial statements.

Accrued Research and Development Costs

We record accrued expenses for estimated costs of our research and development activities conducted by third-party service providers, which include the conduct of clinical studies, contract manufacturing activities and preclinical studies. We record the estimated costs of research and development activities based upon the estimated amount of services provided but not yet invoiced and include these costs in accrued liabilities in the consolidated balance sheets and within research and development expense in the consolidated statement of operations. These costs are a significant component of our research and development expenses. We record accrued expenses for these costs based on factors such as estimates of the work completed and in accordance with agreements established with these third-party service providers. Any payments made in advance of services provided are recorded as prepaid assets, which are expensed as the contracted services are performed.

We estimate the amount of work completed through discussions with internal personnel and external service providers as to the progress or stage of completion of the services and the agreed-upon fee to be paid for such services. We make significant judgments and estimates in determining the accrued balance in each reporting period. As actual costs become known, we adjust our accrued estimates. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed, the number of patients enrolled and the rate of patient enrollment may vary from our estimates and could result in us reporting amounts that are too high or too low in any particular period. Our accrued expenses are dependent, in part, upon the receipt of timely and accurate reporting from clinical research organizations and other third-party service providers. For the periods presented, we have experienced no material differences between our accrued expenses and actual expenses.

Stock-Based Compensation

We recognize compensation costs related to stock options granted to employees and directors based on the estimated fair value of the awards on the date of grant. We estimate the grant date fair value, and the resulting stock-based compensation expense, using the Black-Scholes option-pricing model. The grant date fair value of the stock-based awards is recognized on a straight-line basis over the requisite service periods, which are generally the vesting period of the respective awards.

The Black-Scholes option-pricing model requires the use of subjective assumptions which determine the fair value of stock-based awards, including the expected term and the price volatility of the underlying stock. These assumptions include:

- *Expected term*—The expected term represents the period that the stock-based awards are expected to be outstanding. We used the simplified method, which calculates the expected term as the average of the time to vesting and the contractual life of the options. For non-employees, we use the contractual term.
- *Expected volatility*—Since we are not yet a public company and do not have any trading history for our common stock, the expected volatility was estimated based on the average historical volatilities of common stock of comparable publicly traded entities over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their size, stage in the life cycle or area of specialty. We will continue to apply this process until a sufficient amount of historical information regarding the volatility of our own stock price becomes available.

- *Risk-free interest rate*—The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term of the awards.
- *Expected dividend*—We have never paid dividends on our common stock and have no plans to pay dividends on our common stock. Therefore, we used an expected dividend yield of zero.

We will continue to use judgment in evaluating the expected term and expected volatility utilized for our stock-based compensation calculations on a prospective basis.

Historically, for all periods prior to this offering, the fair value of the shares of common stock underlying our share-based awards were estimated on each grant date by our board of directors. In order to determine the fair value of our common stock underlying option grants, our board of directors considered, among other things, timely valuations of our common stock prepared by unrelated third-party valuation firms in accordance with the guidance provided by the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, and a number of objective and subjective factors including important developments in our operations, sales of convertible preferred stock, actual operating results and financial performance, the conditions in the biotechnology industry and the economy in general, the stock price performance and volatility of comparable public companies, and the lack of liquidity of our common stock, among other factors. After the closing of this offering, our board of directors will determine the fair value of each share of underlying common stock based on the closing price of our common stock as reported on the date of grant.

The intrinsic value of all outstanding options as of March 31, 2018 was $18.0 million based on the estimated fair value of our common stock of $15.00 per share, the midpoint of the price range set forth on the cover of this prospectus.

Recent Accounting Pronouncements

See Note 2 to our Consolidated Financial Statements “Summary of Significant Accounting Policies—Recently Accounting Pronouncements” for more information.

Internal Control over Financial Reporting

In connection with the audit of our consolidated financial statements as of and for the years ended December 31, 2016 and 2017, we identified a material weakness in our internal control over financial reporting. The material weakness related to a lack of sufficient number of qualified personnel within our accounting function to adequately segregate duties, a lack of sufficient review and approval of manual journal entries posted to the general ledger and a lack of adequate review procedures over general ledger account reconciliations.

We are implementing measures designed to improve our internal control over financial reporting to remediate this material weakness, including the following:

- we are in the process of adding additional qualified accounting personnel and segregating duties among accounting personnel; and
- we are formalizing our internal control documentation and strengthening supervisory reviews by our management.

These additional resources and procedures are designed to enable us to broaden the scope and quality of our internal review of underlying information related to financial reporting and to formalize and enhance our internal control procedures. With the oversight of senior management and our audit committee, we have begun taking steps and plan to take additional measures to remediate the underlying causes of the material weakness.

We, and our independent registered public accounting firm, were not required to perform an evaluation of our internal control over financial reporting as of December 31, 2017 in accordance with the provisions of the Sarbanes-Oxley Act. Accordingly, we cannot provide assurance that we have identified all, or that we will not in the future have additional, material weaknesses. Material weaknesses may still exist when we report on the effectiveness of our internal control over financial reporting as required by reporting requirements under Section 404 of the Sarbanes-Oxley Act after the completion of this offering.

JOBS Act Accounting Election

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

In addition, we intend to rely on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if as an "emerging growth company" we intend to rely on such exemptions, we are not required to, among other things, (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) 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 (auditor discussion and analysis) and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer's compensation to median employee compensation. These exemptions will apply for a period of five years following the completion of this offering or until we no longer meet the requirements of being an emerging growth company, whichever is earlier.

BUSINESS

Overview

We are a clinical-stage biotechnology company, discovering and developing novel small molecule therapeutics to treat unmet needs in autoimmunity and cancer. Our lead product candidate, KZR-616, a first-in-class selective immunoproteasome inhibitor, has completed testing in healthy volunteers and is now enrolling a Phase 1b/2 clinical trial in lupus and lupus nephritis. We believe that the immunoproteasome is a validated target for the treatment of a wide variety of autoimmune diseases, given the compelling published activity seen with proteasome inhibitors administered to patients with severe autoimmune diseases. Our Phase 1a clinical trial results provide evidence that KZR-616 avoids the side effects caused by non-selective proteasome inhibitors, side effects that prevent them from being developed as a treatment in autoimmunity. Initial top-line results from the Phase 1b portion of our trial are expected in 2019, and we plan to initiate up to four additional trials in autoimmune diseases in 2019. We are also leveraging our protein secretion pathway research platform to discover and develop small molecule therapies targeting cancer and immuno-oncology.

We acquired exclusive worldwide rights to KZR-616 and an accompanying library of similar molecules pursuant to a license agreement with Onyx Therapeutics, Inc., or Onyx, a wholly owned subsidiary of Amgen, Inc., or Amgen, in June 2015. Patent coverage for KZR-616 extends to at least 2034. We intend to develop KZR-616 to address underserved autoimmune diseases, including lupus nephritis and idiopathic inflammatory myopathies, where we have planned initial Phase 2 clinical trials, as well as other autoimmune indications. Our first Phase 2 clinical trial is intended to evaluate KZR-616 for the treatment of lupus nephritis, which currently has no FDA-approved drugs.

Our Pipeline

The following table sets forth the status and initial focus of our lead product candidate:

Program	Therapeutic Indication	Development Stage & Anticipated Milestones						
		Discovery	Preclinical	Phase 1a	Phase 1b	Phase 2	Phase 3	Anticipated Milestones
KZR-616	Systemic lupus erythematosus (SLE)							Phase 1b initial top-line data H1 2019
	Lupus nephritis							Initiate Phase 2 H1 2019
	Idiopathic inflammatory myopathies							Initiate Phase 2 in 2019
	Orphan / unmet need autoimmune							Potential to initiate Phase 1b or Phase 2 in 2019
	Orphan / unmet need autoimmune							Potential to initiate Phase 1b or Phase 2 in 2019
	Orphan / unmet need autoimmune							Potential to initiate Phase 1b or Phase 2 in 2019

Our Strategy

Our strategy is to focus on the discovery, development and commercialization of novel small molecule therapeutics to address unmet medical needs. Key elements of our strategy are to:

- ***Rapidly advance KZR-616 in multiple autoimmune indications, including orphan diseases and other areas of unmet needs.*** We believe that KZR-616 has the potential to treat a wide range of autoimmune diseases. We are currently enrolling a Phase 1b/2 clinical trial in patients with lupus and lupus nephritis and plan to initiate additional Phase 1b or Phase 2 clinical trials in up to four other autoimmune indications in 2019. Assuming positive results from these trials, we intend to explore registration-enabling trials in each

indication. We believe we could be eligible for Breakthrough Therapy designation, Fast Track designation or orphan drug designation, which, if granted by the U.S. Food and Drug Administration, or FDA, may accelerate clinical development and regulatory review.

- ***Identify small molecule disruptors of the protein secretion pathway and advance them into IND-enabling studies.*** We believe we are the only company exploring the therapeutic potential of modulating the protein secretion pathway and the Sec61 translocon. We intend to leverage this platform to identify product candidates for the treatment of diseases with significant clinical need, initially in oncology and immuno-oncology.
- ***Develop next-generation immunoproteasome inhibitors.*** Over time, we intend to develop new chemistries with differentiated properties, alternate drug delivery methods, such as oral versus subcutaneous, or improved therapeutic windows.
- ***Leverage our technical and business expertise to expand our pipeline of small-molecule product candidates.*** Our management team, board of directors and clinical and scientific advisors have many years of institutional experience. As such, we intend to leverage the collective talent within our organization and network of advisors to guide our development plans and pipeline expansion, including acquiring or in-licensing small molecule compounds.
- ***Maximize the value of our programs by maintaining flexibility to commercialize our product candidates independently or through collaborative partnerships.*** We currently have exclusive global development and commercialization rights for our product candidates for all indications that we may pursue. While we may develop these products independently, we may also enter into strategic relationships with biotechnology or pharmaceutical companies to advance our product candidates.

Unmet Needs in Autoimmunity and the Opportunity for KZR-616

Approximately 50 million people in the United States suffer from more than 100 diagnosed autoimmune diseases according to the American Autoimmune Related Diseases Association, Inc. Large indications such as rheumatoid arthritis, inflammatory bowel disease and multiple sclerosis are well known, each afflicting millions of people, while many others are rare or orphan indications with prevalence rates in the United States of under 200,000. Across this spectrum, in indications large and small, there remain significant unmet medical needs and indications with no approved drugs beyond broadly prescribed steroids and similar immunosuppressive regimens.

Prevalence estimates of systemic lupus erythematosus, also known as lupus or SLE, and lupus nephritis in the United States vary, but recent industry estimates suggest over 460,000 and 100,000 patients, respectively. The presence of nephritis dramatically increases mortality risk in lupus patients, and there are currently no FDA-approved therapies for lupus nephritis. Another of our lead indications, idiopathic inflammatory myopathies, is a group of serious disorders involving muscle inflammation and weakness with no FDA-approved therapies. According to the Myositis Association, an estimated 70,000 people in the United States have these disorders.

We track very closely the multiple autoimmune diseases where Velcade® (bortezomib), a nonselective proteasome inhibitor, has demonstrated positive clinical activity, including lupus, lupus nephritis, idiopathic thrombocytopenic purpura, primary Sjögren's syndrome, autoimmune hemolytic anemia and graft-versus-host disease. Although no randomized clinical trials have validated the therapeutic potential of Velcade in autoimmunity, these studies highlight the broad therapeutic potential of proteasome inhibition in general and immunoproteasome inhibition in particular for the treatment of autoimmune diseases.

Following is a partial list of indications where we may pursue development in the future. In all of the indications below, there is evidence supporting immunoproteasome inhibition as a therapeutic modality.

Indication	Positive Animal Data with Kezar Compounds	Positive Clinical Data with Velcade
Lupus nephritis*	✓	✓
Lupus*	✓	✓
Graft-vs-host disease	✓	✓
Idiopathic inflammatory myopathies*		✓
Primary Sjögren's syndrome		✓
Idiopathic thrombocytopenic purpura		✓
Autoimmune hemolytic anemia		✓
Multiple sclerosis	✓	
Type 1 diabetes	✓	
Rheumatoid arthritis	✓	
Crohn's disease	✓	
Myasthenia gravis	✓	

* We initially intend to develop KZR-616 for these indications.

Autoimmune Disease

Autoimmune disease, or autoimmunity, is an immune response directed against the body's own healthy cells and tissues. Autoimmunity can be caused genetically, by infection or can arise spontaneously, and the prevalence of these diseases is more prominent in females. Autoimmune disease usually involves an autoreactive response by both T-cells and B-cells, also known as lymphocytes, which attack the body's cells and tissues. In a healthy individual, as the immune system develops during childhood, autoreactive lymphocytes are eliminated or suppressed by various mechanisms. When any of these mechanisms fail, autoimmunity can arise. The presence of autoantibodies, a product of self-reactive B-cells, which react with the proteins, DNA, and lipids in healthy cells, is a hallmark of these diseases. Many autoimmune diseases are characterized by disease flares, in which symptoms worsen, followed by a period of remission, in which symptoms improve.

Many autoimmune diseases are not due to the direct effects of autoantibodies but rather due to other mechanisms that cause immune dysfunction. These include activation of inflammatory T-cells and cytotoxic T-cells, which can cause inflammation and tissue damage, the generation of cytokines that are harmful to the surrounding tissue, or activation of macrophages, a kind of immune cell, which can also lead to cytokine release, as well as cellular damage from free radicals. Examples of autoimmune diseases that we initially intend to target include lupus, lupus nephritis and idiopathic inflammatory myopathies.

Lupus is a chronic inflammatory disease that can affect various parts of the body. Most patients present with hematologic, renal or central nervous system manifestations. Significant complications of lupus include damage to joints and kidneys, cardiovascular issues and hematologic abnormalities. Many lupus patients, including those taking immunosuppressive agents and corticosteroids, experience disease flares. Lupus is mild in some people and life threatening in others. Immunologic abnormalities, particularly the production of autoantibodies, are a prominent feature of the disease.

About half of patients with lupus go on to demonstrate symptoms of renal dysfunction called lupus nephritis during the course of their disease. Autoantibodies, including those reacting with components of the cell's nucleus, often

form immune complexes that deposit in the kidney and interfere with its ability to filter urine, decreasing kidney function and increasing protein found in the urine, or proteinuria. Immune complex deposition in the kidney can also activate other arms of the inflammatory response, including the recruitment of proinflammatory immune cells such as macrophages and T-cells, which further exacerbate kidney damage by secreting inflammatory cytokines, including TNF-a and IL-6. Lupus nephritis patients have a significantly increased risk of kidney failure and death relative to lupus patients who do not have lupus nephritis.

Idiopathic inflammatory myopathies are a group of autoimmune diseases in which inflammation occurs in muscles and often in other parts of the body, predominantly the skin. These conditions, which lead to a rash and loss of muscle function, include dermatomyositis, polymyositis, juvenile dermatomyositis, juvenile polymyositis and autoimmune necrotizing myopathy. The cause of idiopathic inflammatory myopathies remains undetermined although most patients present with disease specific autoantibodies.

In most autoimmune diseases, initial therapy consists of long-term treatment with a combination of immunosuppressive agents, such as methotrexate or CellCept® (mycophenolate mofetil), and daily administration of high-dose corticosteroids. This treatment regimen results in high rates of infection, increased risk of malignancy and a wide variety of side effects arising from prolonged steroid use and, in diseases such as lupus nephritis, does not induce high rates of clinically meaningful responses. These treatments can be associated with anemia and other serious side effects. Targeted agents, such as TNF-a antagonists, are used in some autoimmune diseases, such as rheumatoid arthritis, after immunosuppressive agents have failed. Generally, these agents are ineffective in a wide range of autoimmune diseases, including lupus nephritis and idiopathic inflammatory myopathies. However, even if these agents are initially effective, over time patients often experience an inadequate response over time.

Protein Degradation and Selective Inhibition of the Immunoproteasome

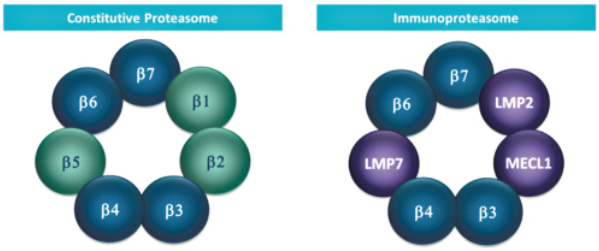
Selective inhibition of the immunoproteasome has the potential to reduce inflammation by targeting dysfunctional immune cells involved in autoimmunity, such as T-cells and B-cells, without causing widespread immunosuppression.

The Constitutive Proteasome and the Immunoproteasome

Found in all cells of the body, proteasomes regulate intracellular protein degradation and are essential for many cellular processes such as cell division, cell differentiation and cytokine production. There are two main forms of the proteasome: the constitutive proteasome and the immunoproteasome. In most tissues of the body, the constitutive proteasome is the predominant form. In cells of the immune system, the immunoproteasome is the predominant form.

While both forms of the proteasome mediate protein degradation, the two forms of the proteasome accomplish this utilizing different active sites, which are depicted in the figure below. In the immunoproteasome, three active sites, LMP7, LMP2 and MECL1, replace the constitutive proteasome subunits b5, b1 and b2. These active sites are responsible for cleaving and degrading proteins.

Depiction of a Portion of the Constitutive Proteasome and the Immunoproteasome



Depiction of the core particle (also known as the 20S particle) of the constitutive proteasome and immunoproteasome. Active sites for protein degradation are highlighted.

Safety and Efficacy of Approved Proteasome Inhibitors

The three proteasome inhibitors approved for the treatment of multiple myeloma, Velcade, Kyprolis and Ninlaro, are potent "dual inhibitors" of both the immunoproteasome and the constitutive proteasome, primarily the LMP7 and b5 subunits, respectively. This dual-targeting profile is necessary to make them effective treatments for multiple myeloma. However, dual proteasome inhibition is associated with hematologic issues such as thrombocytopenia, neutropenia and anemia, as well as constitutional toxicities such as fatigue and myalgia. In addition, Velcade and Ninlaro are associated with risk of peripheral neuropathy, likely due to the off-target activity of these drugs against proteins found in peripheral neurons.

Velcade has demonstrated clinical activity in several autoimmune diseases, including lupus, lupus nephritis, idiopathic thrombocytopenia purpura, autoimmune hemolytic anemia, primary Sjögren's syndrome and graft-versus-host disease. In preclinical models, proteasome inhibition blocked production of most inflammatory cytokines, including many of those targeted by current biologic drugs. However, long-term, chronic administration of Velcade in the setting of autoimmune diseases is not considered feasible due to its side effect profile, in particular hemologic toxicities and risk of peripheral neuropathy. As a result, this promising drug target has remained untapped for use in the treatment autoimmune diseases.

KZR-616

Overview

We believe we are the only company with a selective immunoproteasome inhibitor that has been nominated as a clinical candidate or is in clinical trials. In addition, we believe that KZR-616, if successfully developed and approved, may have the ability to become the standard of care across a broad range of autoimmune diseases based on the following expected key attributes:

- broad immunomodulatory activity that may allow it to outperform approved therapies and to work in indications where other drugs have failed;
- lack of immunosuppression, a key drawback to other approved therapies in autoimmunity; and
- avoidance of systemic toxicities associated with dual proteasome inhibitors and the peripheral neuropathy associated with Velcade and Ninlaro.

The first selective immunoproteasome inhibitors were discovered by our co-founder and Chief Scientific Officer and his colleagues at Proteolix, Inc., or Proteolix, in 2005. Proteolix was acquired by Onyx in 2009, and Onyx was acquired by Amgen in 2013. In tests of these compounds in multiple in vitro and in vivo models, it was ascertained that these molecules did not demonstrate cytotoxic activity or potential as anti-cancer agents. However, it was

observed that these inhibitors had profound immunomodulatory effects across myriad immune cell types. In over 15 peer-reviewed publications, our selective inhibitors of the immunoproteasome and related compounds have demonstrated strong therapeutic potential in animal models of multiple autoimmune diseases.

Broad Immunomodulatory Activity

In preclinical models of inflammation, selective inhibitors of the immunoproteasome block cytokine production and result in therapeutic activity equivalent to or better than Velcade or Kyprolis. In mouse models of lupus, our first widely studied selective inhibitor of the immunoproteasome, ONX 0914, showed equivalent efficacy and better tolerability than Velcade. In addition, KZR-616 has been shown to block disease progression and prevent renal damage in animal models of lupus nephritis in a manner that is significantly better than the current standard of care therapy, CellCept. This body of research strongly suggests that the therapeutic benefit of Velcade in patients with autoimmune diseases such as lupus is due to targeting of the immunoproteasome. In one of those peer-reviewed publications, ONX 0914 resulted in a deeper anti-inflammatory response relative to Enbrel® (entanercept), a TNF-a antagonist.

Lack of Immunosuppression

Standard therapies for most autoimmune diseases involve long-term use of immunosuppressive agents and daily administration of high-doses of corticosteroids, resulting in high rates of infection, increased risk of malignancy and other side effects. In the setting of multiple myeloma, the dual proteasome inhibitors Velcade and Kyprolis are not associated with a high risk of immunosuppression. In animal models, selective immunoproteasome inhibitors showed a lack of immunosuppression, and KZR-616 was shown to mediate an anti-inflammatory response in models of autoimmunity without the addition of steroids.

Targeted agents, such as TNF-a antagonists, lack sufficient therapeutic activity in diseases such as lupus and lupus nephritis due in part to broad immune dysfunction in these diseases. Selective immunoproteasome inhibitors, including KZR-616, have shown direct immunomodulatory activity against the vast majority of cytokines and activated immune cells known as effector cells involved in autoimmune diseases. Therefore, we believe KZR-616 represents a novel therapy with the potential to reduce steroid burden and to provide clinical benefit in patients with autoimmune diseases that cannot be treated by current targeted agents.

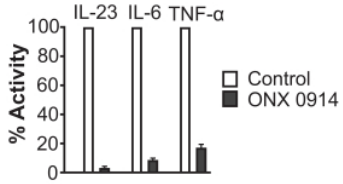
Avoids Systemic Toxicity or Neurotoxicity

In animal models of toxicology, KZR-616 was able to induce potent inhibition of the immunoproteasome without inducing systemic toxicities seen in animals treated with Kyprolis and Velcade. Specifically, KZR-616 did not induce hematologic abnormalities or indications of cardiovascular, hepatic or renal toxicity in animals, findings that were commonly noted in animals receiving the dual-proteasome inhibitors. In addition, KZR-616, a peptide epoxyketone-based inhibitor of the immunoproteasome, has shown no off-target effects or signs of neurotoxicity in preclinical studies. This is in contrast to Velcade and Ninlaro, which are boronic acid-based proteasome inhibitors that induce potent inhibition of several off-targets, including an enzyme required for the normal function of neurons.

Preclinical Data with Kezar Compounds and Clinical Data with Velcade Support KZR-616 Development

Most autoimmune diseases arise in part due to overexpression of secreted proteins called cytokines. Several of these cytokines, such as TNF-a, have been successfully targeted with biologic agents. When applied to human immune cells such as monocytes, selective immunoproteasome inhibitors, like KZR-616 and ONX 0914, blocked the release of inflammatory cytokines following cell stimulation. The cytokines whose secretion is inhibited include IL-23, IL-6, and TNF-a, which are variously targeted by approved monoclonal antibody therapeutics such as Actemra® (tocilizumab), Enbrel, Humira® (adalimumab) and Stelara® (ustekinumab).

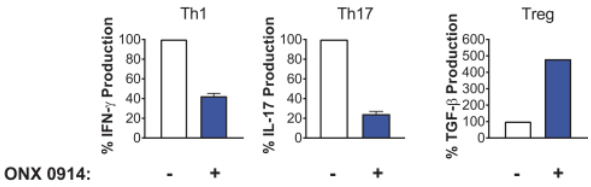
Administration of ONX 0914 Blocked the Release of Cytokines



Human peripheral blood mononuclear cells, which are white blood cells, from healthy donors were stimulated to produce cytokines with the agent lipopolysaccharide.

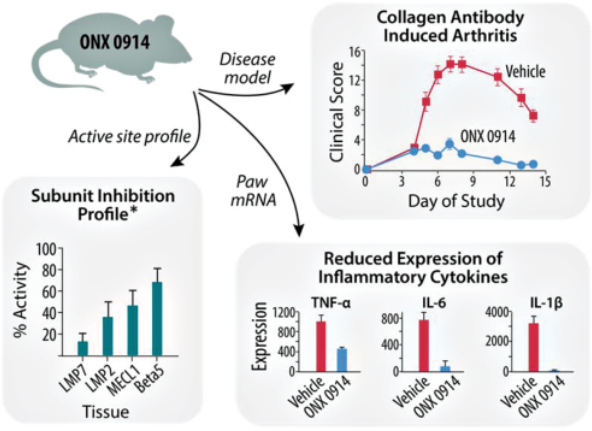
Activated T-cells can induce inflammation when they differentiate into immune effector cells, such as Th1 and Th17, and express cytokines, such as IFN-g and IL-17. Cosentyx® (secukinumab), which targets IL-17, is approved for certain autoimmune diseases. Inhibition of the immunoproteasome in activated T-cells causes a reduction in Th1 and Th17 activity. Conversely, several autoimmune diseases are thought to be mediated in part by a reduction in the number of regulatory T-cells, or Tregs, which can reduce inflammation in part via secretion of the cytokine TGF-b. Inhibition of the immunoproteasome increases the activity of Treg cells in part via increased TGF-b production. The graph below shows the results from an experiment measuring the effect of immunoproteasome inhibition on human Th1, Th17 and Treg cells following a one hour exposure to ONX 0914 followed by restimulation to measure cytokine release.

Immunoproteasome Inhibitor ONX 0914 Blocked Th1 and Th17 Inflammatory Cells and Increased Regulatory T-Cell Activity



KZR-616 and ONX 0914 have been observed to be therapeutically active in multiple animal models of autoimmunity, including lupus, lupus nephritis, rheumatoid arthritis, inflammatory bowel disease, multiple sclerosis and Type 1 diabetes. As shown in the figure below, in a mouse model of rheumatoid arthritis, administration of a single dose of ONX 0914, which induced potent and selective inhibition of the immunoproteasome, was sufficient to induce complete disease remission and inhibit the expression of several inflammatory cytokines in the animals. Inhibition of all three immunoproteasome active sites (LMP7, LMP2 and MECL1) was induced by ONX 0914 with minimal impact on the b5 subunit of the constitutive proteasome. The mice were followed for 14 days for signs of inflammation in their joints, and expression of three inflammatory cytokines was measured on Day 7 of the study. In a peer-reviewed publication, ONX 0914 resulted in a deeper anti-inflammatory response relative to Enbrel.

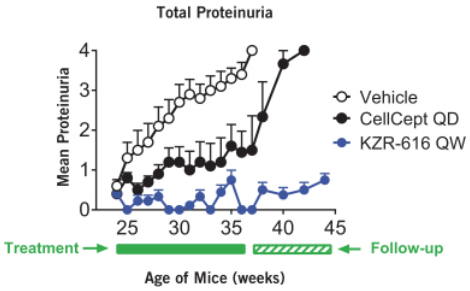
A Single Dose of ONX 0914 Selectively Inhibited Immunoproteasome Active Sites and Reduced Inflammation and Cytokine Expression in a Rheumatoid Arthritis Model



*same assay as used in Phase 1a clinical trial of KZR-616

In a mouse model of lupus nephritis, KZR-616 was compared to the standard of care, CellCept, for 12 weeks of therapy and 8 weeks of follow-up after the last dose. Compared to CellCept, KZR-616 induced a greater improvement in renal response as measured by reduced proteinuria. CellCept was active in this model, but, notably, renal disease progressed as soon as treatment stopped. In the mice treated with once weekly administration of KZR-616, a prolonged prevention of renal disease was noted out to eight weeks after the last dose, suggesting long-lasting immunomodulation. The effects of KZR-616 were not limited to a reduction in proteinuria; KZR-616 therapy also reduced kidney damage, decreased the number of activated B-cells and autoantibody producing B-cells and reduced levels of autoantibodies.

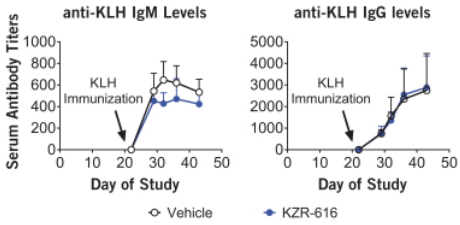
KZR-616 Successfully Treated Renal Disease in a Lupus Nephritis Mouse Model and Outperformed a Standard of Care Therapy



In mice with active lupus nephritis, KZR-616 or CellCept was given to animals for 12 weeks. QD means once per day and QW means once per week. Proteinuria was measured weekly or biweekly for 20 weeks.

Immunosuppression, the inability of the body's immune system to generate antibodies to vaccines or to fight off infection, is a common side effect of many drugs approved for or in development in autoimmunity. To assess the risk of immunosuppression due to treatment with our selective immunoproteasome inhibitors, our scientists and their academic collaborators performed several studies in animal models. Mice receiving daily administration of ONX 0914 experienced no loss in the ability to fight off viral infections. Nonhuman primates receiving weekly doses of KZR-616 raised normal antibody levels following immunization with the antigen KLH.

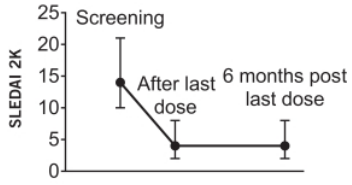
Nonhuman Primates Receiving KZR-616 Demonstrated Normal Antibody Responses



Nonhuman primates were given KZR-616 once per week and were immunized on Day 21 with KLH. Levels of antibodies raised against KLH were measured out to 21 days after immunization.

In parallel to the development of immunoproteasome inhibitors at Proteolix and Onyx, independent clinical researchers were exploring the application of the dual proteasome inhibitor Velcade in patients with persistent and treatment refractory autoimmune diseases. In one investigation, Velcade was administered for up to three months in patients with lupus who had previously been treated with standard of care but were still experiencing severe symptoms. Clinical responses were seen in all patients and improvements in disease symptoms were seen as early as 21 days from the start of treatment. In the subset of lupus patients with lupus nephritis, Velcade induced meaningful reduction in proteinuria with a median decrease of over 60% during the treatment period.

Velcade Reduced Lupus Disease Severity

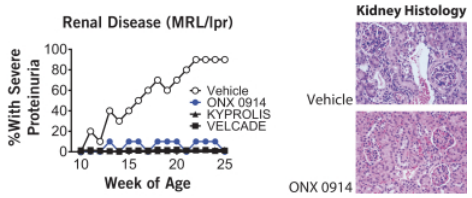


16 lupus patients were treated with Velcade for up to 4 treatment cycles. Disease severity as measured by the systemic lupus erythematous disease activity index, or SLEDAI 2K scale, was monitored prior to the first dose of Velcade, after the last dose of Velcade and 6 months after the last dose of Velcade. Median data from all patients are shown. Adapted from Alexander et al. 2015

Despite this clinical activity in lupus, Velcade is not suitable for long-term administration in any chronic inflammatory or autoimmune disease. This is due to Velcade's associated hematologic adverse events such as thrombocytopenia, anemia and neutropenia and induces peripheral neuropathy that can become permanent if dosing is continued for an extended period of time.

As shown in the figure below, our selective immunoproteasome inhibitor ONX 0914 was compared to dual targeting proteasome inhibitors Velcade and Kyprolis in mouse models of lupus. ONX 0914 was found to replicate the therapeutic activity of the dual proteasome inhibitors in these models, which strongly suggests that the clinical activity of Velcade and Kyprolis in patients with lupus is due to immunoproteasome inhibition. In fact, selective immunoproteasome inhibition resulted in equivalent efficacy and better tolerability in animal models to that of dual proteasome inhibitors. Also, selective immunoproteasome inhibition induced similar reductions in autoantibodies, cytokine reduction and autoimmune cell reduction to those demonstrated by dual-proteasome inhibitors.

Immunoproteasome Inhibition Was as Effective as Velcade and Kyprolis in Mouse Models of Lupus and Lupus Nephritis



In mice with active nephritis, ONX 0914, Velcade or Kyprolis was given to animals for 12 weeks. Renal disease was measured by monitoring proteinuria and at the end of study kidneys were analyzed by histology for disease-related changes.

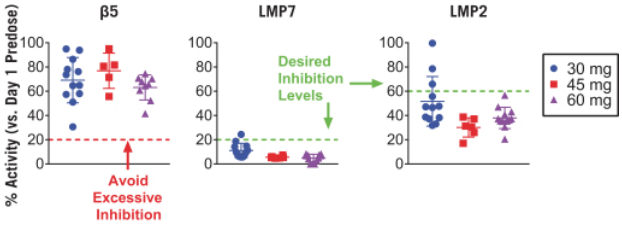
Our Phase 1a Clinical Data with KZR-616

In 2017, we completed a Phase 1a clinical trial in Australia to assess the safety, tolerability, PK, PD and immunomodulatory activity of KZR-616 in 82 healthy volunteers. In this trial, KZR-616 or a placebo was administered as a single dose or repeat-weekly subcutaneous administration over four weeks. Results from the trial, including the data and figures below, were presented at the 2017 American College of Rheumatology Annual Meeting.

Administration of KZR-616 to healthy volunteers resulted in a dose-dependent increase in exposure and inhibition of immunoproteasome activity. Selective inhibition of the immunoproteasome over the constitutive proteasome was demonstrated using multiple PD assays. Cytokine levels in ex vivo stimulation assays demonstrated an anti-cytokine effect of KZR-616 treatment consistent with preclinical models. Single and weekly administration at a dose that resulted in potent inhibition of the immunoproteasome were well tolerated and did not result in any of the hematologic adverse events that are often seen with Velcade and Kyprolis. In addition, there were no changes in liver or kidney function, ECG abnormalities, prolonged constitutional adverse events, or signs of immunosuppression with weekly administration of KZR-616.

In our Phase 1a healthy volunteer study, we observed that PK and PD were consistent across subjects and with repeat dosing. The graphs below show the proteasome subunit inhibition profiles in healthy volunteers receiving a single dose of either 30, 45, or 60 mg of KZR-616. At a 30 mg dose, 75% of the subjects (9 of 12) achieved the desired inhibition of the immunoproteasome subunits LMP7 and LMP2 and all subjects avoided 80% inhibition of the ß5 subunit of the constitutive proteasome. In contrast, Kyprolis induces greater than 80% inhibition of both LMP7 and ß5 at its labeled dose. All subjects receiving a dose of 45 or 60 mg achieved the desired inhibition of both LMP7 and LMP2 and also avoided excessive inhibition of the ß5 subunit.

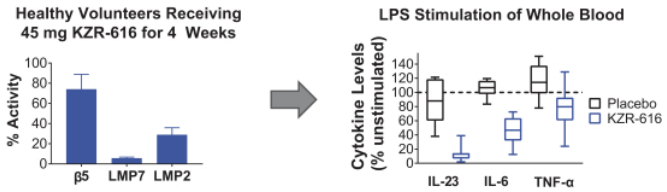
KZR-616 Inhibited Both LMP7 and LMP2 While Avoiding Excessive Inhibition of ß5, thereby Demonstrating Selective Immunoproteasome Inhibition



In Phase 1a subjects receiving subcutaneous administration of KZR-616, the most common adverse events, or AEs, were injection site reactions that were generally mild and transient and did not appear to increase in severity or frequency with repeat dosing. In addition, at the 60 mg dose level, two separate cohorts of six subjects each received a single dose of KZR-616. In the second cohort, 4 of 6 subjects receiving drug experienced AEs termed “systemic drug reactions,” namely hypotension, sinus tachycardia, nausea, vomiting and rigors and chills. Two of these subjects’ reactions were classified as Grade 2 and were recorded as serious adverse events, or SAEs. These systemic drug reactions appear similar to reactions commonly reported upon initial administration of some monoclonal antibody therapies including Rituxan® (rituximab) and Remicade® (infliximab). These findings were not seen with repeat dosing at 45 mg, and we conducted no repeat dosing at the 60 mg dose level.

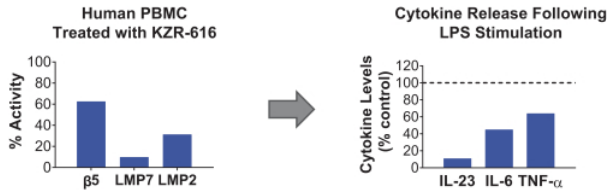
In order to determine whether KZR-616 was having a biologic effect in healthy volunteers, blood samples were taken before and after dosing and stimulated ex vivo to induce release of cytokines from white blood cells in the blood samples. We observed that after repeat dose administration of KZR-616 at a dose of 45 mg, there was significantly reduced release of cytokines compared to subjects receiving placebo. The following figure shows the profile of proteasome subunit inhibition in the healthy volunteers receiving 45 mg of KZR-616 and the resulting reduction in cytokine release following stimulation with lipopolysaccharide, or LPS.

Profile of Proteasome Subunit Inhibition in Healthy Volunteers Receiving KZR-616 and the Resulting Inhibition of Cytokine Release Following Stimulation



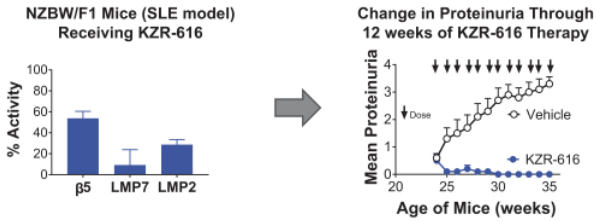
This profile of proteasome subunit inhibition is very similar to that observed when we treat white blood cells in vitro and stimulate them to release the same cytokines. As seen in the figure below, we demonstrated in vitro with human peripheral blood mononuclear cells, or PBMC, that a similar immunoproteasome subunit inhibition profile resulted in a comparable biologic response, namely inhibition of cytokine release.

Profile of Proteasome Subunit Inhibition in PBMC Exposed In Vitro to KZR-616 and the Resulting Inhibition of Cytokine Release Following Stimulation



Similarly, we have also shown that a dose of KZR-616 in mice can induce a similar immunoproteasome inhibition profile to that seen in human cells treated in vitro and in healthy volunteers receiving a dose of 45 mg. When KZR-616 was administered weekly for 12 weeks in a mouse model of lupus, mice saw a complete resolution of their nephritis, as measured by the absence of proteinuria.

Profile of Proteasome Subunit Inhibition in Mice Receiving KZR-616 and the Resulting Remission of Proteinuria in a Mouse Model of Lupus Nephritis



These data sets demonstrate a consistency of immunoproteasome inhibition profiles and anti-inflammatory activity across both preclinical and clinical settings. We believe these data, together with our other preclinical data

demonstrating inhibition of multiple inflammatory cytokines and efficacy in animal models of autoimmune diseases, demonstrate the potential for KZR-616 to be a promising new agent for the treatment of several autoimmune disorders.

Ongoing and Planned Clinical Development

Following the completion of our Phase 1a clinical trial in healthy volunteers, we filed an investigational new drug application, or IND, with the Division of Pulmonary and Rheumatology Products at the FDA.

The IND is currently open with the FDA, and in March 2018, we began enrollment of patients in KZR-616-002, a multi-center Phase 1b/2 clinical trial in patients with lupus and lupus nephritis. The Phase 1b portion includes open-label dose escalation in patients with active lupus (with and without lupus nephritis) who have failed to respond to at least one standard therapeutic regimen, such as Plaquenil® (hydroxychloroquine) or Benlysta® (belimumab) or an immunosuppressive agent such as CellCept. All patients must have a SLEDAI score of 4 or higher and must have measurable levels of autoantibodies. In this portion of the trial, we plan to enroll up to four cohorts of four to six patients each at dose levels of 45, 60, 75 and 90 mg. Each patient will receive up to 13 weekly subcutaneous administrations of KZR-616, and new cohorts will initiate enrollment after the previous cohort clears a four-week safety review. As of May 22, 2018, we have three patients currently enrolled in the 45 mg cohort, all of whom have been on study for greater than one month. The primary endpoints of both portions of the trial are safety and tolerability. Secondary and exploratory endpoints include PK, PD and biomarker assessments and measures of efficacy. We intend to use the data generated from the Phase 1b portion to select the doses for the Phase 2 portion of the trial. Initial top-line results from the Phase 1b portion of the trial are expected in the first half of 2019.

The Phase 1b portion of KZR-616-002 allows for two additional expansion cohorts in which we may evaluate KZR-616 in different subsets of patients or with different dosing regimens. If we choose to pursue these cohorts, we expect to initiate enrollment of these cohorts in 2019.

Once the dose levels of 45 and 60 mg have cleared safety review in the Phase 1b portion of the trial, we intend to commence the Phase 2 portion in the first half of 2019. The Phase 2 portion is a randomized placebo-controlled, double-blind trial to evaluate the safety and efficacy of KZR-616 in patients with active proliferative lupus nephritis. Inclusion criteria include patients with active proliferative lupus nephritis (Class III or IV ±V) who are undergoing induction therapy with CellCept and prednisone and have been treated for one to three months with this regimen. There will be three cohorts assigned to this trial, KZR-616 at 45 mg, KZR-616 at 60 mg and placebo. All patients will remain on their CellCept and prednisone induction therapy during the 13-week treatment period.

We plan to initiate up to four additional Phase 1b or Phase 2 clinical trials in 2019 to assess the safety, pharmacology and clinical activity of KZR-616 in autoimmune diseases. The first of these will likely be a randomized Phase 2 clinical trial in patients with idiopathic inflammatory myopathies. We expect to select additional indications based on assessment of clinical and regulatory feasibility and scientific evidence demonstrating a potential therapeutic benefit for KZR-616. We expect these indications to be autoimmune diseases that are orphan indications or other areas of high unmet medical need.

If our early trials demonstrate meaningful clinical activity, we intend to apply for various regulatory designations, possibly including Breakthrough Therapy designation, Fast Track designation or orphan drug designation. Receiving any of these designations could result in priority review from the FDA upon submission of a marketing application. In addition, some orphan indications we are considering may require smaller safety databases and therefore smaller numbers of patients for approval. Finally, by targeting indications with high unmet medical need, KZR-616 may face less competition and, if approved, enjoy a better chance of rapid uptake by physicians and patients eager to find effective treatments.

Protein Secretion and the Sec61 Translocon

We are conducting research and discovery efforts targeting protein secretion pathways as potential therapies for oncology and immuno-oncology. In mammalian cells, the secretion of proteins such as cytokines and the expression of cell surface transmembrane proteins such as cytokine receptors involve a process called cotranslational translocation. This process entails the insertion of nascent polypeptides, which are proteins, into the endoplasmic reticulum, or ER, of the cell. For most proteins, this insertion into the ER occurs via the Sec61 translocon, a highly conserved multi-subunit protein complex found in the membrane of the ER of all cells. Inhibition of the Sec61

translocon with small molecules blocks the secretion of some or all proteins, which can result in several physiologic outcomes, including altered cellular function, inhibition of cytokine release and/or cell death.

We are currently conducting multiple drug discovery campaigns within our protein secretion research program. Our two main approaches are to discover and develop small molecule therapeutics that target the interaction of the unique signal sequences of newly created proteins with the Sec61 translocon, which we refer to as specific protein secretion inhibitors or SPSIs, and to block protein secretion broadly with agents, referred to as cotransins. Some of our drug discovery campaigns within our protein secretion research program have reached the stage of animal testing, including animal models of cancer, with promising initial results. Our scientists and co-founder Dr. Jack Taunton of UCSF, have developed a significant level of proprietary knowledge around Sec61 translocon biology, the pharmacology and toxicology of protein secretion inhibitors, and know-how for determination of optimal properties for drug candidates.

License Agreement with Onyx

In June 2015, in connection with an issuance of 1,121,384 shares of our Series A convertible preferred stock to Onyx, we entered into a license agreement with Onyx, or the Onyx license agreement. Pursuant to the Onyx license agreement, Onyx granted us an exclusive license under certain patent rights, and a non-exclusive license to certain know-how, in each case controlled by Onyx and relating to our immunoproteasome program, to develop, manufacture or commercialize any pharmaceutical product containing certain types of compounds that are selective for the immunoproteasome for any and all uses other than those related to the diagnosis and/or treatment in humans of cancerous or pre-cancerous diseases and/or conditions, including those related to hematological diseases and/or conditions that are not inflammatory diseases or disorders.

Under the Onyx license agreement, we are obligated to pay Onyx milestone payments of up to $172.5 million in the aggregate upon the achievement of certain development, regulatory and sales milestones. Commencing upon the first commercial sale of a licensed product, we must make royalty payments to Onyx on net sales of such licensed products based on tiered annual net sales thresholds at varying royalty rates ranging in the mid to high single digits, subject to certain customary reductions. We must pay such royalties on a product-by-product and country-by-country basis until the latest to occur of the expiration of all licensed patents that claim such product in such country, the loss of regulatory exclusivity for such product in such country and the tenth anniversary of the first commercial sale of such product in such country. The licensed product patent portfolio includes issued patents in the United States, Australia, Canada, China, Europe, Japan, Mexico, Singapore and South Korea with expiration dates ranging from 2027 to 2034, absent any patent extensions available. For more information on our intellectual property, see “Business — Intellectual Property.” Upon the expiration of such royalty term in such country, our license to such product will become fully paid-up, irrevocable, and non-exclusive.

Under the Onyx license agreement, Onyx has a right of first negotiation to obtain a license, or a similar transfer of rights, to develop and/or commercialize any licensed product.

The Onyx license agreement will remain in effect until the expiration of last-to-expire royalty term for any licensed product in the territory. The license agreement may be terminated by us with prior notice, by either party in the event of a material breach by the other party that remains uncured for a certain number of days, such number depending on the type of breach, by either party for insolvency of the other party, or immediately by Onyx if we challenge any of the licensed patents.

Sales and Marketing

Given our stage of development, we have not yet established a commercial organization or distribution capabilities. We intend to build a commercial infrastructure to support sales of KZR-616 in the United States. We expect to manage sales, marketing and distribution through internal resources and third-party relationships. While we may commit significant financial and management resources to commercial activities, we will also consider collaborating with one or more pharmaceutical companies to enhance our commercial capabilities. Outside the United States, we plan to seek pharmaceutical partners for sales and marketing activities.

Manufacturing

Our internal manufacturing capabilities include production of small-scale quantities of active pharmaceutical ingredient, or API, for characterization and preclinical assessment of product candidates. We do not own or operate manufacturing facilities compliant with current good manufacturing practices, or cGMP, and we do not have plans to develop our own cGMP manufacturing operations in the foreseeable future.

We currently rely on third-party contract manufacturing organizations, or CMOs, for all of our required raw materials, API and finished product for our clinical trials and for most of our preclinical research. We also contract with additional third parties for the filling, labeling, packaging, storage and distribution of investigational drug products. We maintain agreements with our CMOs that include confidentiality and intellectual property provisions to protect our proprietary rights related to KZR-616. We obtain our supplies from these CMOs on a purchase order basis, and do not have long term supply agreements in place. We do not have arrangements in place for redundant supply; however, we believe we can identify and establish additional CMOs to provide API and finished drug product without significant disruption to our business or clinical development timelines.

Development and commercial quantities of any products that we develop will need to be manufactured in facilities, and by processes, that comply with the requirements of the FDA and the regulatory agencies of other jurisdictions in which we are seeking approval. If KZR-616 is approved by any regulatory agency, we intend to enter into agreements with a third-party contract manufacturer and one or more backup manufacturers for the commercial production of KZR-616.

Starting with the Phase 2 trial, KZR-616 will be a lyophilized product candidate, meaning it is freeze-dried and must be reconstituted with water prior to delivery to a patient. While lyophilized products are common in the drug industry, we intend that if approved and commercialized, KZR-616 will be self-administered by patients via a dual-chamber system. There are several technical challenges we will need to solve related to the use of a self-administered dual-chamber system, including whether KZR-616 is amenable to use in such a device and is sufficiently stable to meet regulatory requirements. In addition, we will need to enter into an additional agreement with a CMO to manufacture the self-administered dual-chamber system. We are aware of only one company that manufactures a self-administered dual-chamber system that has received FDA approval.

Competition

Drug development is highly competitive and subject to rapid and significant technological advancements. Our ability to compete will significantly depend upon our ability to complete necessary clinical trials and regulatory approval processes, and effectively market any drug that we may successfully develop. Our current and potential future competitors include pharmaceutical and biotechnology companies, academic institutions and government agencies. The primary competitive factors that will affect the commercial success of any product candidate for which we may receive marketing approval include efficacy, safety, tolerability, dosing convenience, price, coverage and reimbursement. Many of our existing or potential competitors have substantially greater financial, technical and human resources than we do and significantly greater experience in the discovery and development of product candidates, as well as in obtaining regulatory approvals of those product candidates in the United States and in foreign countries.

Our current and potential future competitors may also have significantly more experience commercializing drugs that have been approved for marketing. Mergers and acquisitions in the pharmaceutical and biotechnology industries could result in even more resources being concentrated among a small number of our competitors.

Accordingly, our competitors may be more successful than us in obtaining regulatory approval for therapies and in achieving widespread market acceptance of their drugs. It is also possible that the development of a cure or more effective treatment method for the disorders we are targeting by a competitor could render our current or future product candidates non-competitive or obsolete or reduce the demand for our product candidates before we can recover our development and commercialization expenses.

Currently, lupus is treated with corticosteroids and immunosuppressive agents such as hydroxychloroquine. Current guidance for the treatment of proliferative lupus nephritis involves induction therapy with either CellCept or Cytoxan®

(cyclophosphamide) and corticosteroids. In addition, Benlysta, an anti-BAFF monoclonal antibody from GlaxoSmithKline is approved by the FDA for the treatment of moderate to severe lupus but not lupus nephritis.

Other companies are developing agents to treat both lupus and lupus nephritis. In lupus, these agents include antibodies against the interferon alpha receptor, such as anifrolumab from AstraZeneca, and against IL-23/IL-12, such as Stelara from Janssen Biotech, Inc., and small molecule agents targeting JAK, such as baricitinib from Eli Lilly and Co., cereblon from Celgene, and BTK, such as investigational drug evobrutinib, under evaluation by Merck KgaA.

In proliferative lupus nephritis, other companies are developing novel agents to add to the standard induction regimens and include Benlysta, anifrolumab and the investigational immunosuppressive agent voclosporin from Aurinia Pharmaceuticals, Inc.

Intellectual Property

Our intellectual property is critical to our business and we strive to protect it, including by obtaining and maintaining patent protection in the United States and internationally for our technology platform, product candidates, novel biological discoveries, new therapeutic approaches and potential indications, and other inventions that are important to our business. Our policy is to seek to protect our proprietary and intellectual property position by, among other methods, filing U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development and implementation of our business. We also rely on the skills, knowledge and experience of our scientific and technical personnel, as well as that of our advisors, consultants and other contractors. To help protect our proprietary know-how that is not patentable, we rely on confidentiality agreements to protect our interests. We require our employees, consultants and advisors to enter into confidentiality agreements prohibiting the disclosure of confidential information and requiring disclosure and assignment to us of the ideas, developments, discoveries and inventions important to our business.

For our product candidates, generally we initially pursue patent protection covering compositions of matter and methods of use. Throughout the development of our product candidates, we seek to identify additional means of obtaining patent protection that would potentially enhance commercial success, including through additional methods of use, process of making, and salt and polymorph related claims.

In total, our patent portfolio, including patents licensed from Onyx, comprises eight different patent families, filed in various jurisdictions worldwide, including families directed to composition of matter for selective immunoproteasome inhibitors and protein secretion inhibitors. At least two additional patent filings for new composition of matter subject matter are planned for the first half of 2018. Our patent portfolio includes issued patents in the United States, Australia, Canada, China, Europe, Japan, Mexico, Singapore and South Korea with expiration dates ranging from 2027 to 2034. Our patent portfolio is outlined below:

Selective Immunoproteasome Inhibitors

PRTX-019—Initial composition of matter patent covering selective immunoproteasome inhibitors, which also covers ONX 0914, our tool compound found in multiple publications. We have issued patents in the United States, Australia, Canada, China, Europe, Japan, Mexico, Singapore and South Korea. The 20-year term of this family is June 2027, absent any patent term extensions available.

PRTX-039—composition of matter patent covering selective immunoproteasome inhibitors, including selective LMP7 inhibitors and dual LMP7/LMP2 inhibitors. We have issued patents in the United States and Europe. This patent covers KZR-616 and its closely related analogs. The 20-year term of this family is March 2034, absent any patent term extensions available.

PRTX-041—composition of matter patent covering selective immunoproteasome inhibitors of the LMP2 subunit. We have issued patents in the United States and Singapore. The 20-year term of this family is March 2034, absent any patent term extensions available.

Patent applications describing salt and crystal forms of KZR-616 and process chemistry for large scale manufacturing have also been filed. No patents have been issued yet, but the 20-year term of each of these families is expected to be June 2037, absent any patent term extensions available.

Additional therapeutic methods applications were filed in 2017 covering the combination of selective LMP7 and LMP2 inhibitors, that is, the combination of PRTX-039 + PRTX-041 inhibitors, for the treatment of autoimmune diseases and the combination of KZR-616 and related analogs and immunomodulator drugs, such as mycophenylate mofetil for the treatment of lupus, lupus nephritis and other autoimmune diseases. We expect the non-provisional applications for each of these families will be filed in August or September 2018. No patents have been issued yet, but the 20-year term of these families is expected to be August or September 2038, absent any patent term extensions available.

We expect to file future applications for new composition of matter for second generation selective inhibitors of the immunoproteasome pending results from ongoing drug discovery efforts.

Protein Secretion Modulators

Our scientists and the laboratory of our co-founder Dr. Jack Taunton of UCSF, have developed a significant level of proprietary knowledge around Sec61 translocon biology, the pharmacology and toxicology of protein secretion inhibitors, and know-how for determination of optimal properties for product candidates. We have filed and expect to continue to file patent applications around protein secretion inhibitors directed to different scaffolds currently being pursued by us alone or in collaboration with the Taunton Lab at UCSF.

Patent Term and Term Extensions

Individual patents have terms for varying periods depending on the date of filing of the patent application or the date of patent issuance and the legal term of patents in the countries in which they are obtained. Generally, utility patents issued for applications filed in the United States are granted a term of 20 years from the earliest effective filing date of a non-provisional patent application. In addition, in certain instances, a patent term can be extended to recapture a portion of the U.S. Patent and Trademark Office, or the USPTO, delay in issuing the patent as well as a portion of the term effectively lost as a result of the FDA regulatory review period. However, as to the FDA component, the restoration period cannot be longer than five years and the restoration period cannot extend the patent term beyond 14 years from FDA approval. The duration of foreign patents varies in accordance with provisions of applicable local law, but typically is also 20 years from the earliest effective filing date. All taxes or annuities for a patent, as required by the USPTO and various foreign jurisdictions, must be timely paid in order for the patent to remain in force during this period of time.

The actual protection afforded by a patent may vary on a product by product basis, from country to country, and can depend 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.

Our patents and patent applications are subject to procedural or legal challenges by others. We may be unable to obtain, maintain and protect the intellectual property rights necessary to conduct our business, and we may be subject to claims that we infringe or otherwise violate the intellectual property rights of others, which could materially harm our business. For more information, see the section titled “Risk Factors—Risks Related to Our Intellectual Property.”

Trademarks and Know-How

In connection with the ongoing development and advancement of our products and services in the United States and various international jurisdictions, we seek to create protection for our marks and enhance their value by pursuing trademarks and service marks where available and when appropriate. In addition to patent and trademark protection, we rely upon know-how and continuing technological innovation to develop and maintain our competitive position. We seek to protect our proprietary information, in part, using confidentiality agreements with our commercial partners, collaborators, employees and consultants, and invention assignment agreements with our 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 a third party. These agreements may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. 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.

Government Regulation and Product Approval

Government authorities in the United States, at the federal, state and local levels, and in other countries, extensively regulate, among other things, the research, development, testing, manufacture, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing, import and export of pharmaceutical products, such as those we are developing. The processes for obtaining regulatory approvals in the United States and in foreign countries, along with subsequent compliance with applicable statutes and regulations, require the expenditure of substantial time and financial resources.

KZR-616 is designed to be delivered to patients via a self-administered dual-chamber system. In the United States, products composed of components that would normally be regulated by different centers at the FDA are known as combination products. While we expect that KZR-616 will be regulated as a drug and its delivery device will be evaluated with it as a single product, we cannot be certain that the FDA would not require independent clearance or approval for the self-administered dual-chamber system delivery. Whether approved separately or under a single New Drug Application, or NDA, our self-administered dual-chamber system will have to meet medical device regulatory requirements, including design verification and validation and human factors testing.

United States Government Regulation

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, or 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 requires the expenditure of substantial time and financial resources. Failure to comply with the applicable United States requirements at any time during the drug development process, approval process or after approval, may subject an applicant to a variety of administrative or judicial sanctions, such as the FDA's refusal to approve pending NDAs, withdrawal of an approval, imposition of a clinical hold, issuance of warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties.

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

- completion of preclinical laboratory tests, animal studies and formulation studies in compliance with the FDA's good laboratory practice, or GLP, regulations;
- submission to the FDA of an IND, which must become effective before human clinical trials may begin;
- approval by an independent institutional review board, or IRB, at each clinical site before each trial may be initiated;
- performance of adequate and well-controlled clinical trials, in accordance with good clinical practice, or GCP, requirements to establish the safety and efficacy of the proposed drug for each indication;
- submission to the FDA of an NDA;
- 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 product is produced to assess compliance with cGMP requirements, and to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity;
- satisfactory completion of an FDA inspection of selected clinical sites to assure compliance with GCPs and the integrity of the clinical data;
- payment of user fees; and
- FDA review and approval of the NDA.

Preclinical Studies

Preclinical studies include laboratory evaluation of product chemistry, toxicity and formulation, as well as animal studies to assess potential safety and efficacy. An IND sponsor must submit the results of the nonclinical tests, together with manufacturing information, analytical data and any available clinical data or literature, among other things, to the FDA as part of an IND. Some nonclinical testing may continue even after the IND is submitted. An IND automatically becomes effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions related to one or more proposed clinical trials and places the clinical trial on a clinical hold.

In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. As a result, submission of an IND may not result in the FDA allowing clinical trials to commence.

Clinical Trials

Clinical trials involve the administration of the investigational new drug to human subjects under the supervision of qualified investigators in accordance with GCP requirements, which include the requirement that all research subjects provide their informed consent in writing for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. In addition, an IRB at each institution participating in the clinical trial must review and approve the plan for any clinical trial before it commences at that institution, and the IRB must continue to oversee the clinical trial while it is being conducted. Information about certain clinical trials must be submitted within specific timeframes to the National Institutes of Health, or NIH, for public dissemination on their ClinicalTrials.gov website.

Human clinical trials are typically conducted in three sequential phases, which may overlap or be combined. In Phase 1, the drug is initially introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion and, if possible, to gain an initial indication of its effectiveness. In Phase 2, the drug typically is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage. In Phase 3, the drug is administered to an expanded patient population, generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the safety and efficacy of the product for approval, to establish the overall risk-benefit profile of the product and to provide adequate information for the labeling of the product.

Progress reports detailing the results of the clinical trials must be submitted, at least annually, to the FDA, and more frequently if serious adverse events occur. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, or at all. Furthermore, the FDA or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements, or if the drug has been associated with unexpected serious harm to patients.

Marketing Approval

Assuming successful completion of the required clinical testing, the results of the preclinical and clinical studies, together with detailed information relating to the product's chemistry, manufacture, controls and proposed labeling, among other things, are submitted to the FDA as part of an NDA requesting approval to market the product for one or more indications. In most cases, the submission of an NDA is subject to a substantial application user fee. 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 the FDA because the FDA has approximately two months to make a "filing" decision.

In addition, under the Pediatric Research Equity Act, certain NDAs or supplements to an NDA must contain data that are adequate to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements. Unless otherwise required by regulation, the pediatric data requirements do not apply to products with orphan designation.

The FDA also may require submission of a risk evaluation and mitigation strategy, or REMS, plan to ensure that the benefits of the drug outweigh its risks. The REMS plan could include medication guides, physician communication plans, assessment plans, and/or elements to assure safe use, such as restricted distribution methods, patient registries or other risk minimization tools.

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 application must be resubmitted with the additional information. The resubmitted application is also subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. The FDA reviews an NDA to determine, among other things, whether the drug is safe and effective and whether the facility in which it is manufactured, processed, packaged or held meets standards designed to assure the product's continued safety, quality and purity.

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 typically will 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 requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA will typically inspect one or more clinical trial sites to assure compliance with GCP requirements.

The testing and approval process for an NDA requires substantial time, effort and financial resources, and takes several years to complete. Data obtained from preclinical and clinical testing are not always conclusive and may be susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. The FDA may not grant approval of an NDA on a timely basis, or at all.

After evaluating the NDA and all related information, including the advisory committee recommendation, if any, and inspection reports regarding the manufacturing facilities and clinical trial sites, the FDA may issue an approval letter, or, in some cases, a complete response letter. A complete response letter generally contains a statement of specific conditions that must be met in order to secure final approval of the NDA and may require additional clinical or preclinical testing in order for FDA to reconsider the application. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. If and when those conditions have been met to the FDA's satisfaction, the FDA will typically issue an approval letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications.

Even if the FDA approves a product, it may limit the approved indications for use of the product, require that contraindications, warnings or precautions be included in the product labeling, require that post-approval studies, including Phase 4 clinical trials, be conducted to further assess a drug's safety after approval, require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, including distribution and use restrictions or other risk management mechanisms under a REMS, which can materially affect the potential market and profitability of the product. The FDA may prevent or limit further marketing of a product based on the results of post-marketing studies or surveillance programs. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes, and additional labeling claims, are subject to further testing requirements and FDA review and approval.

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug intended to treat a rare disease or condition, which is a disease or condition that affects fewer than 200,000 individuals in the United States, or if it affects more than 200,000, there is no reasonable expectation that sales of the drug in the United States will be sufficient to offset the costs of developing and making the drug available in the United States. Orphan drug designation must be requested before submitting an NDA. Orphan drug designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

If the FDA approves a sponsor's marketing application for a designated orphan drug for use in the rare disease or condition for which it was designated, the sponsor is eligible for a seven-year period of marketing exclusivity, during

which the FDA may not approve another sponsor's marketing application for a drug with the same active moiety and intended for the same use or indication as the approved orphan drug, except in limited circumstances, such as if a subsequent sponsor demonstrates its product is clinically superior. During a sponsor's orphan drug exclusivity period, competitors, however, may receive approval for drugs with different active moieties for the same indication as the approved orphan drug, or for drugs with the same active moiety as the approved orphan drug, but for different indications. Orphan drug exclusivity could block the approval of one of our products for seven years if a competitor obtains approval for a drug with the same active moiety intended for the same indication before we do, unless we are able to demonstrate that grounds for withdrawal of the orphan drug exclusivity exist, or that our product is clinically superior. Further, if a designated orphan drug receives marketing approval for an indication broader than the rare disease or condition for which it received orphan drug designation, it may not be entitled to exclusivity.

Special FDA Expedited Review and Approval Programs

The FDA has various programs, including fast track designation, accelerated approval, priority review, and breakthrough therapy designation, which are intended to expedite or simplify the process for the development and FDA review of drugs that are intended for the treatment of serious or life threatening diseases or conditions and demonstrate the potential to address unmet medical needs. The purpose of these programs is to provide important new drugs to patients earlier than under standard FDA review procedures.

To be eligible for a fast track designation, the FDA must determine, based on the request of a sponsor, that a product is intended to treat a serious or life-threatening disease or condition and demonstrates the potential to address an unmet medical need. The FDA will determine that a product will fill an unmet medical need if it will provide a therapy where none exists or provide a therapy that may be potentially superior to existing therapy based on efficacy or safety factors. The FDA may review sections of the NDA for a fast track product 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.

The FDA may give a priority review designation to drugs that are designed to treat serious conditions, and if approved, would provide a significant improvement in treatment, or provide a treatment where no adequate therapy exists. A priority review means that the goal for the FDA to review an application is six months, rather than the standard review of ten months under current PDUFA guidelines. Under the current PDUFA agreement, these six and ten month review periods are measured from the "filing" date rather than the receipt date for NDAs for new molecular entities, which typically adds approximately two months to the timeline for review and decision from the date of submission. Most products that are eligible for fast track designation are also likely to be considered appropriate to receive a priority review.

In addition, products studied for their safety and effectiveness in treating serious or life-threatening illnesses and that provide meaningful therapeutic benefit over existing treatments may be eligible for accelerated approval and may be approved on the basis of adequate and well-controlled clinical trials establishing that the drug 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 a sponsor of a drug receiving accelerated approval to perform post-marketing studies to verify and describe the predicted effect on irreversible morbidity or mortality or other clinical endpoint, and the drug may be subject to accelerated withdrawal procedures.

Moreover, under the provisions of the Food and Drug Administration Safety and Innovation Act, a sponsor can request designation of a product candidate as a "breakthrough therapy." A breakthrough therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug 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 FDA must take certain actions, such as holding timely meetings and providing advice, intended to expedite the development and review of an application for approval of a breakthrough therapy.

Even if a product qualifies for one or more of these programs, the FDA may later decide that the product no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened. We may explore some of these opportunities for our product candidates as appropriate.

Post-Approval Requirements

Drugs manufactured or distributed pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to recordkeeping, periodic reporting, product sampling and distribution, advertising and promotion and reporting of adverse experiences with the product. After approval, most changes to the approved product, such as adding new indications, manufacturing changes or other labeling claims, are subject to further testing requirements and prior FDA review and approval. There also are continuing annual user fee requirements for any marketed products and the establishments at which such products are manufactured, as well as application fees for supplemental applications with clinical data.

Even if the FDA approves a product, it may limit the approved indications for use of the product, require that contraindications, warnings or precautions be included in the product labeling, including a boxed warning, require that post-approval studies, including Phase 4 clinical trials, be conducted to further assess a drug's safety after approval, require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, including distribution restrictions or other risk management mechanisms under a REMS, which can materially affect the potential market and profitability of the product. The FDA may prevent or limit further marketing of a product based on the results of post-marketing studies or surveillance programs.

In addition, drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and state agencies, and are subject to periodic unannounced inspections by the FDA and these state agencies for compliance with cGMP requirements. Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain cGMP compliance.

Once an approval is granted, the FDA may withdraw the 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 mandatory revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution 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 holds on post-approval clinical trials;
- refusal of the FDA to approve pending NDAs or supplements to approved NDAs, or suspension or revocation of product approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for the approved indications and in accordance with the provisions of the approved label, although physicians, in the practice of medicine, may prescribe approved drugs for unapproved indications. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

In addition, the distribution of prescription pharmaceutical products is subject to the Prescription Drug Marketing Act, or PDMA, which regulates the distribution of drugs and drug samples at the federal level, and sets minimum

standards for the registration and regulation of drug distributors by the states. Both the PDMA and state laws limit the distribution of prescription pharmaceutical product samples and impose requirements to ensure accountability in distribution.

Federal and State Fraud and Abuse, Data Privacy and Security, and Transparency Laws and Regulations

In addition to FDA restrictions on marketing of pharmaceutical products, federal and state healthcare laws and regulations restrict business practices in the biopharmaceutical industry. These laws may impact, among other things, our current and future business operations, including our clinical research activities, and proposed sales, marketing and education programs and constrain the business or financial arrangements and relationships with healthcare providers and other parties through which we market, sell and distribute our products for which we obtain marketing approval. These laws include anti-kickback and false claims laws and regulations, data privacy and security, and transparency laws and regulations, including, without limitation, those laws described below.

The federal Anti-Kickback Statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce or in return for purchasing, leasing, ordering or arranging for or recommending the purchase, lease or order of any item or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The term “remuneration” has been broadly interpreted to include anything of value. The Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formulary managers on the other. Although there are a number of statutory exemptions and regulatory safe harbors protecting some common activities from prosecution, the exemptions and safe harbors are drawn narrowly. Practices that involve remuneration that may be alleged to be intended to induce prescribing, purchases or recommendations may be subject to scrutiny if they do not qualify for an exemption or safe harbor. Several courts have interpreted the statute’s intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated.

A person or entity does not need to have actual knowledge of this statute or specific intent to violate it in order to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act or the civil monetary penalties statute, which imposes penalties against any person who is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent.

Federal false claims laws, including the federal civil False Claims Act, prohibits any person or entity from knowingly presenting, or causing to be presented, a false claim for payment to the federal government or knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government. A claim includes “any request or demand” for money or property presented to the U.S. government. Several pharmaceutical and other healthcare companies have been prosecuted under these laws for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the companies’ marketing of products for unapproved, and thus non-reimbursable, uses.

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, created additional federal criminal statutes that prohibit, among other things, knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private third-party payors and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Also, many states have similar fraud and abuse statutes or regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor.

In addition, we may be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their respective implementing regulations, imposes specified requirements on certain types of individuals and entities relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA’s security standards directly applicable to “business associates,” defined as independent contractors or agents of covered entities that create, receive, maintain or

transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in certain circumstances, many of which are not pre-empted by HIPAA, differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

The federal Physician Payments Sunshine Act requires certain manufacturers of 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 report annually to the Centers for Medicare & Medicaid Services, or CMS, information related to payments or other transfers of value made to physicians and teaching hospitals, and applicable manufacturers and applicable group purchasing organizations to report annually to CMS ownership and investment interests held by the physicians and their immediate family members.

We may also be subject to 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, as well as state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures.

Because of the breadth of these laws and the narrowness of available statutory and regulatory exemptions, it is possible that some of our business activities could be subject to challenge under one or more of such laws. If our operations are found to be in violation of any of the federal and state laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including criminal and significant civil monetary penalties, damages, fines, individual imprisonment, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, contractual damages, reputational harm, diminished profits and future earnings, disgorgement, exclusion from participation in government healthcare programs and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations. To the extent that any of our products are sold in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws and implementation of corporate compliance programs and reporting of payments or transfers of value to healthcare professionals.

Coverage and Reimbursement

The future commercial success of our product candidates or any of our collaborators' ability to commercialize any approved product candidates successfully will depend in part on the extent to which governmental payor programs at the federal and state levels, including Medicare and Medicaid, private health insurers and other third-party payors provide coverage for and establish adequate reimbursement levels for our product candidates. Government health administration authorities, private health insurers and other organizations generally decide which drugs they will pay for and establish reimbursement levels for healthcare. In particular, in the United States, private health insurers and other third-party payors often provide reimbursement for products and services based on the level at which the government, through the Medicare or Medicaid programs, provides reimbursement for such treatments. In the United States, the European Union, or EU, and other potentially significant markets for our product candidates, government authorities and third party payors are increasingly attempting to limit or regulate the price of medical products and services, particularly for new and innovative products and therapies, which often has resulted in average selling prices lower than they would otherwise be. Further, the increased emphasis on managed healthcare in the United States and on country and regional pricing and reimbursement controls in the EU will put additional pressure on product pricing, reimbursement and usage, which may adversely affect our future product sales and results of operations. These pressures can arise from rules and practices of managed care groups, judicial decisions and laws and regulations related to Medicare, Medicaid and healthcare reform, pharmaceutical coverage and reimbursement policies and pricing in general.

Third-party payors are increasingly imposing additional requirements and restrictions on coverage and limiting reimbursement levels for medical products. For example, federal and state governments reimburse covered

prescription drugs at varying rates generally below average wholesale price. These restrictions and limitations influence the purchase of healthcare services and products. Third-party payors may limit coverage to specific drug products on an approved list, or formulary, which might not include all of the FDA-approved drug products for a particular indication. Third-party payors are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of our products, in addition to the costs required to obtain the FDA approvals. Our product candidates may not be considered medically necessary or cost-effective. A payor's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a drug product does not assure that other payors will also provide coverage for the drug product. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in drug development. Legislative proposals to reform healthcare or reduce costs under government insurance programs may result in lower reimbursement for our products and product candidates or exclusion of our product candidates from coverage. The cost containment measures that healthcare payors and providers are instituting and any healthcare reform could significantly reduce our revenues from the sale of any approved product candidates. We cannot provide any assurances that we will be able to obtain and maintain third party coverage or adequate reimbursement for our product candidates in whole or in part.

Impact of Healthcare Reform on our Business

The United States and some foreign jurisdictions are considering enacting or have enacted a number of additional legislative and regulatory proposals to change the healthcare system in ways that could affect our ability to sell our product candidates profitably, if approved. Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts, which include major legislative initiatives to reduce the cost of care through changes in the healthcare system, including limits on the pricing, coverage, and reimbursement of pharmaceutical and biopharmaceutical products, especially under government-funded health care programs, and increased governmental control of drug pricing.

There have been several U.S. government initiatives over the past few years to fund and incentivize certain comparative effectiveness research, including creation of the Patient-Centered Outcomes Research Institute under the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the PPACA. It is also possible that comparative effectiveness research demonstrating benefits in a competitor's product could adversely affect the sales of our product candidates. If third-party payors do not consider our product candidates to be cost-effective compared to other available therapies, they may not cover our product candidates, once approved, as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow us to sell our product on a profitable basis.

The PPACA became law in March 2010 and substantially changed the way healthcare is financed by both governmental and private insurers. Among other measures that may have an impact on our business, the PPACA establishes an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents; a new Medicare Part D coverage gap discount program; and a new formula that increases the rebates a manufacturer must pay under the Medicaid Drug Rebate Program. Additionally, the PPACA extends manufacturers' Medicaid rebate liability, expands eligibility criteria for Medicaid programs, and expands entities eligible for discounts under the Public Health Service pharmaceutical pricing program. At this time, we are unsure of the full impact that the PPACA will have on our business. There have been judicial and Congressional challenges to certain aspects of the PPACA, as well as recent efforts by the Trump administration to repeal or replace certain aspects of the PPACA, and we expect such challenges and amendments to continue. Since January 2017, President Trump has signed two Executive Orders designed to delay the implementation of any certain provisions of the PPACA or otherwise circumvent some of the requirements for health insurance mandated by the PPACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the PPACA have been signed into law. The Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the PPACA 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." Additionally, on January 22, 2018, President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain PPACA-mandated fees, including the so-called "Cadillac" tax on certain high cost employer-sponsored insurance plans, the annual fee imposed on certain health insurance providers based on market share, and the medical device excise tax on non-exempt medical devices. Further, the Bipartisan Budget Act of 2018, or the BBA, among other things, amends the PPACA, effective January 1, 2019, to increase from 50 percent to 70 percent the point-of-sale discount that is owed by pharmaceutical manufacturers who participate in Medicare Part D and to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole."

In addition, there has been increasing legislative and enforcement interest in the United States with respect to specialty drug pricing practices. Specifically, there have been several recent U.S. Congressional inquiries and proposed federal and proposed and enacted state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. At the federal level, the Trump administration's budget proposal for fiscal year 2019 contains further drug price control measures that could be enacted during the 2019 budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid, and to eliminate cost sharing for generic drugs for low-income patients. While any proposed measures will require authorization through additional legislation to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. At the state level, legislatures are increasingly passing legislation and implementing 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.

As a result of the PPACA, Medicare payments are increasingly tied to quality of care and value measures, and reporting of related data by providers such as physicians and hospitals. So called "value based reimbursement" measures may present challenges as well as potential opportunities for biopharmaceutical manufacturers. Medicare incentives for providers meeting certain quality measures may ultimately prove beneficial for manufacturers that are able to establish that their products may help providers to meet such measures. However, manufacturers' ability to market their drug products based on quality or value is highly regulated and not always permissible. In addition, potentially decreased Medicare reimbursement to those providers that fail to adequately comply with quality reporting requirements could translate to decreased resources available to purchase products and may negatively impact marketing or utilization of our product candidates if they are approved for marketing. We cannot predict at this time what impact, if any, the longer-term shift towards value based reimbursement will have on any of our product candidates in either the Medicare program, or in any other third party payor programs that may similarly tie payment to provider quality.

In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. In August 2011, the President signed into law the Budget Control Act of 2011, as amended, which, among other things, included aggregate reductions to Medicare payments to providers of 2% per fiscal year, which began in 2013 and, following passage of subsequent legislation, including the BBA, will continue through 2027 unless additional Congressional action is taken. In January 2013, the American Taxpayer Relief Act of 2012 was enacted and, 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 to five years. These and other healthcare reform initiatives may result in additional reductions in Medicare and other healthcare funding.

Foreign Regulation

In order to market any product outside of the United States, we would need to comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy and governing, among other things, clinical trials, marketing authorization, commercial sales and distribution of our product candidates. For example, in the EU, we must obtain authorization of a clinical trial application, or CTA, in each member state in which we intend to conduct a clinical trial. Whether or not we obtain FDA approval for a drug, we would need to obtain the necessary approvals by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the drug in those countries. The approval process varies from country to country and can involve

additional product testing and additional administrative review periods. The time required to obtain approval in other countries might differ from and be longer than that required to obtain FDA approval. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may negatively impact the regulatory process in others.

Employees

As of May 4, 2018, we had 20 full-time employees, 15 of whom were primarily engaged in research and development activities and 8 of whom had an M.D. or Ph.D. degree. None of our employees is represented by a labor union and we consider our employee relations to be good.

Facilities

Our headquarters is currently located in South San Francisco, and consists of 24,357 square feet of leased office space under a lease that expires in February 2025. We believe that our facilities are adequate to meet our current needs.

Legal Proceedings

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not currently a party to any material legal proceedings, and we are not aware of any pending or threatened legal proceeding against us that we believe could have an adverse effect on our business, operating results or financial condition.

MANAGEMENT

The following table sets forth information regarding our executive officers and directors, including their ages as of March 1, 2018:

NAME	AGE	POSITION(S)
Executive Officers		
John Fowler	46	Chief Executive Officer and Director
Christopher Kirk, Ph.D.	46	President, Chief Scientific Officer and Director
Marc L. Belsky	62	Chief Financial Officer and Secretary
Niti Goel, M.D.	50	Chief Medical Officer
Non-Employee Directors		
Jean-Pierre Sommadossi, Ph.D.(2)(3)	61	Chairman of the Board of Directors
Franklin M. Berger, CFA(1)(3)	68	Director
Bihua Chen*	49	Director
Graham Cooper(1)(2)	48	Director
Jason Dinges, Ph.D., J.D.(3)	42	Director
Michael Kauffman, M.D., Ph.D.(1)(2)	54	Director

(1) Member of our audit committee.
(2) Member of our compensation committee.
(3) Member of our nominating and corporate governance committee.
* Ms. Chen has notified us that she will resign from our board of directors contingent upon and effective immediately prior to the effectiveness of the registration of our common stock as a class of securities pursuant to the Securities Exchange Act of 1934, as amended.

Executive Officers

John Fowler is our co-founder and has served as our Chief Executive Officer since March 2015 and as a member of our board of directors since February 2015. Prior to founding our company, Mr. Fowler was Chief Executive Officer of HealthCPA, a provider of patient advocacy and insurance navigation services, from June 2009 to October 2014. Mr. Fowler received his A.B. and M.B.A. degrees from Stanford University. We believe that Mr. Fowler's extensive knowledge of our company as co-founder and Chief Executive Officer, his experience as the chief executive officer of multiple companies and his management background and experience in the healthcare industry qualifies him to serve on our board of directors.

Christopher Kirk, Ph.D., is our co-founder and has served as our President and Chief Scientific Officer since March 2015 and as a member of our board of directors since February 2015. Prior to founding our company, Dr. Kirk was the Vice President of Research at Onyx Pharmaceuticals, Inc., or Onyx, from April 2010 to April 2014. Dr. Kirk previously served as Director of Pharmacology and Biology at Onyx and at Proteolix, Inc. Dr. Kirk has served as a member of the Scientific Advisory Board at Karyopharm Therapeutics, Inc., C4 Therapeutics, Inc. and Avidity Biosciences LLC. Dr. Kirk received his B.S. degree in biochemistry from University of California, Davis, and his Ph.D. degree in cellular and molecular biology from the University of Michigan. We believe that Dr. Kirk's extensive knowledge of our company as co-founder and his experience at pharmaceutical companies and his scientific experience and achievements qualifies him to serve on our board of directors.

Marc L. Belsky has served as our Chief Financial Officer since March 2018 and Secretary since April 2018. Prior to joining us, from October 2009 to April 2018, Mr. Belsky held several roles at Five Prime Therapeutics, Inc., a publicly held biopharmaceutical company, including most recently as Senior Vice President and Chief Financial Officer. Prior to that, Mr. Belsky served in various roles at Cell Genesys, Inc., a biotechnology company acquired by BioSante Pharmaceuticals, Inc., Active Aero Group, Inc., DataWave Systems Inc. and Michigan National Corporation, a holding company for Michigan National Bank, which was acquired by BANA Holding Corporation. Mr. Belsky started his career as an auditor with Coopers & Lybrand. Mr. Belsky received a B.S. degree in accounting from Wayne State University and an M.B.A. degree from the University of Michigan. He is a certified public accountant.

Niti Goel, M.D., has served as our Chief Medical Officer since April 2018. Since March 2011, Dr. Goel has served as an adjunct Assistant Professor of Medicine at Duke University School of Medicine. From August 2012 to April 2018,

she held several roles at IQVIA, The Human Data Science Company, including Vice President, Advisory Services, Strategic Drug Development, Principal Scientific Advisor and Head, Rheumatology Center of Excellence. Prior to that, Dr. Goel served in various roles at Array BioPharma Inc. and UCB Pharma, each a publicly held biopharmaceutical company, and The Procter & Gamble Company, a publicly held consumer goods corporation. Dr. Goel received a B.S. degree in science from Pennsylvania State University and her M.D. degree from Jefferson Medical College of Thomas Jefferson University.

Non-Employee Directors

Jean-Pierre Sommadossi, Ph.D., has served as a member of our board of directors since June 2015. Dr. Sommadossi has served as the Founder, Chief Executive Officer and Chairman of Atea Pharmaceuticals, Inc. since December 2013. Prior to that, he co-founded Pharmasset, Inc. and held several roles at Idenix Pharmaceuticals, Inc., including principal founder and Chief Executive Officer and Chairman. Dr. Sommadossi serves as the Vice Chair of the board of directors of Rafael Pharmaceuticals, Inc., a privately held therapeutics company. He is also a member of the Harvard Medical School Discovery Council and a Senior Advisor to PureTech Ventures. Dr. Sommadossi received his Ph.D. and Pharm.D. degrees from the University of Marseilles in France. We believe that Dr. Sommadossi's over 30 years of scientific, operational, strategic and management experience in the biotech industry qualifies him to serve on our board of directors.

Franklin M. Berger, CFA, has served as a member of our board of directors since November 2016. Mr. Berger worked at Sectoral Asset Management as a founder of the small-cap focused NEMO Fund from January 2007 through June 2008. Prior to that, he served at J.P. Morgan Securities, most recently as Managing Director, Equity Research and Senior Biotechnology Analyst and served in similar capacities at Salomon Smith Barney and Josephthal & Co. Mr. Berger has served as a member of the board of directors of Five Prime Therapeutics, Inc. since October 2014, Immune Design Corp. since March 2014, Bellus Health, Inc. since May 2010, ESSA Pharma, Inc. since March 2015, and Proteostasis Therapeutics, Inc. since February 2016. Mr. Berger previously served as a member of the board of directors BioTime, Inc. and Seattle Genetics, Inc., both publicly held biotechnology companies. Mr. Berger received a B.A. degree in international relations and a M.A. degree in international economics from Johns Hopkins University, and an M.B.A. degree from the Harvard Business School. We believe that Mr. Berger's financial background and experience in the biotechnology industry combined with his experience serving on the boards of directors of multiple public companies qualifies him to serve on our board of directors.

Bihua Chen has served as a member of our board of directors since June 2017. Ms. Chen is the founder of Cormorant Asset Management, LLC, or Cormorant, and has been its portfolio manager since Cormorant's inception in 2013. Prior to founding Cormorant, Ms. Chen managed a separately managed account focused on the healthcare sector as a sub-adviser to Millennium Management LLC, a large, multi-strategy hedge fund based in New York. Ms. Chen was also previously a healthcare analyst/sector portfolio manager for American Express Asset Management Boston and served as a portfolio manager for the Asterion Life Science Fund, an equity analyst/portfolio manager for Bellevue Research, and an equity analyst for Putnam Investment. Ms. Chen received an M.B.A. degree from Wharton School of Business at the University of Pennsylvania, a M.Sc. degree in molecular biology from the Graduate School of Biomedical Science at Cornell Medical College and a B.S. degree in genetics and genetic engineering from Fudan University, Shanghai, China. We believe that Ms. Chen's financial and investment management expertise qualifies her to serve on our board of directors.

Graham Cooper has served as a member of our board of directors since October 2017. Mr. Cooper served as the Chief Financial Officer of Receptos, Inc. from February 2013 to August 2015 and as the Chief Financial Officer and Executive Vice President of Finance & Business Development at Geron Corporation from January 2012 to December 2012. Prior to that, Mr. Cooper served as Chief Financial Officer of Orexigen Therapeutics, Inc. and held several positions at Deutsche Bank Securities, including Director, Health Care Investment Banking. Mr. Cooper also worked as an accountant at Deloitte & Touche LLP, where he earned his CPA. Mr. Cooper served as a member of the board of directors of Celladon Corporation. Mr. Cooper received a B.A. degree in economics from the University of California at Berkeley and an M.B.A. degree from the Stanford Graduate School of Business. We believe that Mr. Cooper's financial expertise and executive experience at life sciences companies qualifies him to serve on our board of directors.

Jason R. Dinges, Ph.D., J.D., has served as a member of our board of directors since April 2018. Since February 2011, Dr. Dinges has served as an investment advisor at Morningside Technology Advisory LLC. Prior to that,

Dr. Dinges was an associate attorney at Foley & Lardner LLP, practicing intellectual property law in the firm's Chemical, Biotechnology and Pharmaceutical practice group. Dr. Dinges also serves on the board of directors of various privately held biotechnology companies. Dr. Dinges received his Ph.D. degree in genetics from Iowa State University and a J.D. degree from the University of Iowa College of Law. We believe that Dr. Dinges' scientific and legal training and experience in life science investments qualifies him to serve on our board of directors.

Michael Kauffman, M.D., Ph.D., has served as a member of our board of directors since December 2016. Dr. Kauffman co-founded Karyopharm Therapeutics, Inc. in 2008 and has served as its Chief Executive Officer since January 2011 and as a member of its board of directors since 2008. Dr. Kauffman also served as the President of Karyopharm Therapeutics, Inc. from January 2011 to December 2013 and as its Chief Medical Officer from December 2012 to December 2013. Prior to that, Dr. Kauffman served as Chief Medical Officer at Onyx, and as Chief Medical Officer of Proteolix, Inc. Dr. Kauffman also served as President and Chief Executive Officer of both Epix Pharmaceuticals, Inc. and Predix Pharmaceuticals, Inc., and was an operating partner at Bessemer Venture Partners. Dr. Kauffman also held a number of senior positions at Millennium Pharmaceuticals, Inc. and Biogen Idec, Inc. Dr. Kauffman has served on the board of directors of Verastem Inc., a publicly held biopharmaceutical company, since November 2012. Dr. Kauffman received his B.A. degree in biochemistry from Amherst College and his M.D. and Ph.D. degrees in immunology from Johns Hopkins Medical School. We believe that Dr. Kauffman's business and leadership experience at life sciences companies and his medical and scientific background qualifies him to serve on our board of directors.

Family Relationships

There are no family relationships among our directors and executive officers.

Board Composition

Our board of directors currently consists of eight members. In accordance with our amended and restated certificate of incorporation, which will be effective immediately after the completion of this offering, our board of directors will be divided into three classes. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes as follows:

- The Class I director will be Michael Kauffman and Jason R. Dinges such their terms will expire at the annual meeting of stockholders to be held in 2019;
- The Class II directors will be Franklin M. Berger and Graham Cooper, and their terms will expire at the annual meeting of stockholders to be held in 2020; and
- The Class III directors will be John Fowler, Christopher Kirk and Jean-Pierre Sommadossi, and their terms will expire at the annual meeting of stockholders to be held in 2021.

We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

Director Independence

Under The Nasdaq Stock Market LLC, or Nasdaq, Marketplace Rules, or the Nasdaq Listing Rules, independent directors must comprise a majority of our board of directors as a public company within one year of listing.

Our board of directors has undertaken a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our board of directors has determined that all of our directors except John Fowler and Christopher Kirk, representing six of our eight directors, do not have any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the applicable rules and regulations of the SEC and the listing requirements of the Nasdaq Listing Rules. Our board of directors has determined that Mr. Fowler, by virtue of his position as our Chief Executive Officer, and Dr. Kirk, by

virtue of his position as our President and Chief Scientific Officer, are not independent under applicable rules and regulations of the SEC and the Nasdaq Listing Rules. In making this determination, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. Our board of directors may establish other committees to facilitate the management of our business. The composition and functions of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Each committee has adopted a written charter that satisfies the applicable rules and regulations of the SEC and Nasdaq Listing Rules, which we will post on our website at www.kezarlifesciences.com upon completion of this offering.

Audit Committee

The audit committee is responsible for assisting our board of directors in its oversight of the integrity of our consolidated financial statements, the qualifications and independence of our independent auditors and our internal financial and accounting controls. The audit committee has direct responsibility for the appointment, compensation, retention (including termination) and oversight of our independent auditors, and our independent auditors report directly to the audit committee. The audit committee also prepares the audit committee report that the SEC requires to be included in our annual proxy statement.

Our audit committee consists of Franklin M. Berger, Graham Cooper and Michael Kauffman. Our board of directors has determined that all members are independent under the Nasdaq Listing Rules and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The chair of our audit committee is Mr. Cooper. Our board of directors has determined that Franklin M. Berger and Graham Cooper are each an “audit committee financial expert” as such term is currently defined in Item 407(d)(5) of Regulations S-K. Our board of directors has also determined that each member of our audit committee can read and understand fundamental financial statements, in accordance with applicable requirements. In arriving at these determinations, the board of directors has examined each audit committee member’s scope of experience and the nature of their employment in the corporate finance sector.

Compensation Committee

The compensation committee approves the compensation objectives for the company, the compensation of the chief executive officer and approves, or recommends to our board of directors for approval, the compensation for other executives. The compensation committee reviews all compensation components, including base salary, bonus, benefits and other perquisites.

Our compensation committee consists of Jean-Pierre Sommadossi, Graham Cooper and Michael Kauffman. Our board of directors has determined that all members are independent under the Nasdaq Listing Rules and are “non-employee directors” as defined in Rule 16b-3 promulgated under the Exchange Act. The chair of our compensation committee is Mr. Kauffman.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee makes recommendations regarding corporate governance, the composition of our board of directors, identification, evaluation and nomination of director candidates and the structure and composition of committees of our board of directors. In addition, the nominating and corporate governance committee is responsible for developing and recommending corporate governance guidelines to our board of directors, as applicable to the company.

Our nominating and corporate governance committee consists of Franklin M. Berger, Jason R. Dinges and Jean-Pierre Sommadossi. The chair of our nominating and corporate governance committee is Mr. Berger. Each member of the nominating and corporate governance committee is a non-employee director within the meaning of Rule 16b-3 of the rules promulgated under the Exchange Act, an independent director as defined by the Nasdaq Listing Rules and is free from any relationship that would interfere with the exercise of his or her independent judgment, as determined by the board of directors in accordance with the applicable Nasdaq Listing Rules.

Compensation Committee Interlocks and Insider Participation

None of the members of the compensation committee is currently, or has been at any time, one of our executive officers or employees. None of our executive officers currently serves, or has served during the last year, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or on our compensation committee.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer or controller, or persons performing similar functions, and agents and representatives. The full text of our code of business conduct and ethics will be posted on our website at www.kezarlifesciences.com upon completion of this offering. The nominating and corporate governance committee of our board of directors will be responsible for overseeing our code of business conduct and ethics and any waivers applicable to any director, executive officer or employee. We intend to disclose future amendments to certain provisions of our code of business conduct and ethics, or waivers of such provisions applicable to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and agents and representatives, on our website identified above.

Limitation on Liability and Indemnification Matters

Our amended and restated certificate of incorporation, which will become effective immediately after the completion of this offering, and our amended and restated bylaws, which will become effective immediately prior to the completion of this offering, limits our directors' liability, and may indemnify our directors and officers to the fullest extent permitted under Delaware General Corporation Law, or the DGCL. The DGCL provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability for any:

- transaction from which the director derives an improper personal benefit;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or redemption of shares; or
- breach of a director's duty of loyalty to the corporation or its stockholders.

These limitations of liability do not apply to liabilities arising under federal securities laws and do not affect the availability of equitable remedies such as injunctive relief or recession.

The DGCL and our amended and restated bylaws provide that we will, in certain situations, indemnify our directors and officers and may indemnify other employees and other agents, to the fullest extent permitted by law. Any indemnified person is also entitled, subject to certain limitations, to advancement, direct payment or reimbursement of reasonable expenses (including attorneys' fees and disbursements) in advance of the final disposition of the proceeding.

In addition, we have entered, and intend to continue to enter, into separate indemnification agreements with some of our directors and officers. These indemnification agreements, among other things, require us to indemnify our directors and officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or officer in any action or proceeding arising out of their services as a director or officer, or any other company or enterprise to which the person provides services at our request.

We maintain a directors' and officers' insurance policy pursuant to which our directors and officers are insured against liability for actions taken in their capacities as directors and officers. We believe that these provisions in our amended and restated certificate of incorporation and amended and restated bylaws and these indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, or the Securities Act, may be permitted to directors, officers or control persons, in the opinion of the SEC, such indemnification is against public policy, as expressed in the Securities Act and is therefore unenforceable.

EXECUTIVE AND DIRECTOR COMPENSATION

Our named executive officers for the year ended December 31, 2017, which consist of our principal executive officer and our other most highly compensated executive officer, are:

- John Fowler, our Chief Executive Officer; and
- Christopher Kirk, Ph.D., our President and Chief Scientific Officer.

Because only two individuals served as our executive officers at any time during the year ended December 31, 2017, we had only two named executive officers for that year.

Summary Compensation Table

The following table provides information regarding the compensation provided to our named executive officers for the year ended December 31, 2017.

NAME AND PRINCIPAL POSITION	YEAR	SALARY ($) [1]	OPTION AWARDS ($) [2]	NON-EQUITY INCENTIVE PLAN COMPENSATION ($) [3]	ALL OTHER COMPENSATION ($) [4]	TOTAL ($)
John Fowler *Chief Executive Officer*	2017	360,000	298,476	130,000	10,800	799,276
Christopher Kirk, Ph.D. *President and Chief Scientific Officer*	2017	325,000	298,476	111,000	10,800	745,276

(1) Salary amounts represent actual amounts paid during 2017. See "—Narrative to the Summary Compensation Table—Annual Base Salary" below.
(2) In accordance with SEC rules, this column reflects the aggregate grant date fair value of the option awards granted during fiscal year 2017 computed in accordance with ASC 718 for stock-based compensation transactions. Assumptions used in the calculation of these amounts are included in Note 6 to our audited consolidated financial statements included elsewhere in this prospectus. These amounts do not reflect the actual economic value that will be realized by the named executive officer upon the vesting of the stock options, the exercise of the stock options, or the sale of the common stock underlying such stock options.
(3) Reflects performance-based cash bonuses awarded to our named executive officers. See "—Non-Equity Incentive Plan Compensation" below for a description of the material terms pursuant to which this compensation was awarded.
(4) The amounts represent matching contributions made by us to the named executive officer's 401(k) plan account.

Narrative to the Summary Compensation Table

Our board of directors reviews compensation annually for all employees, including our named executive officers. In setting executive base salaries and bonuses and granting equity incentive awards, we consider compensation for comparable positions in the market, the historical compensation levels of our executives, individual performance as compared to our expectations and objectives, our desire to motivate our employees to achieve short- and long-term results that are in the best interests of our stockholders and a long-term commitment to our company.

Either our board of directors or the compensation committee has historically determined our executive officers' compensation and has typically reviewed and discussed management's proposed compensation with our chief executive officer for all executives other than our chief executive officer. Based on those discussions and its discretion, the compensation committee and our full board of directors then approved the compensation of each executive officer. Upon the completion of this offering, the compensation committee will determine our executive officers' compensation and follow this process, but the compensation committee itself, rather than our board of directors, will approve the compensation of each executive officer.

Annual Base Salary

Base salaries for our executive officers are initially established through arm's-length negotiations at the time of the executive officer's hiring, taking into account such executive officer's qualifications, experience, the scope of his or her responsibilities and competitive market compensation paid by other companies for similar positions within the

industry and geography. Base salaries are reviewed annually, typically in connection with our annual performance review process, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience. In making decisions regarding salary increases, we may also draw upon the experience of members of our board of directors with executives at other companies. The 2017 and 2018 base salaries for our named executive officers are as follows:

NAME	2017 BASE SALARY ($)	2018 BASE SALARY ($)
John Fowler	360,000	460,000
Christopher Kirk, Ph.D.	325,000	365,000

Equity-Based Incentive Awards

Our equity-based incentive awards are designed to align our interests and those of our stockholders with those of our employees and consultants, including our named executive officers. As of December 31, 2017, stock option awards were the only form of equity awards we granted to our named executive officers.

We have historically used stock options as an incentive for long-term compensation to our named executive officers because they are able to profit from stock options only if our stock price increases relative to the stock option's exercise price, which exercise price is set at the fair market value of our common stock on the date of grant. We may grant equity awards at such times as our board of directors determines appropriate. In October 2017, Mr. Fowler and Dr. Kirk were each awarded a stock option in connection with their employment with us. Additional grants may occur periodically in order to specifically incentivize executives with respect to achieving certain corporate goals or to reward executives for exceptional performance.

Prior to this offering, all of the stock options we have granted were made pursuant to our 2015 Plan. Following this offering, we will grant equity incentive awards under the terms of our 2018 Plan. The terms of our equity plans are described below under "—Equity Incentive Plans."

All options are granted with an exercise price per share that is no less than the fair market value of our common stock on the date of grant of such award. Our stock option awards generally vest over a four-year period, and may be subject to acceleration of vesting and exercisability under certain termination and change in control events. See "—Outstanding Equity Awards at Fiscal Year-End" below for additional information.

Non-Equity Incentive Plan Compensation

From time to time, our board of directors or compensation committee may approve annual bonuses for our named executive officers based on individual performance, company performance or as otherwise determined appropriate. In 2017, our named executive officers were eligible to earn an annual target performance bonus of 40% of each executive's 2017 base salary based on achievement of certain corporate objectives. The compensation committee determined that Mr. Fowler and Dr. Kirk were entitled to approximately 90% and 85%, respectively, of their target bonuses.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information regarding the outstanding equity awards held by our named executive officers as of December 31, 2017. All awards were granted pursuant to the 2015 Plan. See "—Equity Incentive Plans–2015 Equity Incentive Plan" below for additional information.

			OPTION AWARDS			
NAME AND PRINCIPAL POSITION	GRANT DATE	VESTING COMMENCEMENT DATE	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) (EXERCISABLE)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) (UNEXERCISABLE) (1)(2)	OPTION EXERCISE PRICE ($)	OPTION EXPIRATION DATE
John Fowler						
Chief Executive Officer	9/10/2015	6/11/2015	101,022	55,399	0.90	9/9/2025
	9/15/2016	6/11/2016	19,369	29,563	1.41	9/14/2026
	10/10/2017	7/21/2017	—	177,935	2.37	10/9/2027
Christopher Kirk, Ph.D.						
President and Chief Scientific Officer	9/10/2015	6/11/2015	101,022	55,399	0.90	9/9/2025
	9/15/2016	6/11/2016	17,608	26,875	1.41	9/14/2026
	10/10/2017	7/21/2017	—	177,935	2.37	10/9/2027

(1) Of the shares underlying each option 25% vest on the one-year anniversary of the vesting commencement date and the remainder vest in 36 equal monthly installments thereafter on the last day of each month.
(2) Any nonvested shares underlying each option will become fully vested and exercisable upon a change in control (as defined in the 2015 Plan).

Employment Arrangements

We entered into amended employment agreements with each of our named executive officers in June 2018. Below are descriptions of our employment agreements and arrangements with our named executive officers. The agreements generally provide for at-will employment without any specific term and set forth the named executive officer's initial base salary, eligibility for employee benefits and severance benefits upon a qualifying termination of employment or change in control of our company. Each of our named executive officers has executed a form of our standard confidential information and inventions assignment agreement. The key terms of the employment agreements with our named executive officers, including potential payments upon termination or change in control, are described below.

Agreement with Mr. Fowler

Pursuant to Mr. Fowler's amended employment agreement, he is entitled to an annual base salary of $460,000, which may be adjusted from time to time, is eligible to receive an annual target performance bonus of up to 50% of his base salary, as determined by our board of directors or compensation committee, and is eligible to participate in all of the employee benefit plans that we generally make available to all of our employees. Additionally, Mr. Fowler is entitled to certain severance benefits pursuant to his agreement, the terms of which are described under "—Severance Benefits" below.

Agreement with Dr. Kirk

Pursuant to Dr. Kirk's amended employment agreement, he is entitled to an annual base salary of $365,000, which may be adjusted from time to time, is eligible to receive an annual target performance bonus of up to 35% of his base salary, as determined by our board of directors or compensation committee, and is eligible to participate in all of the employee benefit plans that we generally make available to all of our employees. Additionally, Dr. Kirk is entitled to certain severance benefits pursuant to his agreement, the terms of which are described under "—Severance Benefits" below.

Potential Payments upon Termination or Change in Control

Regardless of the manner in which a named executive officer's employment with us terminates, the named executive officer is entitled to receive amounts earned during his term of service, including salary and accrued unused vacation pay. In addition, each of our named executive officers is eligible to receive certain benefits pursuant to his employment agreement with us described above under "—Employment Arrangements" above.

Severance Benefits

Under the terms of their respective employment agreements, regardless of the manner in which a named executive officer's service terminates, the named executive officer is entitled to receive amounts earned during his term of service, including salary and accrued unused vacation pay.

In the event of a qualifying termination, which includes an involuntary termination without "cause" or due to "permanent disability" and a "resignation for good reason," each of our named executive officers is eligible to receive (i) a payment equal to the sum of monthly base salary plus "pro-rata bonus," multiplied by 12, and (ii) 12 months of payments equal to the monthly cost of their health insurance premiums at the time of termination, in each case, subject to their execution of a separation agreement and general release of claims in favor of our company.

Alternatively, upon a qualifying termination which occurs three months prior to, or within twelve months following the effective date of a "change in control," each of our named executive officers is eligible to receive (i) a payment equal to the sum of monthly base salary plus "pro-rata bonus," multiplied by 18, and (ii) 18 months of payments equal to the monthly cost of their health insurance premium at the time of termination, in each case, subject to their execution of a separation agreement and general release in favor of our company.

Any severance benefits due to our named executive officers are payable in accordance with our standard payroll procedure commencing on the first regularly-scheduled payroll date occurring on or after their termination.

For purposes of each of the employment agreements with our named executive officers:

- "cause" means a determination by the company based upon reasonably available information of the named executive officer's: (i) unauthorized use or disclosure of the company's confidential information or trade secrets, which use or disclosure causes harm to the company; (ii) material breach of any agreement to which the named executive officer and the company are a party resulting in harm to the company; (iii) failure to comply with the company's written policies or rules resulting in material harm to the company; (iv) conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State; (v) negligence or willful misconduct relating to the named executive officer's performance of his duties on behalf of the company resulting in material harm to the company; (vi) continuing failure to perform material and lawful assigned duties after receiving written notification of the failure from the company's chief executive officer; or (vii) failure to cooperate in good faith with a governmental or internal investigation of the company or its directors, officers or employees, if the company has requested the named executive officer's cooperation without prejudice or personal liability to the named executive officer. With respect to clause (vi), the named executive officer will be given written notice and a 30-day period in which to cure such breach. The named executive officer agrees that the breach of any confidentiality obligation to the company or any subsidiary shall not be curable to any extent.
- "change in control" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events: (i) the acquisition by a natural person or entity of securities of the company representing more than 50% of our combined voting power other than by a merger, consolidation or similar transaction, except for certain transactions that are primarily a private financing for the company or that result in an increase to the level of ownership above the specified level solely as a result of a repurchase or other acquisition of voting securities by the company reducing the number of shares outstanding; (ii) a consummated merger, consolidation or similar transaction immediately after which our stockholders cease to own, directly or indirectly, more than 50% of the combined voting power of the surviving entity or its parent; or (iii) a consummated sale, lease, license or other disposition of all or substantially all of our assets other than to certain related parties.

- "dissolution event" means the stockholders of the company or our board of directors approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the company shall otherwise occur.
- "permanent disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.
- "pro-rata bonus" means 1/12th of the greater of (i) the average target performance bonus paid to the named executive officer for the three years preceding the date of termination or (ii) annual target performance cash bonus, as in effect on the date of termination.
- "resignation for good reason" means the named executive officer's resignation from all employee positions he then holds with the company within 90 days following any of the following events taken without the named executive officer's consent, provided the named executive officer has given the company written notice of the event within 30 days after the first occurrence of the event and the company has not cured the event within 30 days thereafter:
  - a material decrease in the named executive officer's annual base salary, other than in connection with a decrease in compensation for all comparable executives of the company;
  - the named executive officer's duties or responsibilities are materially diminished (not simply a change in title), other than in connection with a change in control following which the company survives as a separate legal entity or business unit and the named executive officer holds materially the same position in the legal entity or business unit as he held before the change in control;
  - a relocation of the named executive officer's principal place of work outside of a 50-mile radius of its current location; or
  - the company's material breach of the named executive officer's employment agreement.

Equity Acceleration

Under each of our named executive officer's employment agreements, in the event of a qualifying termination, which includes an involuntary termination without "cause" or due to "permanent disability," and a "resignation for good reason," or a qualifying termination which occurs three months prior to, or within twelve months following the effective date of a "change in control," the vesting of all outstanding stock options and any other equity incentive awards held by Mr. Fowler and Dr. Kirk will be accelerated in full, the period during which each stock option may be exercised will be the date that is 90 days after such termination date, and any reacquisition or repurchase rights applicable to any shares issued or issuable to Mr. Fowler and Dr. Kirk under any equity incentive awards will lapse, subject to their execution of a separation agreement and general release of claims in favor of our company.

In addition, the stock option agreements for all of the options granted to Mr. Fowler and Dr. Kirk to date provide that upon a change in control, the vesting of the nonvested shares subject to the option shall be accelerated in full. The equity awards that we have granted, and may in the future grant, to our named executive officers under our equity incentive plans are also subject to the termination and change in control provisions of such plans. For a description of the termination and change in control provisions in such equity incentive plans applicable to these stock awards, see "—Equity Incentive Plans" below for additional information.

Health and Welfare Benefits

All of our current named executive officers are eligible to participate in our employee benefit plans, including our medical, dental and vision insurance plans, in each case on the same basis as all of our other employees.

401(k) Plan

Our named executive officers are eligible to participate in a defined contribution retirement plan that provides eligible U.S. employees with an opportunity to save for retirement on a tax advantaged basis. Eligible employees may defer eligible compensation on a pre-tax or after-tax (Roth) basis, up to the statutorily prescribed annual limits on contributions under the Code. Contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions. Employees are immediately and fully vested in their contributions. The 401(k) plan is intended to be qualified under Section 401(a) of the Code with the 401(k) plan's related trust intended to be tax exempt under Section 501(a) of the Code. As a tax-qualified retirement plan, contributions to the 401(k) plan (except for Roth contributions) and earnings on those contributions

are not taxable to the employees until distributed from the 401(k) plan. During 2017, we made 100% matching contributions on up to 4% of an employee's eligible deferred compensation.

Equity Incentive Plans

2018 Equity Incentive Plan

Our board of directors adopted and our stockholders approved our 2018 Equity Incentive Plan, or 2018 Plan, in June 2018 and 2018, respectively. The 2018 Plan will become effective immediately prior to the execution of the underwriting agreement related to this offering, at which point no further grants will be made under our 2015 Equity Incentive Plan, or 2015 Plan, described below. No awards have been granted and no shares of our common stock have been issued under our 2018 Plan.

Stock Awards. The 2018 Plan provides for the grant of incentive stock options, or ISOs, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards, and other forms of equity compensation, which are collectively referred to as stock awards. Additionally, the 2018 Plan provides for the grant of performance cash awards. ISOs may be granted only to employees. All other awards may be granted to employees, including officers, and to non-employee directors and consultants.

Share Reserve. Initially, subject to adjustment as provided in the 2018 Plan, the aggregate number of shares of our common stock that may be issued pursuant to stock awards under the 2018 Plan will not exceed 4,000,000 shares, which is the sum of (i) 1,600,692 shares plus (ii) the number of shares reserved, and remaining available for issuance, under our 2015 Plan at the time our 2018 Plan became effective and (iii) the number of shares subject to stock options or other stock awards granted under our 2015 Plan that expire, terminate are forfeited or otherwise not issued, or are withheld to satisfy a tax withholding obligation in connection with an award or to satisfy a purchase or exercise price of an award (such as upon the expiration or termination of a stock award prior to vesting). The number of shares of our common stock reserved for issuance under our 2018 Plan will automatically increase on January 1 of each year, beginning on January 1, 2019 and continuing through and including January 1, 2028, by 5% of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors. The maximum number of shares that may be issued upon the exercise of ISOs under our 2018 Plan is 12,500,000 shares.

If a stock award granted under the 2018 Plan expires or otherwise terminates without being exercised in full, or is settled in cash, the shares of our common stock not acquired pursuant to the stock award again will become available for subsequent issuance under the 2018 Plan. In addition, the following types of shares under the 2018 Plan may become available for the grant of new stock awards under the 2018 Plan: (i) shares that are forfeited to or repurchased by us prior to becoming fully vested; (ii) shares withheld to satisfy income or employment withholding taxes; or (iii) shares used to pay the exercise or purchase price of a stock award. Shares issued under the 2018 Plan may be previously unissued shares or reacquired shares bought by us on the open market.

The maximum number of shares of common stock subject to stock awards granted under the 2018 Plan or otherwise during any one calendar year to any non-employee director, taken together with any cash fees paid by us to such non-employee director during such calendar year for service on the board of directors, will not exceed $750,000 in total value (calculating the value of any such stock awards based on the grant date fair value of such stock awards for financial reporting purposes), or, with respect to the calendar year in which a non-employee director is first appointed or elected to our board of directors, $1,100,000.

Administration. Our board of directors, or a duly authorized committee thereof, has the authority to administer the 2018 Plan. Our board of directors may also delegate to one or more of our officers the authority to (i) designate employees (other than other officers) to be recipients of certain stock awards, (ii) determine the number of shares of common stock to be subject to such stock awards and (iii) specify the other terms and conditions, including the strike price or purchase price and vesting schedule, applicable to such awards. Subject to the terms of the 2018 Plan, our board of directors or the authorized committee, referred to as the plan administrator, determines recipients, dates of grant, the numbers and types of stock awards to be granted and the terms and conditions of the stock awards, including the period of their exercisability and vesting schedule applicable to a stock award. Subject to

the limitations set forth below, the plan administrator will also determine the exercise price, strike price or purchase price of awards granted and the types of consideration to be paid for the award.

The plan administrator has the authority to modify outstanding awards under our 2018 Plan. Subject to the terms of our 2018 Plan, the plan administrator has the authority, without stockholder approval, to reduce the exercise, purchase or strike price of any outstanding stock award, cancel any outstanding stock award in exchange for new stock awards, cash or other consideration or take any other action that is treated as a repricing under generally accepted accounting principles, with the consent of any adversely affected participant.

Stock Options. ISOs and NSOs are evidenced by stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for a stock option, within the terms and conditions of the 2018 Plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2018 Plan vest at the rate specified by the plan administrator.

The plan administrator determines the term of stock options granted under the 2018 Plan, up to a maximum of 10 years. Unless the terms of an option holder's stock option agreement provide otherwise, if an option holder's service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the option holder may generally exercise any vested options for a period of three months following the cessation of service. The option term will automatically be extended in the event that exercise of the option following such a termination of service is prohibited by applicable securities laws or our insider trading policy. If an option holder's service relationship with us or any of our affiliates ceases due to disability or death, or an option holder dies within a certain period following cessation of service, the option holder or a beneficiary may generally exercise any vested options for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, options generally terminate immediately. In no event may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include (i) cash, check, bank draft or money order, (ii) a broker-assisted cashless exercise, (iii) the tender of shares of our common stock previously owned by the option holder, (iv) a net exercise of the option if it is an NSO and (v) other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. An option holder may designate a beneficiary, however, who may exercise the option following the option holder's death.

Tax Limitations on ISOs. The aggregate fair market value, determined at the time of grant, of our common stock with respect to ISOs that are exercisable for the first time by an option holder during any calendar year under all of our stock plans may not exceed $100,000. Options or portions thereof that exceed such limit will be treated as NSOs. No ISOs may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (i) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant and (ii) the term of the ISO does not exceed five years from the date of grant.

Restricted Stock Awards. Restricted stock awards are evidenced by restricted stock award agreements adopted by the plan administrator. Restricted stock awards may be granted in consideration for (i) cash, check, bank draft or money order, (ii) services rendered to us or our affiliates or (iii) any other form of legal consideration. Common stock acquired under a restricted stock award may, but need not, be subject to a share repurchase option in our favor in accordance with a vesting schedule as determined by the plan administrator. Rights to acquire shares under a restricted stock award may be transferred only upon such terms and conditions as set by the plan administrator. Except as otherwise provided in the applicable award agreement, restricted stock unit awards that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

Restricted Stock Unit Awards. Restricted stock unit awards are evidenced by restricted stock unit award agreements adopted by the plan administrator. Restricted stock unit awards may be granted in consideration for any form of legal

consideration or for no consideration. A restricted stock unit award may be settled by cash, delivery of stock, a combination of cash and stock as deemed appropriate by the plan administrator or in any other form of consideration set forth in the restricted stock unit award agreement. Additionally, dividend equivalents may be credited in respect of shares covered by a restricted stock unit award. Rights under a restricted stock units award may be transferred only upon such terms and conditions as set by the plan administrator. Restricted stock unit awards may be subject to vesting as determined by the plan administrator. Except as otherwise provided in the applicable award agreement, restricted stock units that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

Stock Appreciation Rights. Stock appreciation rights are evidenced by stock appreciation grant agreements adopted by the plan administrator. The plan administrator determines the strike price for a stock appreciation right, which generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Upon the exercise of a stock appreciation right, we will pay the participant an amount in cash or stock equal to (i) the excess of the per share fair market value of our common stock on the date of exercise over the strike price, multiplied by (ii) the number of shares of common stock with respect to which the stock appreciation right is exercised. A stock appreciation right granted under the 2018 Plan vests at the rate specified in the stock appreciation right agreement as determined by the plan administrator.

The plan administrator determines the term of stock appreciation rights granted under the 2018 Plan, up to a maximum of 10 years. Unless the terms of a participant's stock appreciation right agreement provides otherwise, if a participant's service relationship with us or any of our affiliates ceases for any reason other than cause, disability or death, the participant may generally exercise any vested stock appreciation right for a period of three months following the cessation of service. The stock appreciation right term will be further extended in the event that exercise of the stock appreciation right following such a termination of service is prohibited by applicable securities laws. If a participant's service relationship with us, or any of our affiliates, ceases due to disability or death, or a participant dies within a certain period following cessation of service, the participant or a beneficiary may generally exercise any vested stock appreciation right for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, stock appreciation rights generally terminate immediately upon the occurrence of the event giving rise to the termination of the individual for cause. In no event may a stock appreciation right be exercised beyond the expiration of its term.

Unless the plan administrator provides otherwise, stock appreciation rights generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. A stock appreciation right holder may designate a beneficiary, however, who may exercise the stock appreciation right following the holder's death.

Performance Awards. The 2018 Plan permits the grant of performance-based stock and cash awards. The performance goals that may be selected include one or more of the following: (1) sales; (2) revenues; (3) assets; (4) expenses; (5) market penetration or expansion; (6) earnings from operations; (7) earnings before or after deduction for all or any portion of interest, taxes, depreciation, amortization, incentives, service fees or extraordinary or special items, whether or not on a continuing operations or an aggregate or per share basis; (8) net income or net income per common share (basic or diluted); (9) return on equity, investment, capital or assets; (10) one or more operating ratios; (11) borrowing levels, leverage ratios or credit rating; (12) market share; (13) capital expenditures; (14) cash flow, free cash flow, cash flow return on investment, or net cash provided by operations; (15) stock price, dividends or total stockholder return; (16) development of new technologies or products; (17) sales of particular products or services; (18) economic value created or added; (19) operating margin or profit margin; (20) customer acquisition or retention; (21) raising or refinancing of capital; (22) successful hiring of key individuals; (23) resolution of significant litigation; (24) acquisitions and divestitures (in whole or in part); (25) joint ventures and strategic alliances; (26) spin-offs, split-ups and the like; (27) reorganizations; (28) recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings; (29) strategic business criteria, consisting of one or more objectives based on the following goals: achievement of timely development, design management or enrollment, meeting specified market penetration or value added, payor acceptance, patient adherence, peer reviewed publications, issuance of new patents, establishment of or securing of licenses to intellectual property, product development or introduction (including, without limitation, any clinical trial accomplishments, regulatory or other filings, approvals or milestones, discovery of novel products, maintenance of multiple products in pipeline,

product launch or other product development milestones), geographic business expansion, cost targets, cost reductions or savings, customer satisfaction, operating efficiency, acquisition or retention, employee satisfaction, information technology, corporate development (including, without limitation, licenses, innovation, research or establishment of third party collaborations), development of new technologies, manufacturing or process development, legal compliance or risk reduction, patent application or issuance goals, or goals relating to acquisitions, divestitures or other business combinations (in whole or in part), joint ventures or strategic alliances; and (30) other measures of performance selected by the Board.

The performance goals may be based on company-wide performance or performance of one or more business units, divisions, affiliates, or business segments, and may be either absolute or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise in the award agreement at the time the award is granted or in such other document setting forth the performance goals at the time the goals are established, we will appropriately make adjustments in the method of calculating the attainment of performance goals as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of any items that are unusual in nature or occur infrequently as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by us achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of our common stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock-based compensation and the award of bonuses under our bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles; (12) to exclude the effect of any other unusual, nonrecurring gain or loss or other extraordinary item; and (13) to exclude the effects of the timing of acceptance for review and/or approval of submission to the U.S. Food and Drug Administration or any other regulatory body. In addition, we retain the discretion to adjust or eliminate the compensation or economic benefit due upon attainment of the goals. The performance goals may differ from participant to participant and from award to award.

Other Stock Awards. The plan administrator may grant other awards based in whole or in part by reference to our common stock. The plan administrator will set the number of shares under the stock award and all other terms and conditions of such awards.

Changes to Capital Structure. In the event that there is a specified type of change in our capital structure, such as a stock split or recapitalization, appropriate adjustments will be made to (i) the class and maximum number of shares reserved for issuance under the 2018 Plan, (ii) the class and maximum number of shares by which the share reserve may increase automatically each year, (iii) the class and number of shares that may be issued upon the exercise of ISOs and (iv) the class and number of shares and exercise price, strike price or purchase price, if applicable, of all outstanding stock awards.

Corporate Transactions. In the event of certain specified significant corporate transactions, the plan administrator has the discretion to take any of the following actions with respect to stock awards:

- arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company;
- arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company;
- accelerate the vesting of the stock award and provide for its termination prior to the effective time of the corporate transaction;
- arrange for the lapse of any reacquisition or repurchase right held by us;
- cancel or arrange for the cancellation of the stock award in exchange for such cash consideration, if any, as our board of directors may deem appropriate or for no consideration; or

- make a payment equal to the excess of (i) the value of the property the participant would have received upon exercise of the stock award over (ii) the exercise price or strike price otherwise payable in connection with the stock award.

Our plan administrator is not obligated to treat all stock awards, even those that are of the same type, in the same manner.

Under the 2018 Plan, a significant corporate transaction is generally the consummation of (i) a sale or other disposition of all or substantially all of our consolidated assets, (ii) a sale or other disposition of at least 50% of our outstanding securities, (iii) a merger, consolidation or similar transaction following which we are not the surviving corporation or (iv) a merger, consolidation or similar transaction following which we are the surviving corporation but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction.

Change in Control. In the event that the surviving corporation or successor corporation (or its parent company) in a change in control transaction does not assume or substitute for any outstanding share award held by any participant whose continuous service has not terminated before the effective time of the change in control, then contingent upon the closing of the transaction, the participant will fully vest in and, to the extent applicable, have the right to exercise all of his or her share awards. In addition, all restrictions on share awards will lapse, and, with respect to any share award with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met. Unless otherwise determined by our board of directors, we will notify the participant in writing or electronically that any options or share appreciation rights held by the participant with accelerated vesting will be exercisable for a period of time determined by the board in its sole discretion, and the options or share appreciation rights will terminate upon the expiration of that period. The plan administrator may provide, in an individual award agreement or in any other written agreement between a participant and us that the stock award will be subject to additional acceleration of vesting and exercisability or settlement in the event of a change in control. Under the 2018 Plan, a change in control is generally (i) the acquisition by a person or entity of more than 50% of our combined voting power other than by merger, consolidation or similar transaction, (ii) a consummated merger, consolidation or similar transaction immediately after which our stockholders cease to own more than 50% of the combined voting power of the surviving entity, (iii) a consummated sale, lease or exclusive license or other disposition of all or substantially all of our consolidated assets and (iv) certain dissolutions and liquidations.

Amendment and Termination. Our board of directors has the authority to amend, suspend or terminate our 2018 Plan, provided that such action does not materially impair the existing rights of any participant without such participant's written consent and provided further that certain types of amendments will require the approval of our stockholders. No ISOs may be granted after the tenth anniversary of the date our board of directors adopts our 2018 Plan.

2015 Equity Incentive Plan

Our board of directors and our stockholders approved the Kezar Life Sciences, Inc. 2015 Equity Incentive Plan, or 2015 Plan, in June 2015. The 2015 Plan was subsequently amended by our board of directors and stockholders, most recently in June 2017.

Awards. The 2015 Plan provides for the grant of incentive stock options, or ISOs, nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards and restricted stock unit awards, or collectively, stock awards. With the exception of ISOs, all stock awards may be granted to employees, including officers, and to non-employee directors and consultants of us and our affiliates. ISOs may be granted only to employees. We have only granted stock options under the 2015 Plan.

Share Reserve. The aggregate number of shares of our common stock reserved for issuance pursuant to stock awards under our 2015 Plan is 2,647,919 shares. As of March 31, 2018, options to purchase 1,354,965 shares of common stock were outstanding under our 2015 Plan.

Shares subject to stock awards granted under our 2015 Plan that are forfeited, expire, are withheld to satisfy withholding taxes, are used to pay the exercise price or become unexercisable without having been exercised in full will again become available for subsequent issuance under the 2015 Plan.

After the effective date of the 2018 Plan, no additional stock awards will be granted under the 2015 Plan, and all outstanding stock awards granted under the 2015 Plan that are repurchased, forfeited, expire or are cancelled will become available for grant under the 2018 Plan in accordance with its terms.

Administration. Our board of directors, or a duly authorized committee thereof, has the authority to administer the 2015 Plan. Subject to the terms of the 2015 Plan, our board of directors or the authorized committee, referred to herein as the plan administrator, has the authority, in its discretion, to determine recipients, dates of grant, the numbers and types of stock awards to be granted and the terms and conditions of the stock awards, including the period of their exercisability, the forms of award agreements and vesting schedule applicable to a stock award. The plan administrator has the authority to construe and interpret the terms of the 2015 Plan and stock awards granted under the 2015 Plan. Subject to the limitations set forth below, the plan administrator will also determine the exercise price, strike price or purchase price of stock awards granted and the types of consideration to be paid for the stock award.

The plan administrator has the authority to modify or amend outstanding stock awards under our 2015 Plan. Subject to the terms of our 2015 Plan, the plan administrator has the authority to institute and determine the terms and conditions of any stock award exchange program, which may include, the surrender or cancellation of outstanding stock awards in exchange for new stock awards and/or cash, the opportunity to transfer outstanding stock awards to a financial institution or other person or entity selected by the plan administrator or the reduction or increase of the exercise price of outstanding stock awards.

Stock Options. ISOs and NSOs are granted pursuant to stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for a stock option, within the terms and conditions of the 2015 Plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2015 Plan may either be time- or performance-based options, which vest at the rate specified by the plan administrator. The plan administrator determines the term of stock options granted under the 2015 Plan, up to a maximum of 10 years.

Changes to Capital Structure. In the event that there is a specified type of change in our capital structure, such as a stock split or recapitalization, appropriate adjustments will be made to the number and class of shares that may be delivered under the 2015 Plan, and/or the number, class and price of shares covered by each outstanding stock award.

Merger or Change in Control. In the event of a merger or certain specified change in control transactions, each outstanding stock award will be treated as the plan administrator determines without a participant's consent, including providing that:

- stock awards will be assumed, or substantially equivalent stock awards will be substituted, by the acquiring or succeeding entity with appropriate adjustments as to the number and kind of shares and prices;
- upon written notice to the participant, that the participant's stock awards will terminate upon or immediately prior to the consummation of the merger or change in control;
- outstanding stock awards will vest and become exercisable or payable, or restrictions applicable to the stock awards will lapse, in whole or in part, prior to or upon consummation of the merger or change in control, and to the extent determined by the plan administrator, the stock awards will terminate upon or immediately prior to the merger or change in control;
- the termination of a stock award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of the stock award or realization of the participant's rights with respect to the stock award as of the date of the occurrence of the transaction (including termination for no payment if no amount would have been attained upon exercise of the stock award or realization of the participant's rights with respect to the stock award), or the replacement of the stock award with other rights or property selected by the plan administrator in its sole discretion; or
- any combination of the foregoing.

Our plan administrator is not obligated to treat all stock awards, all stock awards held by a participant or all stock awards of the same type, in the same manner.

In addition, if the successor entity does not assume or substitute for the stock awards or a portion thereof, the participant will fully vest in and have the right to exercise all of his or her outstanding stock awards and all restrictions on outstanding stock awards will lapse, and, with respect to stock options and stock appreciation rights, the plan administrator will notify the participant that the stock options and stock appreciation rights will be exercisable for a period of time as determined by the plan administrator, and will terminate upon the expiration of that period if not exercised. For this purpose, a stock award will be considered assumed if, following the merger or change in control, the stock award provides the right to purchase or receive, for each share subject to the stock award immediately before the merger or change in control, the consideration (including cash, stock or other securities or property) received in the merger or change in control by holders of our common stock generally. If the consideration to be received by the holders of our common stock is not solely common stock of the successor entity or its parent, however, the plan administrator may, with the consent of the successor entity, provide for the consideration to be received upon the exercise or payout of a stock award to be solely common stock of the successor entity or its parent equal in fair market value to the per share consideration received by holders of our common stock in the merger or change in control.

Under the 2015 Plan, a change in control is generally the occurrence of (i) a change in the ownership of the company that occurs on the date that any one person, or more than one person acting as a group, acquires stock of the company that, together with the stock held by the person or group, constitutes more than 50% of the total voting power of our stock, but excluding any change in the ownership of our stock as a result of a private financing that is approved by our board of directors; (ii) a change in effective control of the company that occurs on the date that a majority of the members of our board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of our board of directors prior to the date of the appointment or election, provided that if any individual or group is already in effective control of the company, the acquisition of additional control by the same individual or group will not be considered a change in control; or (iii) a change in the ownership of a substantial portion of our assets which occurs on the date that any individual or group acquires (or has acquired during the previous twelve month period ending on the date of the most recent acquisition) assets of the company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the company's assets immediately before the acquisition or acquisitions.

Transferability. A participant generally may not transfer stock awards under our 2015 Plan other than by will, the laws of descent and distribution, or as otherwise provided under our 2015 Plan.

Amendment and Termination. The 2015 Plan will terminate on June 19, 2027. However, our board of directors has the authority to amend, suspend or terminate our 2015 Plan, provided that such action does not impair the existing rights of any participant without such participant's written consent.

2018 Employee Stock Purchase Plan

Our board of directors adopted the ESPP in June 2018, and our stockholders approved the ESPP in . The ESPP will become effective upon completion of this offering. The purpose of the ESPP is to secure the services of new employees, to retain the services of existing employees and to provide incentives for such individuals to exert maximum efforts toward our success and that of our affiliates. The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code.

Share Reserve. Following this offering, the ESPP will authorize the issuance of 200,000 shares of our common stock pursuant to purchase rights granted to our employees or to employees of any of our designated affiliates. The number of shares of our common stock reserved for issuance will automatically increase on January 1 of each calendar year, from January 1, 2019 (assuming the ESPP becomes effective in 2018) through January 1, 2028, by the lesser of (i) 1% of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year, and (ii) 375,000 shares; provided, that prior to the date of any such increase, our board of directors may determine that such increase will be less than the amount set forth in clauses (i) and (ii).

Administration. Our board of directors intends to delegate concurrent authority to administer the ESPP to our compensation committee. The ESPP is implemented through a series of offerings under which eligible employees are granted purchase rights to purchase shares of our common stock on specified dates during such offerings. Under the ESPP, we may specify offerings with durations of not more than 27 months, and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our common

stock will be purchased for employees participating in the offering. An offering under the ESPP may be terminated under certain circumstances.

Payroll Deductions. Generally, all regular employees, including executive officers, employed by us or by any of our designated affiliates, may participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings (as defined in the ESPP) for the purchase of our common stock under the ESPP. Unless otherwise determined by our board of directors, common stock will be purchased for the accounts of employees participating in the ESPP at a price per share equal to the lower of (i) 85% of the fair market value of a share of our common stock on the first trading date of an offering or (ii) 85% of the fair market value of a share of our common stock on the date of purchase.

Limitations. Employees may have to satisfy one or more of the following service requirements before participating in the ESPP, as determined by our board of directors, including: (i) being customarily employed for more than 20 hours per week; (ii) being customarily employed for more than five months per calendar year; or (iii) continuous employment with us or one of our affiliates for a period of time (not to exceed two years). No employee may purchase shares under the ESPP at a rate in excess of $25,000 worth of our common stock based on the fair market value per share of our common stock at the beginning of an offering for each year such a purchase right is outstanding. Finally, no employee will be eligible for the grant of any purchase rights under the ESPP if immediately after such rights are granted, such employee has voting power over 5% or more of our outstanding capital stock measured by vote or value pursuant to Section 424(d) of the Code.

Changes to Capital Structure. In the event that there occurs a change in our capital structure through such actions as a stock split, merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or similar transaction, the board of directors will make appropriate adjustments to (i) the number of shares reserved under the ESPP, (ii) the maximum number of shares by which the share reserve may increase automatically each year, (iii) the number of shares and purchase price of all outstanding purchase rights and (iv) the number of shares that are subject to purchase limits under ongoing offerings.

Corporate Transactions. In the event of certain significant corporate transactions, including (i) a sale of all or substantially all of our assets, (ii) the sale or disposition of 50% of our outstanding securities, (iii) the consummation of a merger or consolidation where we do not survive the transactions and (iv) the consummation of a merger or consolidation where we do survive the transaction but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction, any then-outstanding rights to purchase our stock under the ESPP may be assumed, continued or substituted for by any surviving or acquiring entity (or its parent company). If the surviving or acquiring entity (or its parent company) elects not to assume, continue or substitute for such purchase rights, then the participants' accumulated payroll contributions will be used to purchase shares of our common stock within 10 business days prior to such corporate transaction, and such purchase rights will terminate immediately.

ESPP Amendments, Termination. Our board of directors has the authority to amend or terminate our ESPP, provided that except in certain circumstances such amendment or termination may not materially impair any outstanding purchase rights without the holder's consent. We will obtain stockholder approval of any amendment to our ESPP, as required by applicable law or listing requirements.

Non-Employee Director Compensation

We have not historically had a formal compensation policy with respect to service on our board of directors, but we have reimbursed our non-employee directors for direct expenses incurred in connection with attending meetings of our board of directors or its committees, and occasionally granted stock options. In March 2018, our board of directors approved a non-employee director compensation policy that will be effective upon the effectiveness of the registration statement of which this prospectus is a part. Under this policy, we will pay each of our non-employee directors a cash retainer for service on the board of directors and for service on each committee on which the director is a member. The chairperson of each committee will receive a higher retainer for such service. These retainers are payable in arrears in four equal quarterly installments on the last day of each quarter, provided that the amount of such payment will be prorated for any portion of such quarter that the director is not serving on our board

of directors or the applicable committee. No retainers will be paid in respect of any period prior to the completion of this offering. The retainers to be paid to non-employee directors for service on the board of directors and for service on each committee of the board of directors on which the director is a member are as follows:

POSITION	ANNUAL SERVICE RETAINER	CHAIRPERSON ADDITIONAL RETAINER
Board of directors	$ 35,000	$ 30,000
Audit committee	7,500	7,500
Compensation committee	5,000	5,000
Nominating and corporate governance committee	4,000	4,000

In addition, under our non-employee director compensation policy to be effective upon the effectiveness of the registration statement of which this prospectus is a part, each non-employee director elected to our board of directors after the completion of this offering will receive an option to purchase 17,793 shares of our common stock. The shares subject to each such stock option will vest monthly over a three-year period, subject to the director's continued service as a director. Further, on the date of each annual meeting of stockholders held after the completion of this offering, each non-employee director that continues to serve as a non-employee member on our board of directors will receive an option to purchase 8,896 shares of our common stock. The shares subject to each such stock option will vest in full on the date that is 12 months after the grant date, subject to the director's continued service as a director. The exercise price of these options will equal the fair market value of our common stock on the date of grant.

This policy is intended to provide a total compensation package that enables us to attract and retain qualified and experienced individuals to serve as directors and to align our directors' interests with those of our stockholders.

2017 Director Compensation Table

The following table sets forth information regarding the compensation earned for service on our board of directors by our non-employee directors and for their service as a consultant to us, if applicable, during the year ended December 31, 2017. Mr. Fowler and Dr. Kirk also served on our board of directors, but did not receive any additional compensation for their service as a director and therefore are not included in the table below. The compensation for Mr. Fowler and Dr. Kirk as a named executive officer is set forth above under "—Summary Compensation Table."

NAME	STOCK AWARDS (8) ($)	OPTION AWARDS (1)(3)(8) ($)	ALL OTHER COMPENSATION ($)	TOTAL ($)
Jean-Pierre Sommadossi, Ph.D.	—	26,415 (2)	—	26,415
Gerald Chan, D.Sc.(7)	—	—	—	—
Franklin M. Berger, CFA	—	26,415 (2)	—	26,415
Michael Kauffman, M.D., Ph.D.	—	63,771 (4)	27,000 (6)	90,771
Bihua Chen	—	—	—	—
Graham Cooper	—	62,782 (5)	—	62,782

(1) In accordance with SEC rules, this column reflects the aggregate grant date fair value of the option awards granted during fiscal year 2017 computed in accordance with ASC 718. Assumptions used in the calculation of these amounts are included in the notes to our audited consolidated financial statements included elsewhere in this prospectus. These amounts do not reflect the actual economic value that will be realized by our non-employee directors upon the vesting of the stock options, the exercise of the stock options or the sale of the common stock underlying such stock options.
(2) Represents an option to purchase 15,747 shares of our common stock granted in October 2017 at an exercise price of $2.37 per share.
(3) 25% of the shares underlying each option vest on the one-year anniversary of the vesting commencement date and the remainder vest in 36 equal monthly installments thereafter on the last day of each month.
(4) Represents (i) an option to purchase 37,427 shares of our common stock granted in January 2017 at an exercise price of $1.41 per share and (ii) an option to purchase 15,747 shares of our common stock granted in October 2017 at an exercise price of $2.37 per share.

(5) Represents an option to purchase 37,427 shares of our common stock granted in October 2017 at an exercise price of $2.37 per share.
(6) Consists of consulting fees earned by Dr. Kauffman in 2017. See "Certain Relationships and Related Party Transactions—Consulting Agreement with Michael Kauffman" for additional information.
(7) Gerald Chan resigned from our board of directors in April 2018.
(8) The following table provides information regarding the number of shares of restricted stock and shares of common stock underlying stock options granted to our non-employee directors that were outstanding as of December 31, 2017:

NAME	RESTRICTED STOCK OUTSTANDING AT YEAR-END (1)	OPTION AWARDS OUTSTANDING AT YEAR-END
Jean-Pierre Sommadossi, Ph.D.	26,511	15,747
Gerald Chan, D.Sc.(2)	—	37,427
Franklin M. Berger, CFA	18,713	15,747
Michael Kauffman, M.D., Ph.D.	—	53,174
Bihua Chen	—	—
Graham Cooper	—	37,427

(1) These shares were acquired through the early exercise of stock options granted and are subject to repurchase by us at the cost paid for the shares if such director's service terminates before vesting.
(2) Gerald Chan resigned from our board of directors in April 2018.

Rule 10b5-1 Sales Plans

Our directors and executive officers may adopt written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell our common shares on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from them. The director or officer may amend a Rule 10b5-1 plan in some circumstances and may terminate a plan at any time. Our directors and executive officers also may buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material nonpublic information subject to compliance with the terms of our insider trading policy. Prior to 180 days after the date of this offering, subject to early termination, the sale of any shares under such plan would be prohibited by the lock-up agreement that the director or officer has entered into with the underwriters.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following includes a summary of transactions since February 19, 2015 (date of inception) and any currently proposed transactions, to which we were or are to be a participant, in which (1) the amount involved exceeded or will exceed $120,000, and (2) any of our directors, executive officers or holders of more than 5% of our capital stock, or any affiliate or member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest, other than compensation and other arrangements that are described under the section titled "Executive and Director Compensation."

We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that we would pay or receive, as applicable, in arm's-length transactions.

Redeemable Convertible Preferred Stock Financings

Series A Redeemable Convertible Preferred Stock Financing

In June 2015, we issued an aggregate of 5,966,754 shares of our Series A redeemable convertible preferred stock at a price per share of $4.755 in two closings. The first closing occurred on June 11, 2015, at which time we issued 5,837,930 shares of our Series A redeemable convertible preferred stock for (i) gross cash proceeds of $22.4 million and (ii) Onyx Therapeutics, Inc., or Onyx, entry into the Exclusive License Agreement, dated as of June 11, 2015, by and between us and Onyx, or the Onyx license agreement. The second closing occurred on June 15, 2015, at which time we issued an additional 128,824 shares of our Series A redeemable convertible preferred stock for gross cash proceeds of $0.6 million.

The table below sets forth the number of shares of our Series A redeemable convertible preferred stock purchased by our executive officers, directors, holders of more than 5% of our capital stock and their affiliated entities or immediate family members. All such individuals and entities participated in the first closing on June 11, 2015. Each share of Series A redeemable convertible preferred stock in the table below will automatically convert into one share of our common stock upon the completion of this offering.

NAME	SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK (#)	AGGREGATE CASH PURCHASE PRICE ($)
Onyx Therapeutics, Inc.	1,121,384	—(1)
Morningside Venture Investments Limited (2)	1,051,630	5,000,000
Entities affiliated with EcoR1 Capital	420,652	1,999,999
Entities affiliated with Cormorant Asset Management (3)	315,489	1,499,999
Franklin M. Berger, CFA (4)	262,907	1,250,000
JPM Partners, LLC (5)	52,581	250,000
Jean-Pierre Sommadossi 1998 Irrevocable Trust (6)	52,581	250,000
Brien Kirk (7)	36,813	175,030

(1) Consideration paid by way of Onyx's entry into the Onyx license agreement, described below.
(2) Gerald Chan, a former member of our board of directors, and Jason R. Dinges, a current member of our board of directors, were designated to our board by Morningside Venture Investments Limited.
(3) Bihua Chen, a member of our board of directors, is a managing member at Cormorant Asset Management.
(4) Franklin Berger is a member of our board of directors.
(5) JPM Partners, LLC is a limited liability company solely managed by Dr. Jean-Pierre Sommadossi, a member of our board of directors.
(6) The beneficiary of the Jean-Pierre Sommadossi 1998 Irrevocable Trust is the daughter of Dr. Jean-Pierre Sommadossi, a member of our board of directors.
(7) Brien Kirk is the brother of Dr. Christopher Kirk, our president, chief scientific officer and member of our board of directors.

Onyx License Agreement

On June 11, 2015, we entered into the Onyx license agreement with Onyx, a holder of more than 5% of our capital stock, whereby, among other things, Onyx granted to us an exclusive license under certain patents, and a

non-exclusive license to certain know-how, in each case controlled by Onyx and relating to our immunoproteasome program. In consideration of Onyx's execution and delivery of the Onyx license agreement, Onyx was issued 1,121,384 shares of our Series A redeemable convertible preferred stock, the approximate dollar value of which was $5.3 million. See the section titled "Business—License Agreement with Onyx" for more information on the Onyx license agreement.

Series B Redeemable Convertible Preferred Stock Financing

In June and July 2017, we issued an aggregate of 6,296,373 shares of our Series B redeemable convertible preferred stock at a price per share of $7.942 in two closings. The first closing occurred on June 26, 2017, at which time we issued 5,367,661 shares of our Series B redeemable convertible preferred stock for gross cash proceeds of $42.6 million. The second closing occurred on July 21, 2017, at which time we issued an additional 928,712 shares of our Series B redeemable convertible preferred stock for gross cash proceeds of $7.4 million.

The table below sets forth the number of shares of Series B redeemable convertible preferred stock purchased by our executive officers, directors, holders of more than 5% of our capital stock and their affiliated entities or immediate family members. Each share of Series B redeemable convertible preferred stock in the table below will automatically convert into one share of our common stock upon the completion of this offering.

NAME	SERIES B REDEEMABLE CONVERTIBLE PREFERRED STOCK (#)	AGGREGATE CASH PURCHASE PRICE ($)
Entities affiliated with Cormorant Asset Management (1)	1,007,421	7,999,999
Cowen Healthcare Investments II LP	1,007,422	7,999,999
Morningside Venture Investments Limited (2)	1,007,422	7,999,999
Omega Fund IV, L.P.	377,783	3,000,000
Entities affiliated with EcoR1 Capital	314,816	2,499,998
Franklin M. Berger, CPA (3)	197,076	1,564,999
Jean-Pierre Sommadossi 1998 Irrevocable Trust (4)	35,259	280,001
JPM Partners, LLC (5)	35,258	279,999

(1) Bihua Chen, a member of our board of directors, is a managing member at Cormorant Asset Management.
(2) Gerald Chan, a former member of our board of directors, and Jason R. Dinges, a current member of our board of directors, were designated to our board by Morningside Venture Investments Limited.
(3) Franklin Berger is a member of our board of directors.
(4) The beneficiary of the Jean-Pierre Sommadossi 1998 Irrevocable Trust is the daughter of Dr. Jean-Pierre Sommadossi, a member of our board of directors.
(5) JPM Partners, LLC is a limited liability company solely managed by Dr. Jean-Pierre Sommadossi, a member of our board of directors.

Consulting Agreement with Michael Kauffman

On April 1, 2017, we entered into a consulting agreement with Michael Kauffman, a member of our board of directors. This agreement provides that Dr. Kauffman shall provide clinical and scientific advisory services and participate on our board of directors in exchange for a monthly fee of $3,000, payable on the first of the month. The consulting agreement will terminate upon the effectiveness of the registration statement of which this prospectus is a part.

Investors' Rights Agreement

We are party to an amended and restated investors' rights agreement, dated June 26, 2017, with the holders of our redeemable convertible preferred stock and certain holders of our common stock, including all holders of more than 5% of our capital stock, Franklin M. Berger, JPM Partners, LLC, Jean-Pierre Sommadossi 1998 Irrevocable Trust and Brien Kirk. This agreement provides that these holders are entitled to certain registration rights, including the right to demand that we file a registration statement or request that their shares be covered by a registration statement that we otherwise file. In addition to the registration rights, this agreement provides for certain information rights and rights of first offer in favor of certain holders of our redeemable convertible preferred stock with regard to certain issuances of our capital stock. The information rights and rights of first offer will terminate immediately prior to the completion of this offering. The registration rights will terminate upon the earliest of (i) the closing of a

deemed liquidation event, as defined in our amended and restated certificate of incorporation, as currently in effect, (ii) with respect to each stockholder, the date when such stockholder can sell all of its registrable shares without limitation during a three-month period without registration pursuant to Rule 144 of the Securities Act or another similar exemption under the Securities Act and (iii) five years after the completion this offering. For a description of the registration rights, see the section titled "Description of Capital Stock—Registration Rights."

Other Transactions

We have entered into various employment-related agreements with our executive officers that, among other things, provide for compensatory and certain change in control benefits. For a description of these agreements and arrangements, see the section titled "Executive and Director Compensation—Employment Arrangements."

We have also granted stock options to our executive officers and directors. For a description of these stock options, see the section titled "Executive and Director Compensation."

Indemnification Agreements

We have entered or intend to enter, and intend to continue to enter, into separate indemnification agreements with some of our directors and executive officers, in addition to the indemnification provided for in our bylaws. These indemnification agreements provide our directors and executive officers with contractual rights to indemnification and, in some cases, expense advancement in any action or proceeding arising out of their services as one of our directors or executive officers or as a director or executive officer of any other company or enterprise to which the person provides services at our request. For more information regarding these indemnification agreements, see "Management—Limitations on Liability and Indemnification Matters."

Related Party Transaction Policy

In connection with this offering, we intend to adopt a written related party transaction policy that sets forth our procedures for the identification, review, consideration and approval or ratification of related party transactions. This policy will become effective upon the effectiveness of the registration statement of which this prospectus is a part. For purposes of this policy only, a "related person transaction" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we and any related person are participants involving an amount that exceeds $120,000. Transactions involving compensation for services provided to us as an employee, consultant or director are not considered related-person transactions under this policy. A "related person" is any executive officer, director, nominee to become a director or a holder of more than 5% of our capital stock, or any affiliate or member of the immediate family of the foregoing.

Under the policy, where a transaction has been identified as a related-person transaction, management must present information regarding the proposed related-person transaction to our audit committee or, where review by our audit committee would be inappropriate due to a conflict of interest, to another independent body of our board of directors, for review. The presentation must include a description of, among other things, all of the parties, the direct and indirect interests of the related persons, the purpose of the transaction, the material facts, the benefits of the transaction to us and whether any alternative transactions are available, an assessment of whether the terms are comparable to the terms available from unrelated third parties and management's recommendation. To identify related-person transactions in advance, we rely on information supplied by our executive officers, directors and certain significant stockholders. In considering related-person transactions, our audit committee or another independent body of our board of directors takes into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs and benefits to us;
- the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the terms of the transaction;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties under the same or similar circumstances.

All of the transactions described in this section were entered into prior to the adoption of this policy. Although we have not had a written policy for the review and approval of transactions with related persons, our board of directors has historically reviewed and approved any transaction where a director or officer had a financial interest, including the transactions described above. Prior to approving such a transaction, the material facts as to a director's or officer's relationship or interest in the agreement or transaction were disclosed to our board of directors. Our board of directors took this information into account when evaluating the transaction and in determining whether such transaction was fair to us and in the best interest of all our stockholders.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our capital stock as of June 1, 2018 by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- all of our current executive officers and directors as a group.

The percentage ownership information under the column titled “Before Offering” is based on 13,348,032 shares of common stock outstanding as of June 1, 2018, assuming the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into an aggregate of 12,263,126 shares of common stock upon the completion of this offering. The percentage ownership information under the column titled “After Offering” is based on the sale of 4,666,667 shares of common stock in this offering (assuming an initial public offering price of $15.00 per share, the midpoint of the price range set forth on the cover page of this prospectus). The percentage ownership information assumes no exercise of the underwriters’ option to purchase additional shares to cover over-allotments and no purchases of any shares of common stock in this offering by the beneficial owners identified in the table below.

Information with respect to beneficial ownership has been furnished by each director, officer or beneficial owner of more than 5% of our common stock. We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of our common stock issuable pursuant to the exercise of stock options or warrants that are either immediately exercisable or exercisable within 60 days of June 1, 2018. These shares are deemed to be outstanding and beneficially owned by the person holding those options or warrants for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Except as otherwise noted below, the address for each person or entity listed in the table is c/o Kezar Life Sciences, Inc., 4000 Shoreline Court, Suite 300, South San Francisco, California 94080.

	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF SHARES BENEFICIALLY OWNED	
		BEFORE OFFERING	AFTER OFFERING
Greater than 5% Stockholders:			
Morningside Venture Investments Limited (1)	2,059,052	15.4%	11.4%
Cormorant Asset Management (2)	1,322,909	9.9%	7.3%
Onyx Therapeutics, Inc. (3)	1,121,384	8.4%	6.2%
Cowen Healthcare Investments II LP (4)	1,007,422	7.5%	5.6%
EcoR1 Capital (5)	735,468	5.5%	4.1%
Omega Fund IV, L.P. (6)	693,272	5.2%	3.8%
Directors and Named Executive Officers:			
Franklin M. Berger, CFA (7)	522,053	3.9%	2.9%
Jason R. Dinges, Ph.D., J.D. (8)	—	*	*
Bihua Chen (9)	1,322,909	9.9%	7.3%
Graham Cooper (10)	46,323	*	*
John Fowler (11)	504,205	3.7%	2.8%
Michael Kauffman, M.D., Ph.D. (12)	72,586	*	*
Christopher Kirk, Ph.D. (13)	501,796	3.7%	2.8%
Jean-Pierre Sommadossi, Ph.D. (14)	187,336	1.4%	1.0%
All current executive officers and directors as a group (10 persons)	3,157,208	22.8%	17.1%

* Represents beneficial ownership of less than 1%.

(1) Louise Mary Garbarino, Jill Marie Franklin, Peter Stuart Allenby Edwards and Raymond Long Sing Tang, the directors of Morningside Venture Investments Limited, or MVIL, share voting and dispositive control over the shares held by Morningside. The address for MVIL is 2nd Floor, Le Prince de Galles, 3-5 Avenue des Citronniers, MC 98000, Monaco.

(2) Includes (i) 435,751 shares held by Cormorant Global Healthcare Master Fund, LP, or Cormorant Master Fund, (ii) 803,116 shares held by Cormorant Private Healthcare Fund I, LP, or Cormorant Private Fund, and (iii) 84,042 shares held by CRMA SPV, L.P., or CRMA. The sole general partner of Cormorant Master Fund is Cormorant Global Healthcare GP, LLC and the sole general partner of Cormorant Private Fund is Cormorant Private Healthcare GP, LLC, or the Cormorant GP. Bihua Chen is the sole managing member of the Cormorant GP, and may be deemed to have sole voting and investment power of the securities held by the Cormorant Private Fund and the Cormorant Master Fund. The sole investment manager of CRMA is Cormorant Asset Management, LLC, or the Manager. Bihua Chen is the sole managing member of the Manager, and may be deemed to have sole voting and investment power of the securities held by CRMA. The address of the Cormorant Private Fund, the Cormorant Master Fund and CRMA is 200 Clarendon Street, 52nd Floor, Boston, MA 02116.

(3) Represent shares held directly by Onyx Therapeutics, Inc., or Onyx, an indirect wholly owned subsidiary of Amgen Inc., or Amgen. Onyx and Amgen share voting and investment power of the securities held by Onyx. The address for Onyx Therapeutics, Inc. is c/o Amgen Inc., One Amgen Center Drive, Thousand Oaks, California 91320.

(4) Cowen Healthcare Investments II GP, LLC is the sole general partner of Cowen Healthcare Investments II, LP, or Cowen II. As managing partner of Cowen II, Kevin J. Raidy exercises sole voting and investment power of the securities held by Cowen II. Mr. Raidy disclaims beneficial ownership of the shares held by Cowen II, except to the extent of any actual pecuniary interest. The address for Cowen II is 599 Lexington Avenue, New York, New York 10022.

(5) Includes (i) 204,446 shares held by EcoR1 Capital Fund, L.P. and (ii) 531,022 shares held by EcoR1 Capital Fund Qualified, L.P. Oleg Nodelman is the control person for EcoR1 Capital, LLC, the sole general partner of EcoR1 Capital Fund, L.P. and EcoR1 Capital Fund Qualified, L.P., and may be deemed to beneficially own the shares held of record by EcoR1 Capital Fund, L.P. and EcoR1 Capital Fund Qualified, L.P. EcoR1 Capital, LLC has an address at 409 Illinois Street, San Francisco, California 94158.

(6) Omega Fund IV GP, L.P., or Omega IV GP LP, is the general partner of Omega Fund IV, L.P. Omega Fund IV G.P. Manager, Ltd., or Omega IV GP Manager, is the general partner of Omega IV GP LP. Otello Stampacchia, Richard Lim and Anne-Mari Paster are all the shareholders and directors of Omega IV GP Manager and have shared voting and investment power over the shares held by Omega Fund IV, L.P. The address for Omega Fund IV, L.P. is 185 Dartmouth Street, Suite 502, Boston, Massachusetts 02116.

(7) Includes (i) 513,357 shares held directly by Franklin Berger and (ii) 8,896 shares of common stock issuable within 60 days of June 1, 2018.

(8) Dr. Dinges disclaims beneficial ownership of shares held by MVIL.

(9) Includes (i) 435,751 shares held by Cormorant Master Fund, (ii) 803,116 shares held by Cormorant Private Fund and (iii) 84,042 shares held by CRMA. The sole general partner of each of the Cormorant Private Fund and the Cormorant Master Fund is the Cormorant GP. Ms. Chen is the sole managing member of the GP, and may be deemed to have sole voting and investment

power of the securities held by the Cormorant Private Fund and the Cormorant Master Fund. The sole investment manager of CRMA is Cormorant Asset Management, LLC, or the Manager. Bihua Chen is the sole managing member of the Manager, and may be deemed to have sole voting and investment power of the securities held by CRMA.

(10) Includes solely 46,323 shares of common stock issuable upon the exercise of stock options within 60 days of June 1, 2018.

(11) Includes (i) 292,704 shares held directly by John Fowler and (ii) 211,501 shares of common stock issuable upon the exercise of stock options within 60 days of June 1, 2018.

(12) Includes (i) 63,690 shares held directly by Michael Kauffman and (ii) 8,896 shares of common stock issuable upon the exercise of stock options within 60 days of June 1, 2018.

(13) Includes (i) 292,704 shares held directly by Christopher Kirk and (ii) 209,092 shares of common stock issuable upon the exercise of stock options within 60 days of June 1, 2018.

(14) Includes (i) 178,440 shares held by JPM Partners, LLC, a limited liability company solely managed by Dr. Sommadossi and (ii) 8,896 shares of common stock issuable upon the exercise of stock options within 60 days of June 1, 2018.

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock and provisions of our amended and restated certificate of incorporation and amended and restated bylaws are summaries. You should also refer to the amended and restated certificate of incorporation, the amended and restated bylaws and the amended and restated investors' rights agreement, which are filed as exhibits to the registration statement of which this prospectus is a part.

General

Upon the completion of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of 125,000,000 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

Outstanding Shares

As of March 31, 2018, we had 13,321,522 shares of common stock outstanding, held of record by 69 stockholders, assuming the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into 12,263,126 shares of common stock upon the completion of this offering.

Voting Rights

Each holder of common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders. The affirmative vote of holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of capital stock, voting as a single class, will be required to amend certain provisions of our amended and restated certificate of incorporation, including provisions relating to amending our amended and restated bylaws, the classified board, the size of our board, removal of directors, director liability, vacancies on our board, special meetings, stockholder notices, actions by written consent and exclusive jurisdiction.

Dividends

Subject to preferences that may apply to any outstanding preferred stock, holders of our common stock are entitled to receive ratably any dividends that our board of directors may declare out of funds legally available for that purpose on a non-cumulative basis.

Liquidation

In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

Rights and Preferences

Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund 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 shares of any series of our preferred stock that we may designate and issue in the future.

Preferred Stock

Upon the completion of this offering, all outstanding shares of redeemable convertible preferred stock will convert into shares of our common stock on a one-to-one basis. As of March 31, 2018, we had 12,263,126 shares of preferred stock outstanding, held of record by 61 stockholders. Immediately after the completion of this offering, our certificate of incorporation will be amended and restated to delete all references to such shares of preferred stock. Under the amended and restated certificate of incorporation, our board of directors will have the authority, without further action by the stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding.

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control that may otherwise benefit holders of our common stock and may adversely affect the market price of the common stock and the voting and other rights of the holders of common stock. We have no current plans to issue any shares of preferred stock.

Stock Options

As of March 31, 2018, 1,354,965 shares of common stock were issuable upon the exercise of outstanding stock options, at a weighted-average exercise price of $1.68 per share (which excludes 784,507 shares of our common stock issuable upon the exercise of outstanding stock options granted subsequent to March 31, 2018 at an exercise price of $5.91 per share). For additional information regarding terms of our equity incentive plans, see the section titled "Executive and Director Compensation—Equity Incentive Plans."

Registration Rights

Upon the completion of this offering, certain holders of shares of our common stock, including those shares of our common stock that will be issued upon the conversion of our preferred stock in connection with this offering, will initially be entitled to certain rights with respect to registration of such shares under the Securities Act. These shares are referred to as registrable securities. The holders of these registrable securities possess registration rights pursuant to the terms of our amended and restated investors' rights agreement and are described in additional detail below. The registration of shares of our common stock pursuant to the exercise of the registration rights described below would enable the holders to trade these shares without restriction under the Securities Act when the applicable registration statement is declared effective. We will pay the registration expenses, other than underwriting discounts, selling commissions and stock transfer taxes, of the shares registered pursuant to the demand, piggyback and Form S-3 registrations described below.

Generally, in an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares the holders may include. The demand, piggyback and Form S-3 registration rights described below will expire no later than five years after the completion of this offering, or with respect to any particular holder, at such time that such holder can sell its shares under Rule 144 of the Securities Act during any three-month period.

Demand Registration Rights

Upon the completion of this offering, holders of 12,263,126 shares of our common stock issuable upon conversion of outstanding preferred stock, will be entitled to certain demand registration rights. At any time beginning on the earlier of the fifth anniversary of the date of our amended and restated investors' rights agreement or 180 days following the effectiveness of this registration statement, the holders of a majority of registrable securities may, on not more than one occasion, request that we register all or a portion of their shares, subject to certain specified exceptions.

Piggyback Registration Rights

In connection with this offering, holders of 12,263,126 shares of our common stock issuable upon conversion of outstanding preferred stock are entitled to, which we expect the necessary percentage of holders to waive, their rights to notice of this offering and to include their shares of registrable securities in this offering. In the event that we propose to register any of our securities under the Securities Act in another offering, either for our own account or for the account of other security holders, the holders of registrable securities will be entitled to certain "piggyback" registration rights allowing them to include their shares in such registration, subject to specified conditions and limitations.

S-3 Registration Rights

Upon the completion of this offering, the holders of 12,263,126 shares of our common stock issuable upon conversion of outstanding preferred stock will initially be entitled to certain Form S-3 registration rights. The holders of at least 30% of registrable securities may, on not more than two registrations on Form S-3 within any 12-month period, request that we register all or a portion of their shares on Form S-3 if we are qualified to file a registration statement on Form S-3, subject to specified exceptions. Such request for registration on Form S-3 must cover

securities with an aggregate offering price which equals or exceeds $5.0 million, net of selling expenses. The right to have such shares registered on Form S-3 is further subject to other specified conditions and limitations.

Anti-Takeover Provisions of Delaware Law and Our Charter Documents

Section 203 of the Delaware General Corporation Law

We are subject to Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines a “business combination” to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an “interested stockholder” as an entity or person who, together with the person’s affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Among other things, our amended and restated certificate of incorporation and amended and restated bylaws will:

- permit our board of directors to issue up to 10,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate, including the right to approve an acquisition or other change in control;
- provide that the authorized number of directors may be changed only by resolution of our board of directors;
- provide that our board of directors will be classified into three classes of directors;
- provide that, subject to the rights of any series of preferred stock to elect directors, directors may only be removed for cause, which removal may be effected, subject to any limitation imposed by law, by the holders of at least a majority of the voting power of all of our then-outstanding shares of the capital stock entitled to vote generally at an election of directors;

- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent or electronic transmission;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide advance notice in writing, and also specify requirements as to the form and content of a stockholder's notice;
- provide that special meetings of our stockholders may be called only by the chairman of our board of directors, our chief executive officer or president or by our board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors; and
- not provide for cumulative voting rights, therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose.

The amendment of any of these provisions would require approval by the holders of at least 66 2/3% of the voting power of all of our then-outstanding common stock entitled to vote generally in the election of directors, voting together as a single class.

The combination of these provisions will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Because our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to reduce our vulnerability to hostile takeovers and to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and may have the effect of delaying changes in our control or management. As a consequence, these provisions may also inhibit fluctuations in the market price of our stock that could result from actual or rumored takeover attempts. We believe that the benefits of these provisions, including increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure our company, outweigh the disadvantages of discouraging takeover proposals, because negotiation of takeover proposals could result in an improvement of their terms.

Choice of Forum

Our amended and restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the DGCL, our certificate of incorporation or our bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. Our amended and restated certificate of incorporation further provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with one or more actions or proceedings described above, a court could find the choice of forum provisions contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable.

Listing

We have applied to list our common stock on The Nasdaq Global Market under the trading symbol "KZR."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and a liquid trading market for our common stock may not develop or be sustained after this offering. Future sales of our common stock, including shares issued upon the exercise of outstanding options, in the public market after the completion of this offering, or the perception that those sales may occur, could adversely affect the prevailing market price for our common stock from time to time or impair our ability to raise equity capital in the future. As described below, only a limited number of shares of our common stock will be available for sale in the public market for a period of several months after the completion of this offering due to contractual and legal restrictions on resale described below. Future sales of our common stock in the public market either before or after restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price of our common stock at such time and our ability to raise equity capital at a time and price we deem appropriate.

Sale of Restricted Shares

Based on the number of shares of our common stock outstanding as of March 31, 2018, upon the closing of this offering and assuming (i) the automatic conversion of our outstanding redeemable convertible preferred stock into common stock into an aggregate of 12,263,126 shares of our common stock upon the completion of this offering, (ii) no exercise of the underwriters' option to purchase additional shares of common stock to cover over-allotments, if any, and (iii) no exercise of outstanding options, we will have outstanding an aggregate of approximately shares of common stock. Of these shares, all of the 4,666,667 shares of common stock to be sold in this offering will be freely tradable in the public market without restriction or further registration under the Securities Act, unless the shares are held by any of our "affiliates" as such term is defined in Rule 144 of the Securities Act, or Rule 144 or subject to lock-up agreements. All remaining shares of common stock held by existing stockholders immediately prior to the consummation of this offering will be "restricted securities," as such term is defined in Rule 144. These restricted securities were issued and sold by us in private transactions and are eligible for public sale only if registered under the Securities Act or if they qualify for an exemption from registration under the Securities Act, including the exemptions provided by Rule 144 or Rule 701 of the Securities Act, or Rule 701, which rules are summarized below.

As a result of the lock-up agreements referred to below and the provisions of Rule 144 and Rule 701 under the Securities Act, based on the number of shares of our common stock outstanding as of March 31, 2018, the shares of our common stock (excluding the shares sold in this offering) that will be available for sale in the public market are as follows:

APPROXIMATE NUMBER OF SHARES	FIRST DATE AVAILABLE FOR SALE INTO PUBLIC MARKET
13,321,522 shares	181 days after the date of this prospectus, upon expiration of the lock-up agreements referred to below, subject in some cases to applicable volume, manner of sale and other limitations under Rule 144 and Rule 701.

We may issue shares of common stock from time to time as consideration for future acquisitions, investments or other corporate purposes. In the event that any such acquisition, investment or other transaction is significant, the number of shares of common stock that we may issue may in turn be significant. We may also grant registration rights covering those shares of common stock issued in connection with any such acquisition and investment.

In addition, the shares of common stock reserved for future issuance under our 2018 Plan will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements, a registration statement under the Securities Act or an exemption from registration, including Rule 144 and Rule 701.

Rule 144

In general, persons who have beneficially owned restricted shares of our common stock for at least six months, and any affiliate of the company who owns shares of our common stock, are entitled to sell their securities without registration with the SEC under an exemption from registration provided by Rule 144.

Under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, and we are current in our Exchange Act reporting at the time of sale, a person (or persons whose shares are required to be aggregated) who is not deemed to have been one of our "affiliates" for purposes of Rule 144 at any time during the 90 days preceding a sale and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months, including the holding period of any prior owner other than one of our "affiliates," is entitled to sell those shares in the public market (subject to the lock-up agreement referred to below, if applicable) without complying with the manner of sale, volume limitations or notice provisions of Rule 144, but subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than "affiliates," then such person is entitled to sell such shares in the public market without complying with any of the requirements of Rule 144 (subject to the lock-up agreement referred to above, if applicable).

In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, our "affiliates," as defined in Rule 144, who have beneficially owned the shares proposed to be sold for at least six months, are entitled to sell in the public market, upon expiration of any applicable lock-up agreements and within any three-month period, a number of those shares of our common stock that does not exceed the greater of:

- 1% of the number of common shares then outstanding, which will equal approximately 179,881 shares of common stock immediately upon the completion of this offering (calculated as of March 31, 2018 on the basis of the assumptions described above and assuming no exercise of the underwriter's option to purchase additional shares to cover over-allotments, if any, and no exercise of outstanding options); or
- the average weekly trading volume of our common stock on Nasdaq during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Such sales under Rule 144 by our "affiliates" or persons selling shares on behalf of our "affiliates" are also subject to certain manner of sale provisions, notice requirements and to the availability of current public information about us. Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted securities have entered into lock-up agreements as referenced above and their restricted securities will become eligible for sale (subject to the above limitations under Rule 144) upon the expiration of the restrictions set forth in those agreements.

Rule 701

In general, under Rule 701 as currently in effect, any of our employees, directors, officers, consultants or advisors who acquired common stock from us in connection with a written compensatory stock or option plan or other written agreement in compliance with Rule 701 before the effective date of the registration statement of which this prospectus is a part (to the extent such common stock is not subject to a lock-up agreement) and who are not our "affiliates" as defined in Rule 144 during the immediately preceding 90 days, is entitled to rely on Rule 701 to resell such shares beginning 90 days after the date of this prospectus in reliance on Rule 144, but without complying with the notice, manner of sale, public information requirements or volume limitation provisions of Rule 144. Persons who are our "affiliates" may resell those shares beginning 90 days after the date of this prospectus without compliance with Rule 144's minimum holding period requirements (subject to the terms of the lock-up agreement referred to below, if applicable).

Lock-Up Agreements

In connection with this offering, we, our directors, our executive officers and holders of all of our other outstanding shares of common stock or securities convertible into or exchangeable for shares of our common stock outstanding upon the completion of this offering, have agreed, subject to certain exceptions, with the underwriters not to directly or indirectly offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of or hedge any shares of our common stock or any options to purchase shares of our common stock, or any securities convertible into or exchangeable for shares of common stock during the period from the date of the lock-up agreement continuing through the date 180 days after the date of this prospectus, except with the prior

written consent of Jefferies LLC and Cowen and Company, LLC, and certain other exceptions. These agreements are described in the section titled “Underwriting.”

In addition to the restrictions contained in the lock-up agreements described above, we have entered into agreements with certain security holders, including the amended and restated investors’ rights agreement and our standard form of option agreement, that contain market stand-off provisions imposing restrictions on the ability of such security holders to offer, sell or transfer our equity securities for a period of 180 days following the date of this prospectus.

Prior to the completion of the offering, certain of our employees, including our executive officers, and/or directors, may enter into written trading plans that are intended to comply with Rule 10b5-1 under the Exchange Act. Sales under these trading plans would not be permitted until the expiration of the lock-up agreements relating to the offering described above.

Following the lock-up periods set forth in the agreements described above, and assuming that the representatives of the underwriters do not release any parties from these agreements and that there is no extension of the lock-up period, all of the shares of our common stock that are restricted securities or are held by our affiliates as of the date of this prospectus will be eligible for sale in the public market in compliance with Rule 144.

Registration Rights

Upon the completion of this offering, the holders of 12,263,126 shares of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to the lock-up agreements described under “—Lock-Up Agreements” above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of the registration statement of which this prospectus is a part. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock. See the section titled “Description of Capital Stock—Registration Rights.”

Equity Incentive Plans

We intend to file with the SEC a registration statement on Form S-8 under the Securities Act covering the shares of common stock reserved for issuance under our 2018 Plan. The registration statement is expected to be filed and become effective as soon as practicable after the completion of this offering. Accordingly, shares registered under the registration statement will be available for sale in the open market following its effective date, subject to Rule 144 volume limitations and the lock-up agreements described above, if applicable.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service, or the IRS, in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder of our common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to Non-U.S. Holders that hold our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies and other financial institutions;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies" and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation; and
- tax-qualified retirement plans.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY. IN ADDITION, SIGNIFICANT CHANGES IN U.S. FEDERAL INCOME TAX LAWS WERE RECENTLY ENACTED. INVESTORS SHOULD ALSO CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO SUCH CHANGES IN U.S. TAX LAW AS WELL AS POTENTIAL CONFORMING CHANGES IN STATE TAX LAWS.

Definition of a Non-U.S. Holder

For purposes of this discussion, a "Non-U.S. Holder" is any beneficial owner of our common stock that is neither a "U.S. person" nor an entity treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation or entity treated as a corporation that is created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (i) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (ii) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

Distributions

As described in the section titled "Dividend Policy," we do not currently intend to pay any cash dividends on our capital stock in the foreseeable future. However, if we make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder's adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under "—Sale or Other Taxable Disposition."

Subject to the discussions below on effectively connected income, backup withholding and FATCA, dividends paid to a Non-U.S. Holder of our common stock will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment or fixed base in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States.

Any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Other Taxable Disposition

Subject to the discussions below regarding backup withholding and FATCA, a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment or fixed base in the United States to which such gain is attributable);

- the Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitutes a U.S. real property interest, or USRPI, by reason of our status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a Non-U.S. Holder of our common stock will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such Non-U.S. Holder owned, actually and constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period. If we are a USRPHC and either our common stock is not regularly traded on an established securities market or a Non-U.S. Holder holds more than 5% of our common stock, actually or constructively, during the applicable testing period, such Non-U.S. Holder will generally be taxed on any gain in the same manner as gain that is effectively connected with the conduct of a U.S. trade or business, except that the branch profits tax generally will not apply.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends on our common stock will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our common stock paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker that does not have certain enumerated relationships with the United States generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or FATCA) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (i) the foreign financial institution undertakes certain diligence and reporting obligations, (ii) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (i) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies currently to payments of dividends on our common stock, and, beginning on January 1, 2019, will apply to payments of gross proceeds from the sale or other disposition of such stock.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement, dated , 2018, between us and Jefferies LLC and Cowen and Company, LLC, as the representatives of the underwriters named below and the joint book-running managers of this offering, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the respective number of shares of common stock shown opposite its name below:

UNDERWRITER	NUMBER OF SHARES
Jefferies LLC	
Cowen and Company, LLC	
Wells Fargo Securities, LLC	
William Blair & Company, L.L.C.	
Total	

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers' certificates and legal opinions and approval of certain legal matters by their counsel. The underwriting agreement provides that the underwriters will purchase all of the shares of common stock if any of them are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated. We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

Certain of our stockholders (or their affiliates), including those affiliated with certain of our directors, have indicated an interest in purchasing an aggregate of approximately $30.0 million of shares of our common stock in this offering at the public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer, or no shares in this offering to these entities, or these entities may determine to purchase more, fewer, or no shares of common stock in this offering. The underwriters will receive the same underwriting discounts and commissions on any shares of common stock purchased by these entities as they will on any other shares of common stock sold to the public in this offering.

The underwriters have advised us that, following the completion of this offering, they currently intend to make a market in the common stock as permitted by applicable laws and regulations. However, the underwriters are not obligated to do so, and the underwriters may discontinue any market-making activities at any time without notice in their sole discretion. Accordingly, no assurance can be given as to the liquidity of the trading market for the common stock, that you will be able to sell any of the common stock held by you at a particular time or that the prices that you receive when you sell will be favorable.

The underwriters are offering the shares of common stock subject to their acceptance of the shares of common stock from us and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commission and Expenses

The underwriters have advised us that they propose to offer the shares of common stock to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers, which may include the underwriters, at that price less a concession not in excess of $ per share of common stock. The underwriters may allow, and certain dealers may reallow, a discount from the concession not in excess of $ per share of common stock to certain brokers and dealers. After the offering, the initial public offering price, concession and reallowance to dealers may be reduced by the representatives. No such reduction will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus.

The following table shows the public offering price, the underwriting discounts and commissions that we are to pay the underwriters and the proceeds, before expenses, to us in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares to cover over-allotments.

	PER SHARE		TOTAL	
	WITHOUT OPTION TO PURCHASE ADDITIONAL SHARES	WITH OPTION TO PURCHASE ADDITIONAL SHARES	WITHOUT OPTION TO PURCHASE ADDITIONAL SHARES	WITH OPTION TO PURCHASE ADDITIONAL SHARES
Public offering price	$	$	$	$
Underwriting discounts and commissions paid by us	$	$	$	$
Proceeds to us, before expenses	$	$	$	$

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately $3,800,000. We have also agreed to reimburse the underwriters for certain of their expenses in an amount up to $35,000, as set forth in the underwriting agreement.

Determination of Offering Price

Prior to this offering, there has not been a public market for our common stock. Consequently, the initial public offering price for our common stock will be determined by negotiations between us and the representatives. Among the factors to be considered in these negotiations will be prevailing market conditions, our financial information, market valuations of other companies that we and the underwriters believe to be comparable to us, estimates of our business potential, the present state of our development and other factors deemed relevant.

We offer no assurances that the initial public offering price will correspond to the price at which the common stock will trade in the public market subsequent to the offering or that an active trading market for the common stock will develop and continue after the offering.

Listing

We have applied to list our common stock on The Nasdaq Global Market under the symbol "KZR."

Stamp Taxes

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

Option to Purchase Additional Shares

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of 700,000 shares from us at the public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions. If the underwriters exercise this option, each underwriter will be obligated, subject to specified conditions, to purchase a number of additional shares proportionate to that underwriter's initial purchase commitment as indicated in the table above.

No Sales of Similar Securities

We, our officers, directors and holders of all or substantially all of our outstanding capital stock have agreed, subject to specified exceptions, not to directly or indirectly:

- sell, offer, contract or grant any option to sell (including any short sale), pledge, transfer or establish an open "put equivalent position" within the meaning of Rule 16a-l(h) under the Securities Exchange Act of 1934, as amended, or

- otherwise dispose of any shares of common stock, options or warrants to acquire shares of common stock, or securities exchangeable or exercisable for or convertible into shares of common stock currently or hereafter owned either of record or beneficially, or
- publicly announce an intention to do any of the foregoing for a period of 180 days after the date of this prospectus without the prior written consent of the representatives.

This restriction terminates after the close of trading of the common stock on and including the 180th day after the date of this prospectus.

The representatives of the underwriters may, in their sole discretion and at any time or from time to time before the termination of the 180-day period release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any of our shareholders who will execute a lock-up agreement, providing consent to the sale of shares prior to the expiration of the lock-up period.

Stabilization

The underwriters have advised us that they, pursuant to Regulation M under the Securities Exchange Act of 1934, as amended, certain persons participating in the offering may engage in short sale transactions, stabilizing transactions, syndicate covering transactions or the imposition of penalty bids in connection with this offering. These activities may have the effect of stabilizing or maintaining the market price of the common stock at a level above that which might otherwise prevail in the open market. Establishing short sales positions may involve either “covered” short sales or “naked” short sales.

“Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares of our common stock in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares of our common stock or purchasing shares of our common stock in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option to purchase additional shares.

“Naked” short sales are sales in excess of the option to purchase additional shares of our common stock. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering.

A stabilizing bid is a bid for the purchase of shares of common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the common stock. A syndicate covering transaction is the bid for or the purchase of shares of common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. Similar to other purchase transactions, the underwriter’s purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. A penalty bid is an arrangement permitting the underwriters to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if the common stock originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

The underwriters may also engage in passive market making transactions in our common stock on The Nasdaq Global Market in accordance with Rule 103 of Regulation M during a period before the commencement of offers or sales of shares of our common stock in this offering and extending through the completion of distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker’s bid, that bid must then be lowered when specified purchase limits are exceeded.

Electronic Distribution

A prospectus in electronic format may be made available by e-mail or on the web site or through online services maintained by one or more of the underwriters or their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares of common stock for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' web sites and any information contained in any other web site maintained by any of the underwriters is not part of this prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.

Other Activities and Relationships

The underwriter and certain of its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriter and certain of its affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for us and our affiliates, for which they received or will receive customary fees and expenses.

Cowen Healthcare Investment II LP owns 1,007,422 shares of our Series B Redeemable Preferred Stock. Cowen Healthcare Investment II LP is an affiliate of Cowen and Company, LLC.

Under the FINRA rules, Mr. Sommadossi is deemed to be a "related person" of William Blair & Company, L.L.C. and, therefore, the 15,747 shares of common stock and options to purchase 8,896 shares of common stock that Mr. Sommadossi acquired or was granted, respectively, since August 2017 are regarded by FINRA as additional compensation to the underwriters and will be subject to FINRA's lock-up requirements.

In the ordinary course of their various business activities, the underwriter and certain of its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments issued by us and our affiliates. If the underwriters or their respective affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. The underwriters and their respective affiliates may hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the common stock offered hereby. Any such short positions could adversely affect future trading prices of the common stock offered hereby. The underwriters and certain of their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

Australia

This prospectus is not a disclosure document for the purposes of Australia's Corporations Act 2001 (Cth) of Australia, or Corporations Act, has not been lodged with the Australian Securities & Investments Commission and is only directed to the categories of exempt persons set out below. Accordingly, if you receive this prospectus in Australia:

You confirm and warrant that you are either:

- a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act;
- a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

- a person associated with the Company under Section 708(12) of the Corporations Act; or
- a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act.

To the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this prospectus is void and incapable of acceptance.

You warrant and agree that you will not offer any of the securities issued to you pursuant to this prospectus for resale in Australia within 12 months of those securities being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

Canada

Resale Restrictions. The distribution of our shares of common stock in Canada is being made only in the provinces of Ontario, Quebec, Alberta and British Columbia on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of our shares of common stock in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the securities.

Representations of Canadian Purchasers. By purchasing our shares of common stock in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the shares without the benefit of a prospectus qualified under those securities laws as it is an "accredited investor" as defined under National Instrument 45-106-*Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), as applicable,
- the purchaser is a "permitted client" as defined in National Instrument 31-103-*Registration Requirements,* Exemptions *and Ongoing Registrant Obligations*,
- where required by law, the purchaser is purchasing as principal and not as agent, and
- the purchaser has reviewed the text above under Resale Restrictions.

Conflicts of Interest. Canadian purchasers are hereby notified that the underwriters are relying on the exemption set out in section 3A.3 or 3A.4, if applicable, of National Instrument 33-105-*Underwriting Conflicts* from having to provide certain conflict of interest disclosure in this document.

Statutory Rights of Action. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the prospectus (including any amendment thereto) such as this document contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser of these securities in Canada should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Enforcement of Legal Rights. All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment. Canadian purchasers of our shares of common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the shares in their particular circumstances and about the eligibility of the shares for investment by the purchaser under relevant Canadian legislation.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive, each referred to herein as a Relevant Member State, an offer to the public of any common shares which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any common shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives of the underwriters for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer common shares to the public" in relation to the common shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the common shares to be offered so as to enable an investor to decide to purchase or subscribe to the common shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Hong Kong

No securities have been offered or sold, and no securities may be offered or sold, in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong, or SFO, and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong, or CO, or which do not constitute an offer or invitation to the public for the purpose of the CO or the SFO. No document, invitation or advertisement relating to the securities has been issued or may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

This prospectus has not been registered with the Registrar of Companies in Hong Kong. Accordingly, this prospectus may not be issued, circulated or distributed in Hong Kong, and the securities may not be offered for subscription to members of the public in Hong Kong. Each person acquiring the securities will be required, and is deemed by the acquisition of the securities, to confirm that he is aware of the restriction on offers of the securities described in this prospectus and the relevant offering documents and that he is not acquiring, and has not been offered any securities in circumstances that contravene any such restrictions.

Japan

The offering has not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 of Japan, as amended), or FIEL, and the Initial Purchaser will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to

others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Israel

This document does not constitute a prospectus under the Israeli Securities Law, 5728-1968, or the Securities Law, and has not been filed with or approved by the Israel Securities Authority. In Israel, this prospectus is being distributed only to, and is directed only at, and any offer of the shares is directed only at, (i) a limited number of persons in accordance with the Israeli Securities Law and (ii) investors listed in the first addendum, or the Addendum, to the Israeli Securities Law, consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange, underwriters, venture capital funds, entities with equity in excess of NIS 50 million and "qualified individuals," each as defined in the Addendum (as it may be amended from time to time), collectively referred to as qualified investors (in each case, purchasing for their own account or, where permitted under the Addendum, for the accounts of their clients who are investors listed in the Addendum). Qualified investors are required to submit written confirmation that they fall within the scope of the Addendum, are aware of the meaning of same and agree to it.

Singapore

This prospectus has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Switzerland

The securities may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this prospectus nor any

other offering or marketing material relating to the securities or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this prospectus nor any other offering or marketing material relating to the offering, the Company or the securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of securities.

United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (Order) and/or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom it may lawfully be communicated (each such person being referred to as a "relevant person").

This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

LEGAL MATTERS

The validity of the issuance of our common stock offered in this prospectus will be passed upon for us by Cooley LLP, Palo Alto, California. Certain legal matters in connection with this offering will be passed upon for the underwriters by Latham & Watkins LLP. As of the date of this prospectus, GC&H Investments, LLC, an entity consisting of current and former partners and associates of Cooley LLP, beneficially holds an aggregate of 9,444 shares of our common stock on an as-converted basis.

EXPERTS

The consolidated financial statements of Kezar Life Sciences, Inc. as of December 31, 2017 and 2016, and for each of the years in the two-year period ended December 31, 2017, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1, including exhibits and schedules, under the Securities Act, with respect to the shares of common stock being offered by this prospectus. This prospectus, which constitutes part of the registration statement, does not contain all of the information in the registration statement and its exhibits. For further information with respect to us and the common stock offered by this prospectus, we refer you to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You can read our SEC filings, including the registration statement, over the Internet at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street, NE, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

Upon the completion of this offering, we will be subject to the information reporting requirements of the Exchange Act and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for inspection and copying at the public reference room and web site of the SEC referred to above. We also maintain a website at *www.kezarlifesciences.com*, at which, following the completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on or accessible through our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only.

KEZAR LIFE SCIENCES, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

When the transaction referred to under the heading “Reverse Stock Split” in note 14 of the Notes to the Consolidated Financial Statements has been consummated, we will be in a position to render the following report.

/s/ KPMG LLP
San Francisco, California

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Kezar Life Sciences, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Kezar Life Sciences, Inc. and subsidiary (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders’ deficit, and cash flows for each of the years in the two year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 2016.

San Francisco, California
March 16, 2018, except as to note 14, which is as of , 2018

KEZAR LIFE SCIENCES, INC.

Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	DECEMBER 31, 2016	DECEMBER 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 9,747	$ 51,033
Prepaid expenses	142	785
Other current assets	598	508
Total current assets	10,487	52,326
Restricted cash	13	13
Property and equipment, net	862	1,540
Other assets	62	343
Total assets	$ 11,424	$ 54,222
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' (Deficit) Equity		
Current liabilities:		
Accounts payable	$ 466	$ 547
Accrued liabilities	149	911
Other liabilities, current	36	26
Total current liabilities	651	1,484
Other liabilities, noncurrent	25	494
Total liabilities	676	1,978
Redeemable convertible preferred stock, $0.001 par value, 33,533,240 and 75,533,240 shares authorized as of December 31, 2016 and 2017, respectively; 5,966,753 and 12,263,126 shares issued and outstanding as of December 31, 2016 and 2017, respectively; aggregate liquidation preference of $28,369 and $78,369 as of December 31, 2016 and 2017, respectively; no shares issued and outstanding as of December 31, 2017, pro forma (unaudited)	28,176	77,931
Stockholders' (deficit) equity:		
Common stock, $0.001 par value, 48,600,000 and 96,000,000 shares authorized as of December 31, 2016 and 2017, respectively; 948,578 shares issued and outstanding as of December 31, 2016 and 2017	1	1
Additional paid-in capital	232	451
Accumulated other comprehensive loss	(150)	(111)
Accumulated deficit	(17,511)	(26,028)
Total stockholders' (deficit) equity	(17,428)	(25,687)
Total liabilities, redeemable convertible preferred stock and stockholders' (deficit) equity	$ 11,424	$ 54,222

See accompanying notes to the consolidated financial statements

KEZAR LIFE SCIENCES, INC.

Consolidated Statements of Operations
(in thousands, except share and per share amounts)

	YEAR ENDED DECEMBER 31,	
	2016	2017
Operating expenses:		
Research and development	$ 7,373	$ 6,469
General and administrative	1,617	2,280
Total operating expenses	8,990	8,749
Loss from operations	(8,990)	(8,749)
Interest income	—	232
Net loss	$ (8,990)	$ (8,517)
Net loss per common share, basic and diluted	$ (26.56)	$ (14.21)
Weighted-average shares used to compute net loss per common share, basic and diluted	338,446	599,291
Pro forma net loss per common share, basic and diluted (unaudited)		$ (0.87)
Weighted-average shares used in computing pro forma net loss per common share, basic and diluted (unaudited)		9,762,770

See accompanying notes to the consolidated financial statements

KEZAR LIFE SCIENCES, INC.

Consolidated Statements of Comprehensive Loss
(in thousands)

	YEAR ENDED DECEMBER 31,	
	2016	2017
Net loss	$ (8,990)	$ (8,517)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments, net of tax	(150)	39
Total other comprehensive (loss) income, net of tax	(150)	39
Comprehensive loss	$ (9,140)	$ (8,478)

See accompanying notes to the consolidated financial statements

KEZAR LIFE SCIENCES, INC.

Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit
(in thousands, except share and per share amounts)

	REDEEMABLE CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' DEFICIT
	SHARES	AMOUNTS	SHARES	AMOUNTS				
Balance at December 31, 2015	5,966,753	$ 28,176	911,151	$ 1	$ 104	$ —	$ (8,521)	$ (8,416)
Issuance of common stock upon exercise of stock options, net of amount related to early exercised options	—	—	37,427	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	128	—	—	128
Other comprehensive loss	—	—	—	—	—	(150)	—	(150)
Net loss	—	—	—	—	—	—	(8,990)	(8,990)
Balance at December 31, 2016	5,966,753	28,176	948,578	1	232	(150)	(17,511)	(17,428)
Issuance of Series B redeemable convertible preferred stock for cash of $7.942 per share, net of $245 issuance costs	6,296,373	49,755	—	—	—	—	—	—
Vesting related to common shares issued pursuant to early exercises	—	—	—	—	16	—	—	16
Stock-based compensation expense	—	—	—	—	203	—	—	203
Other comprehensive income	—	—	—	—	—	39	—	39
Net loss	—	—	—	—	—	—	(8,517)	(8,517)
Balance at December 31, 2017	12,263,126	$ 77,931	948,578	$ 1	$ 451	$ (111)	$ (26,028)	$ (25,687)

See accompanying notes to the consolidated financial statements

KEZAR LIFE SCIENCES, INC.

Consolidated Statements of Cash Flows
(in thousands)

	YEAR ENDED DECEMBER 31, 2016	2017
Cash flows from operating activities:		
Net loss	$ (8,990)	$ (8,517)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	154	175
Stock-based compensation	128	203
Changes in operating assets and liabilities:		
Prepaid expenses	—	(643)
Other current assets	(598)	100
Other assets	—	(282)
Accounts payable	(543)	81
Accrued liabilities	74	763
Other liabilities, current	—	6
Other liabilities, noncurrent	15	5
Net cash used in operating activities	(9,760)	(8,109)
Cash flows from investing activities:		
Purchase of property and equipment	(132)	(389)
Net cash used in investing activities	(132)	(389)
Cash flows from financing activities:		
Proceeds from issuance of preferred stock (net of issuance costs)	—	49,755
Proceeds from exercises of stock options	36	—
Net cash provided by financing activities	36	49,755
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(150)	29
Net (decrease) increase in cash and cash equivalents and restricted cash	(10,006)	41,286
Cash and cash equivalents and restricted cash at beginning of period	19,766	9,760
Cash and cash equivalents and restricted cash at end of period	$ 9,760	$ 51,046
Supplemental disclosures of noncash investing and financing items:		
Reclassification of employee stock liability to equity upon vesting	$ —	$ 16
Tenant improvement paid for by landlord	$ —	$ 464

See accompanying notes to the consolidated financial statements

KEZAR LIFE SCIENCES, INC.

Notes to Consolidated Financial Statements

1. Organization and Description of the Business

Description of Business

Kezar Life Sciences, Inc. (the Company) was incorporated in Delaware on February 19, 2015 and commenced operations in June 2015. The Company is a clinical-stage biotechnology company, discovering and developing novel small molecule therapeutics to treat unmet needs in autoimmunity and cancer. The Company's lead product candidate, KZR-616, a first-in-class selective immunoproteasome inhibitor, has completed testing in healthy volunteers and is now enrolling a Phase 1b/2 clinical trial in lupus and lupus nephritis. The Company is also leveraging its protein secretion pathway research platform to discover and develop small molecule therapies targeting cancer and immuno-oncology. To date, the Company's primary activities have been related to the establishment of its facilities, recruitment of personnel and conducting development of its product candidates, including clinical trials. The Company's principal operations are located in South San Francisco, California, and it operates in one segment.

Liquidity

Since commencing operations in mid-2015, substantially all of the Company's efforts have been focused on research, development, and the advancement of the Company's lead product candidate, KZR-616. The Company's ultimate success depends on the outcome of the ongoing research and development activities. The Company has not yet generated product sales and as a result has experienced operating losses since inception and had an accumulated deficit of $26.0 million as of December 31, 2017. The Company expects to incur additional losses in the future to conduct research and development and will need to raise additional capital to fully implement management's business plan. The Company intends to raise such capital through the issuance of additional equity, and potentially through borrowings, strategic alliances with partner companies and other licensing transactions. However, if such financing is not available at adequate levels, the Company may need to reevaluate its operating plans. Management believes that its existing cash and cash equivalents will be sufficient to fund the Company's cash requirements for at least 12 months following the date of the issuance of these financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) and include the Company's accounts and those of its wholly owned subsidiary. All intercompany balances and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, stock-based compensation, and accrued research and development costs. Management bases its estimates on historical experience and on various other market-specific relevant assumptions that management believes to be reasonable under the circumstances. Actual results may differ from those estimates.

Foreign Currency Translation

The functional currency of the Company's non-U.S. subsidiary is the Australian dollar. Asset and liability balances denominated in non-U.S. dollar currency are translated into U.S. dollars using period-end exchange rates, while expenses are based upon the exchange rate at the time of the transaction, if known, or at the average rate for the period. Equity accounts, except for the change in accumulated deficit during the year, have been translated using historical exchange rates. Differences are included in stockholders' equity as a component of accumulated other comprehensive loss.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents consist of highly liquid money market funds.

Restricted cash consists of deposits at the bank held as collateral for the Company's credit card program.

The following tables provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the total of the same amounts shown in the statements of cash flows (in thousands):

	DECEMBER 31,	
	2016	2017
Cash and cash equivalents	$9,747	$51,033
Restricted cash	13	13
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$9,760	$51,046

Concentration of Credit Risk

Financial instruments that potentially expose the Company to credit risk consist of cash and cash equivalents. The majority of the Company's cash and cash equivalents are held by financial institutions in the United States, while a small amount is held by a financial institution in Australia. U.S. amounts on deposit may at times exceed federally insured limits.

Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined using various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment losses were recognized during the years ended December 31, 2016 and December 31, 2017.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life of furniture, laboratory and office equipment is five years, and the useful life of computer equipment is three years. The useful life of leasehold improvements is assumed to be the shorter of the useful life or the remaining lease term.

Other Assets

Other assets consist of security deposits for the Company's operating leases of office and laboratory space.

Fair Value of Financial Instruments

The Company applies fair value accounting for all financial assets and liabilities and nonfinancial assets and liabilities that are required to be recognized or disclosed at fair value in the financial statements. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where observable prices or inputs are not available valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

The Company's financial instruments consist principally of cash and cash equivalents and accounts payable. The fair value of the Company's cash equivalents is determined based on quoted prices in active markets for identical assets. The recorded value of the Company's accounts payable approximates its current fair value due to the relatively short-term nature of the account.

Research and Development Costs

Research and development costs are expensed as incurred and consist primarily of salaries and benefits, stock-based compensation expense, lab supplies and facility costs, as well as fees paid to nonemployees and entities that conduct certain research and development activities on the Company's behalf and expenses incurred in connection with license agreements. Nonrefundable advance payments for goods or services to be received in the future for use in research and development activities are capitalized and then expensed as the related goods are delivered or the services are performed.

The Company accrues for estimated costs of research and development activities conducted by third-party service providers, which include the conduct of preclinical and clinical studies and contract manufacturing activities. The Company estimates the amount of work completed through discussions with internal personnel and external service providers as to the progress or stage of completion of the services and the agreed-upon fee to be paid for such services. The Company makes significant judgments and estimates in determining the accrued balance in each reporting period. As actual costs become known, the Company adjusts the accrued estimates. Although the Company does not expect the estimates to be materially different from amounts actually incurred, the status and timing of services performed, the number of patients enrolled and the rate of patient enrollment may vary from the Company's estimates and could result in the Company reporting amounts that are too high or too low in any particular period. The Company's accrued expenses are dependent, in part, upon the receipt of timely and accurate reporting from clinical research organizations and other third-party service providers. For the years ended December 31, 2016 and 2017, there have been no material differences from the Company's accrued expenses to actual expenses.

Research and Development Tax Incentive

The Company is eligible under the AusIndustry Research and Tax Development Tax Incentive Program to obtain a cash amount from the Australian Taxation Office (ATO). The tax incentive is available to the Company on the basis of specific criteria with which the Company must comply related to research and development expenditures in Australia. These research and development tax incentives are recognized as contra research and development expense when the right to receive has been attained and funds are considered to be collectible.

The Company recognized $385,000 and $499,000 as a reduction of research and development expenses for the years ended December 31, 2016 and December 31, 2017, respectively, in connection with the research and development tax incentive from the ATO. As of December 31, 2016 and 2017, the research and development tax credit receivable was $377,000 and $498,000, respectively, which is included in other current assets in the consolidated balance sheets.

Stock-Based Compensation

Stock-based awards issued to employees and directors, including stock options, are recorded at fair value as of the grant date using the Black-Scholes option pricing model and recognized as expense on a straight line-basis over the employee's or director's requisite service period (generally the vesting period).

Stock-based awards and stock options issued to nonemployee consultants are recorded at fair value as of the grant date using the Black-Scholes option pricing model. The unearned portion of the stock-based compensation is remeasured at each reporting period using the Black-Scholes option pricing model, and the resulting change in fair value is recognized in the statement of operations over the remaining period the related services are rendered.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company records a valuation allowance against deferred tax assets if it is more likely than not that a portion or all of the asset will not be realized in future periods. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations.

The Company recognizes benefits of uncertain tax positions if it is more likely than not that such positions will be sustained upon examination based solely on their technical merits, as the largest amount of benefit that is more likely than not to be realized upon the ultimate settlement. The Company's policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax expense or benefit. To date, there have been no interest charges or penalties related to unrecognized tax benefits.

Net Loss per Share

Basic net loss per share is calculated by dividing the net loss by the weighted average number of shares of common stock outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per share is the same as basic net loss per share for the periods presented since the effects of potentially dilutive securities are antidilutive given the net loss of the Company.

Unaudited Pro Forma Net Loss per Share

Unaudited pro forma basic and diluted net loss per share has been computed to give effect to the conversion of the redeemable convertible preferred stock into common stock as if such conversion had occurred at the earlier of the beginning of the period or the date of issuance, if later. The unaudited pro forma net loss per share does not include the shares expected to be sold and related proceeds to be received from the IPO.

Prior Period Revision

Reclassifications of certain prior period amounts have been made to conform to the current period presentation. In addition, for the year ended December 31, 2016, a reclassification of $385,000 was made resulting in an increase in general and administrative expenses and a decrease in research and development expenses for certain Australian Research and Development Tax Incentive tax credits received. The reclassification had no impact on the Company's net loss or financial position.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, "Leases." ASU 2016-02 increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requires disclosing key information about leasing arrangements. ASU 2016-02 is effective for annual periods beginning after December 15, 2019. Management does not expect the adoption of ASU 2016-02 to have a material effect on its business. The Company is currently evaluating the effect the update will have on its financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting," which simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. For nonpublic business entities, the amendments in this update are effective for annual periods beginning after December 15, 2017. Early adoption is permitted. Upon adoption, entities will be required to apply a modified retrospective, prospective or retrospective transition method depending on the specific section of the guidance being adopted. The Company adopted ASU No. 2016-09 effective January 1, 2017, on a prospective basis. The impact of adopting ASU 2016-09 resulted in the following:

- The Company will classify the excess income tax benefits from stock-based compensation arrangements as a discrete item within income tax expense, rather than recognizing such excess income tax benefits in additional paid-in capital. The adoption of this guidance had no material impact to the Company's consolidated financial statements due to a full valuation allowance recognized against the Company's deferred tax assets.
- The Company elected to recognize forfeitures as they occur. The cumulative effect adjustment as a result of the adoption of this guidance on a modified retrospective basis was insignificant.

There was no material impact to the Company's consolidated financial statements as a result of adopting this updated standard.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. Under ASU 2016-18, the statement of cash flows will show the changes in the total cash, cash equivalents and amounts generally described as restricted cash. As a result, entities will no longer have to determine how to classify transfers

to or from restricted cash within the statement of cash flows. An entity will be required to reconcile the total cash, cash equivalents and amounts generally described as restricted cash on the statement of cash flows to amounts in the balance sheet and disclose the nature of any restriction on its cash, cash equivalents or amounts generally described as restricted cash. This new standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted. The guidance will be applied retrospectively. If it is impractical for an entity to do so, the entity will apply the guidance prospectively as of the earliest date that is practicable. The Company adopted this standard for the year ended December 31, 2017, and prior-period statement of cash flow has been adjusted to reflect the adoption of the new standard.

3. Balance Sheet Components

Property and Equipment, Net

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

	DECEMBER 31,	
	2016	2017
Furniture, laboratory and office equipment	$ 868	$1,242
Leasehold improvements	155	155
Computer equipment	19	34
Construction in progress	—	464
Total property and equipment	1,042	1,895
Less accumulated depreciation and amortization	(180)	(355)
Property and equipment, net	$ 862	$1,540

Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	DECEMBER 31,	
	2016	2017
Accrued employee-related costs	$ —	$ 422
Accrued preclinical and research costs	114	108
Accrued clinical costs	—	340
Accrued third-party manufacturing costs	20	23
Other	15	18
Accrued liabilities	$ 149	$ 911

4. Redeemable Convertible Preferred Stock

Redeemable convertible preferred stock as of December 31, 2016 consisted of the following (in thousands, except share amounts):

REDEEMABLE CONVERTIBLE PREFERRED STOCK	SHARES AUTHORIZED	SHARES ISSUED AND OUTSTANDING	NET PROCEEDS AFTER ISSUANCE COSTS	LIQUIDATION PREFERENCE
Series A	33,533,240	5,966,753	$ 28,176	$ 28,369
Total	33,533,240	5,966,753	$ 28,176	$ 28,369

Redeemable convertible preferred stock as of December 31, 2017 consisted of the following (in thousands, except share amounts):

REDEEMABLE CONVERTIBLE PREFERRED STOCK	SHARES AUTHORIZED	SHARES ISSUED AND OUTSTANDING	NET PROCEEDS AFTER ISSUANCE COSTS	LIQUIDATION PREFERENCE
Series A	33,533,240	5,966,753	$ 28,176	$ 28,369
Series B	42,000,000	6,296,373	49,755	50,000
Total	75,533,240	12,263,126	$ 77,931	$ 78,369

Significant provisions of the redeemable convertible preferred stock are as follows:

Voting Rights

The holders of Series A redeemable convertible preferred stock (Series A) and Series B redeemable convertible preferred stock (Series B) have voting rights equal to the whole number of shares of common stock into which such shares of Series A and Series B are then convertible, respectively. Except as provided by law or by the other provisions of the Company's amended and restated certificate of incorporation, holders of Series A and Series B shall vote together with the holders of common stock as a single class. The holders of Series A are entitled to elect one member of the board of directors and the holders of Series B are entitled to elect one member of the board of directors.

Dividend Rights

Holders of Series A and Series B shall be entitled to receive, but only out of funds that are legally available therefor, cash dividends at a rate of $0.383 per share and $0.636 per share, respectively, per annum on such shares of redeemable convertible preferred stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization). The dividends shall be noncumulative and payable only when, and if, declared by the board of directors, and the Company shall otherwise be under no obligation to pay such dividends. Dividend preference and priority shall be given to holders of outstanding shares of Series A and Series B over any declaration, payment or setting aside of any dividend on common stock.

Conversion Rights

Each share of Series A and each share of Series B is convertible, at the option of the holder, at any time and without the payment of additional consideration by the holder thereof, into the number of fully paid and nonassessable shares of common stock determined by dividing the original issue price per share of that series by the conversion price for such series in effect at the time of conversion.

Each share of Series A and each share of Series B shall automatically be converted into shares of common stock at the then-effective conversion rate for such share either: (i) upon the closing of a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, provided that the offering price per share is not less than $7.942 (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to common stock) and the gross proceeds to the Company are not less than $40,000,000; or (ii) by vote or written consent of the holders of at least a majority of the then outstanding shares of redeemable convertible preferred stock (voting together as a single class on an as-converted basis) and the holders of at least 55% of the then outstanding shares of Series B (voting together as a separate class on an as-converted basis).

Liquidation Preference/Redemption Provision

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or a deemed liquidation event, the holders of the then outstanding shares of Series B shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment is made to the holders of the Series A and the holders of the common stock by reason of their ownership, an amount per share equal to the greater of: (i) the Series B original issue price ($7.942), plus any declared, unpaid dividends; or (ii) such amount per share that would have been payable had all shares of Series B been converted into common stock prior to such liquidation,

dissolution, winding up or deemed liquidation event. If upon the liquidation, dissolution, or winding up of the Company or deemed liquidation event, the assets of the Company legally available for distribution to its stockholders are insufficient to pay the holders of shares of Series B the full amount to which they are entitled, then the holders of shares of Series B shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable if all amounts payable or on with respect to such shares were paid in full. After the payment of all amounts required to be paid to the holders of shares of Series B, the remaining assets of the Company available for distribution to its stockholders will be distributed among the holders of shares of the Series A. The holders of shares of Series A then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders an amount per share equal to the greater of: (i) the Series A original issue price ($4.755), plus any declared but unpaid dividends; or (ii) such amount per share as would have been payable had all shares of Series A redeemable convertible preferred stock been converted into common stock prior to such liquidation, dissolution, winding up or deemed liquidation event. After the preferential payment for the Series A and Series B, the remaining assets of the Company available for distribution to its stockholders shall be distributed among the holders of shares of common stock, pro rata based on the number of shares held by each such holder.

In the event of a deemed liquidation event, if the Company does not effect a dissolution of the Company within 90 days after such deemed liquidation event, the holders of the Series A redeemable convertible preferred stock and the holders of the Series B redeemable convertible preferred stock have the right to require the redemption of such shares. This right is at the option of the holder and is considered to be outside the control of the Company as the holders of the Series A and Series B hold a majority of the voting rights. As a result, the Company has classified all of its Series A and Series B as temporary equity in its financial statements as the stock is contingently redeemable. The Series A and Series B have been recognized at their issuance date fair value, or transaction price. If it becomes probable that a deemed liquidation event will occur, the Series A and Series B will be adjusted to the stated redemption value.

5. Common Stock

As of December 31, 2017, the Company has reserved sufficient shares of common stock for issuance upon the exercise of stock options subject to future vesting. Management has reserved shares of common stock, on an as-converted basis, for future issuance as follows:

Series A redeemable convertible preferred stock outstanding, as converted	5,966,753
Series B redeemable convertible preferred stock outstanding, as converted	6,296,373
Options issued and outstanding	1,213,010
Shares available for future grant under the 2015 Plan	1,322,628
Total common stock reserved for issuance	14,798,764

General

The voting, dividend, and liquidation rights of the holders of common stock are subject to and qualified by the rights, powers and preferences of the holders of the redeemable convertible preferred stock.

Voting Rights

The holders of common stock are entitled to one vote for each share of common stock held. The holders of common stock, exclusively and as a separate class, are entitled to elect two members of the board of directors.

6. Stock-Based Compensation

Stock Compensation Plan

On June 9, 2015, the Company adopted the 2015 Equity Incentive Plan (the 2015 Plan), as amended, pursuant to which the board of directors, or an appointed committee of the board of directors, may grant stock options, stock appreciation rights, restricted stock or restricted stock units to the Company's employees, directors and consultants. With the exception of a company effected transaction as defined by Section 424(a) of the Internal Revenue Code

(corporate merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation), stock options may be granted with an exercise price no less than 100% of the fair market value of a share of common stock on the date of grant; provided, however, that incentive stock options granted to significant stockholders may be granted with an exercise price no less than 110% of the fair market value of a share of common stock on the date of grant. The stock options granted under the 2015 Plan generally expire on the tenth anniversary of the grant date; provided, however, that incentive stock options granted to significant stockholders cannot have a term greater than five years from the date of grant.

Stock Option Activity

The following table summarizes activity under the Company's stock option plan and related information (in thousands except share and per share amounts):

	OPTIONS AVAILABLE TO GRANT	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM	AGGREGATE INTRINSIC VALUE
Outstanding at December 31, 2016	965,626	680,333	$ 0.97	8.9	
Shares authorized	889,679	—	—		
Granted	(532,677)	532,677	$ 2.27		
Outstanding at December 31, 2017	1,322,628	1,213,010	$ 1.54	8.7	$ 999
Vested and exercisable at December 31, 2017		464,348	$ 0.94	7.8	$ 660

The weighted average grant date fair value of options granted during the years ended December 31, 2016 and 2017 was $0.78 and $1.61, respectively. The 2015 Plan allows for early exercisable option grants, which permit the grantee to exercise a stock option in exchange for stock before the requisite service is provided (e.g., before the award is vested under its original terms); however, such arrangements permit the Company to subsequently repurchase such shares at the exercise price if the vesting conditions are not satisfied. To date, the Company has made such grants only to non-employee board members. The total intrinsic value of exercised stock options during the year ended December 31, 2016 was $0, as the fair market value remained unchanged from the prior year. The aggregate intrinsic value is calculated as the difference between the exercise price and the estimated fair value of the Company's common stock at the date of exercise.

Stock-Based Compensation Expense

Total stock-based compensation recognized by function was as follows (in thousands):

	YEAR ENDED DECEMBER 31,	
	2016	2017
General and administrative	$ 64	$ 110
Research and development	64	93
Total stock-based compensation expense	$ 128	$ 203

As of December 31, 2017, the unrecognized stock-based compensation cost and the estimated weighted average amortization period, using the straight-line attribution method, was as follows (dollars in thousands):

	UNRECOGNIZED COMPENSATION COST	WEIGHTED AVERAGE REMAINING AMORTIZATION PERIOD (YEARS)
Employee options	$ 969	3.17
Nonemployee options	3	1.49
Total unrecognized stock-based compensation expense	$ 972	

The fair value of the shares of common stock underlying stock options was determined by the Company's board of directors. Because there was no public market for the Company's common stock, the board of directors determined fair value of the common stock at the time of grant of the option by considering a number of objective and subjective factors including important developments in the Company's operations, valuations performed by an independent third party, sales of redeemable convertible preferred stock, actual operating results and financial performance, the conditions in the biotechnology industry and the economy in general, the stock price performance and volatility of comparable public companies, and the lack of liquidity of the Company's common stock, among other factors.

In determining the fair value of the options granted, the Company used the Black-Scholes option-pricing model and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment to determine.

Expected Term—The Company uses the simplified method (based on the mid-point between the vesting date and the end of the contractual term) to estimate the expected term of the option. Management has had limited historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior for Company stock option grants. The simplified method makes the assumption that the employee will exercise share options evenly over the period when the share options are vested and ending on the date when the share options would expire.

Expected Volatility—Since the Company's shares are not publicly traded and its shares are rarely traded privately, expected volatility is estimated based on the average historical volatility of similar entities with publicly traded shares. When selecting comparable publicly traded biopharmaceutical companies on which the Company has based its expected stock price volatility, the Company selected companies with comparable characteristics to it, including enterprise value, risk profile and position within the industry and with historical share price information sufficient to meet the expected life of the stock-based awards.

Risk-Free Interest Rate—The risk-free interest rate is based on the U.S. Treasury zero-coupon issues in effect at the time of grant for periods corresponding with the expected term of option.

Expected Dividend—The Company has never paid dividends on its common stock and has no plans to pay dividends on its common stock. Therefore, the Company has used an expected dividend yield of zero.

The fair value of the employee stock options granted is calculated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	YEAR ENDED DECEMBER 31,	
	2016	2017
Valuation assumptions:		
Expected term (years)	6.08	6.08
Expected volatility	80.36%	89.81%
Risk-free interest rate	1.41%	1.96%
Expected dividend	—%	—%

Early Exercise Stock Purchase Agreements

As of December 31, 2016 and 2017, there were 82,651 and 45,224, respectively, of nonvested common shares outstanding that were exercised early and subject to repurchase by the Company at the original issuance price upon termination of the stockholder's services. The right to repurchase these shares generally lapses with respect to 25% of the shares underlying the option after the applicable vesting commencement date and 1/48 of the shares underlying the original grant per month for 36 months thereafter. The shares purchased pursuant to the early exercise of stock options are not deemed, for accounting purposes, to be issued until those shares vest. The cash received in exchange for exercised and nonvested shares related to stock options granted is recorded as a liability for the early exercise of stock options on the balance sheets with the corresponding par value in common stock and an offset in additional paid-in capital. As of December 31, 2016 and 2017, the Company recorded in other current liabilities $34,000 and $18,000, respectively, associated with shares issued upon the early exercise of stock options that are subject to repurchase.

Restricted Stock

In addition to the nonvested common shares outstanding described above at "Early Exercise Stock Purchase Agreements," the Company issued restricted stock to its founders. The fair value of restricted stock on the issuance date is deemed equal to the cash consideration paid by the founders. Restricted stock vests over a four-year period from the applicable vesting commencement date. The following summarizes the activity of nonvested restricted stock:

	NUMBER OF SHARES
Nonvested—December 31, 2016	402,468
Vested	(209,074)
Nonvested—December 31, 2017	193,394

7. Commitments & Contingencies

Contractual Obligations and Other Commitments

The Company was obligated under an operating lease covering its combination office and laboratory space at 300 Utah Avenue, South San Francisco, California. The current lease expires five years from its execution on July 1, 2015. Subsequent to December 31, 2017, the lease was terminated with an effective date of April 1, 2018.

In August 2017, the Company entered into a lease agreement to lease 24,357 square feet of combination laboratory and office space in 4000 Shoreline Court, South San Francisco, California. The lease commenced on March 1, 2018 and terminates on February 28, 2025.

The Company recognizes rent expense on a straight-line basis over the noncancelable lease period and records the difference between cash rent payments and the recognition of rent expense as deferred rent liability.

Future minimum lease payments are as follows as of December 31, 2017 (in thousands):

Year ending December 31:	
2018	$ 1,974
2019	2,339
2020	2,170
2021	1,996
2022	2,056
Thereafter	4,664
Total future minimum lease payments	$15,199

Indemnification

In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless and defend an indemnified party for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third-party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has never incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. The Company has also entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by California corporate law. The Company currently has directors' and officers' insurance.

8. License Agreement

In June 2015, the Company entered into an exclusive license agreement with Onyx Therapeutics, Inc., an Amgen Inc. subsidiary (Onyx), a related party, for a worldwide, exclusive license under certain patents, and a non-exclusive license to certain know-how, in each case controlled by Onyx and relating to the Company's immunoproteasome program. The Company may also be required to make future payments of up to $172.5 million upon achievement of certain development and commercial milestones, as well as pay royalties in the mid to high single digits on future annual net sales, if any.

9. Defined Contribution Plan

The Company has a qualified 401(k) Savings and Investment Plan (the Plan) whereby employees may contribute up to the lesser of $53,000 or 100% of their pre-tax compensation. The total contributed amount from the employees is only up to Federal annual limits. The Company matches $1.00 for every $1.00 contributed to the Plan by participants up to 4% of base compensation (subject to statutory limits). During the years ended December 31, 2016 and 2017, the Company contributed $62,000 and $77,000, respectively, to the Plan.

10. Income Taxes

No provision for income taxes was recorded for the years ended December 31, 2016 and 2017. The Company has incurred net operating losses for all the periods presented.

The following table presents domestic and foreign components of net loss for the periods presented (in thousands):

	YEAR ENDED DECEMBER 31,	
	2016	2017
Domestic	(7,009)	(7,551)
Foreign	(1,981)	(966)
Total	$(8,990)	$(8,517)

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Tax Act) was signed into law. The Tax Act reduces the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%. Although the Tax Act is generally effective January 1, 2018, GAAP requires recognition of the tax effects of new legislation during the reporting period that includes the enactment date, which was December 22, 2017. The primary impact of the Tax Act resulted from the re-measurement of deferred tax assets and liabilities due to the change in the corporate tax rate, reducing our deferred tax assets by $2.7 million with a corresponding reduction in our valuation allowance, which had no effect on our effective tax rate.

As of December 31, 2017, the Company has not assessed the impact of the changes arising from the Tax Act that are effective in tax year 2018 and onward and will be included in the 2018 financial statements as interpreted

guidance is further released. The Company has also not yet made a policy election with respect to its treatment of potential global intangible low-taxed income ("GILTI"). Companies can either account for taxes on GILTI as incurred or recognize deferred taxes when basis differences exist that are expected to affect the amount of the GILTI inclusion upon reversal. The Company is still in the process of analyzing the provisions of the Act associated with GILTI and the expected impact of GILTI on the Company in the future.

The effective tax rate of the provision for income taxes differs from the federal statutory rate as follows:

	YEAR ENDED DECEMBER 31,	
	2016	2017
Federal statutory income tax rate	34.0%	34.0%
State taxes, net of federal benefit	5.8	6.0
Foreign tax rate differential	(0.9)	(0.5)
Permanent differences	(2.0)	(3.8)
Research and development credit	2.6	2.5
Federal rate change impact	—	(31.4)
Change in valuation allowance	(39.5)	(6.8)
Provision for income taxes	—%	—%

The components of the deferred tax assets and liabilities are as follows (in thousands):

	DECEMBER 31,	
	2016	2017
Deferred tax assets		
Reserve and accruals	$ 20	$ 169
Net operating loss carry forwards	6,607	6,802
Research and development credit carryforwards	453	515
Gross deferred tax assets	7,080	7,486
Valuation allowance	(7,036)	(7,434)
Net deferred tax assets	44	52
Deferred tax liabilities		
Property and equipment	(44)	(52)
Net deferred tax assets	$ —	$ —

Realization of the deferred tax assets is dependent upon future taxable income. Since the amount and timing of future income are uncertain, the net deferred tax assets, as of December 31, 2016 and December 31, 2017 have been fully offset by a valuation allowance. The valuation allowance increased by approximately $3.6 million during the year ended December 31, 2016 and increased by $398,000 during the year ended December 31, 2017.

As of December 31, 2017, the Company had federal net operating loss (NOL) carryforwards of $22.2 million and a federal research and development tax credit carryforward of $283,000. If not utilized sooner, the federal NOL and tax credit carryforwards will expire, beginning in 2035. As of December 31, 2017, the Company had a state NOL carryforward of $22.4 million, which will expire beginning in 2035, and a state research and development tax credit carryforward of $352,000, which does not expire.

As of December 31, 2017, the Company also had accumulated Australian tax losses of $1.9 million available for carry forward against future earnings, which under relevant tax laws do not expire but may not be available under certain circumstances.

In general, if the Company experiences a greater than 50 percentage point aggregate change in ownership over a three-year period (a Section 382 ownership change), utilization of the Company's pre-change NOL carryforwards is subject to an annual limitation under Section 382 of the Internal Revenue Code and similar California laws. The annual limitation generally is determined by multiplying the value of the Company's stock at the time of such ownership change (subject to certain adjustments) by the applicable long-term tax-exempt rate. Such limitations may result in expiration of a portion of the NOL carryforwards before utilization. The Company has not utilized any NOL carryforwards through December 31, 2017. In addition, the Company's deferred tax assets are subject to a full valuation allowance, and thus no benefit for deferred tax assets is recorded on the Company's books. The Company's ability to use the remaining NOL carryforwards may be further limited if the Company experiences a Section 382 ownership change as a result of future changes in the Company's stock ownership.

No liability related to uncertain tax positions is recorded on the financial statements. Since inception, there have been no interest charges or penalties related to unrecognized tax benefits.

The Company files income tax returns in the United States federal jurisdiction, the State of California and Australia. The Company currently has no federal, state or other jurisdictions tax examinations in progress. The Company did not recognize any accrued interest and penalties related to gross unrecognized tax benefits related to the year ended December 31, 2017. All years are open for examination by federal and state authorities.

11. Net Loss Per Share

The following table sets forth the calculation of basic and diluted net loss per share during the periods presented (in thousands, except share and per share data):

	YEAR ENDED DECEMBER 31,	
	2016	2017
Numerator:		
Net loss	$ (8,990)	$ (8,517)
Denominator:		
Weighted-average shares of common stock outstanding	338,446	599,291
Net loss per share, basic and diluted	$ (26.56)	$ (14.21)

The following outstanding shares of common stock equivalents were excluded from the computation of the diluted net loss per share for the periods presented because their effect would have been anti-dilutive:

	YEAR ENDED DECEMBER 31,	
	2016	2017
Redeemable convertible preferred stock on an if converted basis	5,966,753	12,263,126
Stock options to purchase common stock	680,333	1,213,010
Common stock subject to future vesting	485,119	238,618
Total	7,132,205	13,714,754

12. Unaudited Pro Forma Net Loss Per Share

Unaudited pro forma net loss per share was computed to give effect to the conversion of all shares of redeemable convertible preferred stock using the if converted method as though the conversion had occurred as of the beginning of the period or the date of issuance, if later.

The following table sets forth the computation of the unaudited pro forma net loss per share (in thousands, except share and per share amounts):

	YEAR ENDED DECEMBER 31, 2017
Numerator:	
Net loss	$ (8,517)
Denominator:	
Weighted-average shares of common stock used in computing net loss per share	599,291
Weighted-average pro forma adjustment to reflect assumed conversion of redeemable convertible preferred stock	9,163,479
Weighted-average shares of common stock used in computing pro forma net loss per share	9,762,770
Pro forma net loss per share, basic and diluted	$ (0.87)

13. Related Party Disclosure

Consulting Agreement with Michael Kauffman

On April 1, 2017, the Company entered into a consulting agreement with Michael Kauffman, a member of its board of directors. This agreement provides that Dr. Kauffman shall provide clinical and scientific advisory services and participate on our board of directors in exchange for a monthly fee of $3,000, payable on the first of the month. The consulting agreement may be terminated by either party on 15 days' written notice. For the year ended December 31, 2017, the Company recognized $27,000 as consulting expense for the agreement.

License Agreement with Onyx

In June 2015, the Company issued 1,121,384 shares of its Series A redeemable convertible preferred stock to Onyx Therapeutics, Inc. in exchange for an exclusive license. The shares represented approximately 8.5% of the Company's total outstanding shares as of December 31, 2017. See Note 8 for a discussion of the Onyx license agreement.

14. Subsequent Events

Reverse Stock Split

On June , 2018, the Company filed an Amended and Restated Certificate of Incorporation effecting a 1-for-5.62 reverse stock split of its issued and outstanding common stock and redeemable convertible preferred stock. The par value of the authorized stock was not adjusted as a result of the reverse stock split. In connection with the reverse stock split, the filed Amended and Restated Certificate of Incorporation also adjusted the minimum price per share required in a firm-commitment underwritten public offering of the Company's common stock in order for the preferred stock to automatically convert to common stock. The minimum price post-split was $15.884 and has been adjusted to now be $7.942. The Company did not adjust the number of authorized shares of common stock or redeemable convertible preferred stock. Other than the par value and the number of authorized shares of common stock, all share and per share data shown in the accompanying consolidated financial statements and related notes have been retroactively revised to reflect the reverse stock split.

KEZAR LIFE SCIENCES, INC.

Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	DECEMBER 31, 2017 (Note 2)	MARCH 31, 2018 (Unaudited)	PRO FORMA STOCKHOLDERS' EQUITY AS OF MARCH 31, 2018 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 51,033	$ 47,085	
Prepaid expenses	785	1,376	
Other current assets	508	1,856	
Total current assets	52,326	50,317	
Restricted cash	13	13	
Property and equipment, net	1,540	3,617	
Other assets	343	304	
Total assets	$ 54,222	$ 54,251	
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' (Deficit) Equity			
Current liabilities:			
Accounts payable	$ 547	$ 717	
Accrued liabilities	911	3,431	
Deferred rent, current	—	358	
Other liabilities, current	26	175	
Total current liabilities	1,484	4,681	
Deferred rent, noncurrent	494	2,128	
Total liabilities	1,978	6,809	
Redeemable convertible preferred stock, $0.001 par value, 75,533,240 shares authorized as of December 31, 2017 and March 31, 2018 (unaudited); 12,263,126 shares issued and outstanding as of December 31, 2017 and March 31, 2018 (unaudited); aggregate liquidation preference of $78,369 as of December 31, 2017 and March 31, 2018 (unaudited); no shares issued and outstanding as of March 31, 2018, pro forma (unaudited)	77,931	77,931	$ —
Stockholders' (deficit) equity:			
Common stock, $0.001 par value, 96,000,000 shares authorized as of December 31, 2017 and March 31, 2018 (unaudited); 948,578 and 1,058,396 shares issued and outstanding as of December 31, 2017 and March 31, 2018, respectively (unaudited); 13,321,522 shares issued and outstanding as of March 31, 2018, pro forma (unaudited)	1	1	13
Additional paid-in capital	451	619	78,538
Accumulated other comprehensive loss	(111)	(134)	(134)
Accumulated deficit	(26,028)	(30,975)	(30,975)
Total stockholders' (deficit) equity	(25,687)	(30,489)	$ 47,442
Total liabilities, redeemable convertible preferred stock and stockholders' (deficit) equity	$ 54,222	$ 54,251	

See accompanying notes to the unaudited interim condensed consolidated financial statements

KEZAR LIFE SCIENCES, INC.

Condensed Consolidated Statements of Operations
(Unaudited)
(In thousands, except share and per share amounts)

	THREE MONTHS ENDED MARCH 31,	
	2017	2018
Operating expenses:		
Research and development	$ 1,831	$ 3,572
General and administrative	426	1,514
Total operating expenses	2,257	5,086
Loss from operations	(2,257)	(5,086)
Interest income	—	139
Net loss	$ (2,257)	$ (4,947)
Net loss per common share, basic and diluted	$ (4.43)	$ (6.53)
Weighted-average shares used to compute net loss per common share, basic and diluted	509,143	757,399
Pro forma net loss per common share, basic and diluted		$ (0.38)
Weighted-average shares used in computing pro forma net loss per common share, basic and diluted		13,020,525

See accompanying notes to the unaudited interim condensed consolidated financial statements

KEZAR LIFE SCIENCES, INC.

Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)
(In thousands)

	THREE MONTHS ENDED MARCH 31,	
	2017	2018
Net loss	$ (2,257)	$ (4,947)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(2)	(23)
Total other comprehensive (loss) income, net of tax	(2)	(23)
Comprehensive loss	$ (2,259)	$ (4,970)

See accompanying notes to the unaudited interim condensed consolidated financial statements

KEZAR LIFE SCIENCES, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	THREE MONTHS ENDED MARCH 31,	
	2017	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (2,257)	$ (4,947)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	44	87
Stock-based compensation	38	126
Loss on disposal of property and equipment	—	97
Changes in operating assets and liabilities:		
Prepaid expenses	(38)	(581)
Other current assets	(343)	(60)
Other assets	—	39
Accounts payable	435	156
Accrued liabilities	104	872
Other liabilities, current	2	149
Deferred rent	3	296
Net cash used in operating activities	(2,012)	(3,766)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	—	(195)
Net cash used in investing activities	—	(195)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercises of stock options	—	25
Net cash provided by financing activities	—	25
Effect of exchange rate changes on cash and cash equivalents and restricted cash	—	(12)
Net decrease in cash and cash equivalents and restricted cash	(2,012)	(3,948)
Cash and cash equivalents and restricted cash at beginning of period	9,760	51,046
Cash and cash equivalents and restricted cash at end of period	$ 7,748	$ 47,098
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ITEMS:		
Reclassification of employee stock liability to equity upon vesting	$ 10	$ 17
Addition of tenant improvement paid for by landlord	$ —	$ 2,054
Purchase of property and equipment in accounts payable and accrued expenses	$ —	$ 21
Deferred offering costs in accrued liabilities	$ —	$ 1,300

See accompanying notes to the unaudited interim condensed consolidated financial statements

KEZAR LIFE SCIENCES, INC.

Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization and Description of the Business

Description of Business

Kezar Life Sciences, Inc. (the Company) was incorporated in Delaware on February 19, 2015, and commenced operations in June 2015. The Company is a clinical-stage biotechnology company, discovering and developing novel small molecule therapeutics to treat unmet needs in autoimmunity and cancer. The Company's lead product candidate, KZR-616, a first-in-class selective immunoproteasome inhibitor, has completed testing in healthy volunteers and is now enrolling a Phase 1b/2 clinical trial in lupus and lupus nephritis. The Company is also leveraging its protein secretion pathway platform to discover and develop small molecule therapies targeting cancer and immuno-oncology. To date, the Company's primary activities have been related to the establishment of its facilities, recruitment of personnel and conducting development of its product candidates, including clinical trials. The Company's principal operations are in South San Francisco, California, and it operates in one segment.

Liquidity

Since commencing operations in mid-2015, substantially all of the Company's efforts have been focused on research, development, and the advancement of the Company's lead product candidate, KZR-616. The Company's ultimate success depends on the outcome of the ongoing research and development activities. The Company has not yet generated product sales and as a result has experienced operating losses since inception and had an accumulated deficit of $30.9 million as of March 31, 2018. The Company expects to incur additional losses in the future to conduct research and development and will need to raise additional capital to fully implement management's business plan. The Company intends to raise such capital through the issuance of additional equity, and potentially through borrowings, strategic alliances with partner companies and other licensing transactions. However, if such financing is not available at adequate levels, the Company may need to reevaluate its operating plans. Management believes that its existing cash and cash equivalents will be sufficient to fund the Company's cash requirements for at least 12 months following the issuance of these financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) and include the Company's accounts and those of its wholly owned subsidiary. All intercompany balances and transactions have been eliminated upon consolidation.

Unaudited Interim Condensed Consolidated Financial Statements

The interim condensed consolidated balance sheet as of March 31, 2018, and the condensed consolidated statements of operations, comprehensive loss, and cash flows for the three months ended March 31, 2017 and 2018 are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect, in the opinion of management, all adjustments of a normal and recurring nature that are necessary for the fair statement of the Company's financial position as of March 31, 2018 and its results of operations and cash flows for the three months ended March 31, 2017 and 2018. The financial data and the other financial information disclosed in these notes to the condensed consolidated financial statements related to the three-month periods are also unaudited. The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018, or for any other future annual or interim period. The balance sheet as of December 31, 2017, included herein was derived from the audited consolidated financial statements as of that date. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included elsewhere in this prospectus.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, stock-based compensation, and accrued research and development costs. Management bases its estimates on historical experience and on various other market-specific relevant assumptions that management believes to be reasonable under the circumstances. Actual results may differ from those estimates.

Unaudited Pro Forma Stockholders' Equity

The unaudited pro forma stockholders' equity as of March 31, 2018 presents the Company's consolidated stockholders' equity as though all of the Company's outstanding Series A and Series B redeemable convertible preferred stock had converted into 12,263,126 shares of common stock upon either (1) the closing of the sale of shares of common stock to the public at a price of at least $7.942 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to common stock) in a firm commitment underwritten initial public offering (IPO) resulting in at least $40.0 million of gross proceeds to the Company or (2) the occurrence of an event, specified by vote or written consent of the holders of at least majority of the outstanding shares of preferred stock and the holders of at least 55% of the outstanding Series B convertible preferred stockholders. The unaudited pro forma consolidated stockholders' equity does not assume any proceeds from the proposed IPO.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents consist of highly liquid money market funds.

Restricted cash consists of deposits at the bank held as collateral for the Company's credit card program.

The following tables provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows (in thousands):

	March 31,	
	2017	2018
Cash and cash equivalents	$7,735	$47,085
Restricted cash	13	13
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$7,748	$47,098

Deferred Offering Costs

The Company has deferred offering costs consisting of legal, accounting and other fees and costs directly attributable to the Company's planned IPO. The deferred offering costs will be offset against the proceeds received upon the closing of the planned IPO. In the event the planned IPO is terminated, all of the deferred offering costs will be expensed within the Company's consolidated statements of operations. As of December 31, 2017, no amounts were deferred. As of March 31, 2018, $1.3 million of deferred offering costs were recorded within other current assets on the consolidated balance sheet.

Research and Development Costs

Research and development costs are expensed as incurred and consist primarily of salaries and benefits, stock-based compensation expense, lab supplies and facility costs, as well as fees paid to nonemployees and entities that conduct certain research and development activities on the Company's behalf and expenses incurred in connection with license agreements. Nonrefundable advance payments for goods or services to be received in the future for use in research and development activities are capitalized and then expensed as the related goods are delivered or the services are performed.

The Company accrues for estimated costs of research and development activities conducted by third-party service providers, which include the conduct of preclinical and clinical studies and contract manufacturing activities. The

Company estimates the amount of work completed through discussions with internal personnel and external service providers as to the progress or stage of completion of the services and the agreed-upon fee to be paid for such services. The Company makes significant judgments and estimates in determining the accrued balance in each reporting period. As actual costs become known, the Company adjusts the accrued estimates. Although the Company does not expect the estimates to be materially different from amounts actually incurred, the status and timing of services performed, the number of patients enrolled and the rate of patient enrollment may vary from the Company's estimates and could result in the Company reporting amounts that are too high or too low in any particular period. The Company's accrued expenses are dependent, in part, upon the receipt of timely and accurate reporting from clinical research organizations and other third-party service providers. For the periods presented, there have been no material differences from the Company's accrued expenses to actual expenses.

Research and Development Tax Incentive

The Company is eligible under the AusIndustry Research and Tax Development Tax Incentive Program to obtain a cash amount from the Australian Taxation Office (ATO). The tax incentive is available to the Company on the basis of specific criteria with which the Company must comply related to research and development expenditures in Australia. These research and development tax incentives are recognized as contra research and development expense when the right to receive has been attained and funds are considered to be collectible.

The Company recognized $274,000 and $3,000 as a reduction of research and development expenses for the three months ended March 31, 2017 and March 31, 2018, respectively, in connection with the research and development tax incentive from the ATO. As of December 31, 2017, and March 31, 2018, the research and development tax credit receivable was $498,000 and $490,000, respectively, which is included in other current assets in the condensed consolidated balance sheets.

Unaudited Pro Forma Net Loss per Share

Unaudited pro forma basic and diluted net loss per share has been computed to give effect to the conversion of the redeemable convertible preferred stock into common stock as if such conversion had occurred at the earlier of the beginning of the period or the date of issuance, if later. The unaudited pro forma net loss per share does not include the shares expected to be sold and related proceeds to be received from the IPO.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, "Leases." ASU 2016-02 increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requires disclosing key information about leasing arrangements. ASU 2016-02 is effective, the earlier of January 1, 2019, if the Company becomes a public entity, or for annual periods beginning after December 15, 2019. Management does not expect the adoption of ASU 2016-02 to have a material effect on its business. The Company is currently evaluating the effect the update will have on its financial statements and related disclosures.

3. Balance Sheet Components

Property and Equipment, Net

Property and equipment consists of the following (in thousands):

	DECEMBER 31, 2017	MARCH 31, 2018
Leasehold improvements	$ 155	$ 2,518
Furniture, laboratory and office equipment	1,242	1,283
Computer equipment	34	134
Construction in progress	464	35
Total property and equipment	1,895	3,970
Less accumulated depreciation and amortization	(355)	(353)
Property and equipment, net	$ 1,540	$ 3,617

Under the terms of its lease for office and laboratory space at 4000 Shoreline Court, South San Francisco, the Company received an incentive from the landlord for $2.5 million to construct leasehold improvements, which have been recorded in fixed assets and other liabilities. During the three months ended March 31, 2018, the Company disposed of leasehold improvements, laboratory equipment and office equipment resulting in a loss of $97,000. There was no such loss during the three months ended March 31, 2017.

Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	DECEMBER 31, 2017	MARCH 31, 2018
Deferred offering costs	$ —	$ 1,300
Accrued preclinical and research costs	108	853
Accrued clinical costs	340	419
Accrued employee-related costs	422	376
Accrued professional services	—	335
Other	41	148
Accrued liabilities	$ 911	$ 3,431

4. Stock-Based Compensation

Stock Option Activity

The following table summarizes activity under the Company's stock option plan and related information (in thousands, except share and per share amounts):

	OPTIONS AVAILABLE TO GRANT	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM	AGGREGATE INTRINSIC VALUE
Outstanding at December 31, 2017	1,322,628	1,213,010	$ 1.54	8.7	$ 999
Granted	(251,773)	251,773	$ 2.37		
Exercised	—	(109,818)	$ 1.73		$ 70
Outstanding at March 31, 2018	1,070,855	1,354,965	$ 1.68	7.7	$ 929
Vested and exercisable at March 31, 2018		541,990	$ 0.99	7.8	$ 745

The weighted average grant date fair value of options granted during the three months ended March 31, 2017 and 2018 was $1.00 and $1.68 per share, respectively. The 2015 Plan allows for early exercisable option grants, which permit the grantee to exercise a stock option in exchange for stock before the requisite service is provided (e.g., before the award is vested under its original terms); however, such arrangements permit the Company to subsequently repurchase such shares at the exercise price if the vesting conditions are not satisfied. To date, the Company has made such grants only to non-employee board members. The total intrinsic value of exercised stock options during the three months ended March 31, 2017 and 2018 was $0 and $70,000, respectively. The aggregate intrinsic value is calculated as the difference between the exercise price and the estimated fair value of the Company's common stock at the date of exercise.

Stock-Based Compensation Expense

Total stock-based compensation recognized by function was as follows (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	2017	2018
General and administrative	$ 21	$ 67
Research and development	17	59
Total stock-based compensation expense	$ 38	$ 126

As of March 31, 2018, the unrecognized stock-based compensation cost and the estimated weighted average amortization period, using the straight-line attribution method, was as follows (dollars in thousands):

	UNRECOGNIZED COMPENSATION COST	WEIGHTED AVERAGE REMAINING AMORTIZATION PERIOD (YEARS)
Employee options	$ 1,312	3.18
Nonemployee options	4	1.03
Total unrecognized stock-based compensation expense	$ 1,316	

The fair value of the employee stock options granted is calculated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	THREE MONTHS ENDED MARCH 31,	
	2017	2018
Expected term (years)	6.08	6.04
Expected volatility	82.53%	81.99%
Risk-free interest rate	2.10%	2.62%
Expected dividend yield	—%	—%

Early Exercise Stock Purchase Agreements

As of December 31, 2017 and March 31, 2018, there were 45,224 and 111,178, respectively, of nonvested common shares outstanding that were exercised early and subject to repurchase by the Company at the original issuance price upon termination of the stockholder's services. The right to repurchase these shares generally lapses with respect to 25% of the shares underlying the option after the applicable vesting commencement date and 1/48 of the shares underlying the original grant per month for 36 months thereafter. The shares purchased pursuant to the early exercise of stock options are not deemed, for accounting purposes, to be issued until those shares vest. The cash received in exchange for exercised and nonvested shares related to stock options granted is recorded as a liability for the early exercise of stock options on the balance sheets with the corresponding par value in common stock and an offset in additional paid-in capital. As of December 31, 2017 and March 31, 2018, the Company recorded in other current liabilities $18,000 and $164,000, respectively, associated with shares issued upon the early exercise of stock options that are subject to repurchase.

Restricted Stock

In addition to the nonvested common shares outstanding described above at "Early Exercise Stock Purchase Agreements," the Company issued restricted stock to its founders. The fair value of restricted stock on the issuance date is deemed equal to the cash consideration paid by the founders. Restricted stock vests over a four-year period from the applicable vesting commencement date. The following summarizes the activity of nonvested restricted stock:

	NUMBER OF SHARES
Nonvested—December 31, 2017	193,394
Vested	(52,269)
Nonvested—March 31, 2018	141,125

5. Net Loss Per Share and Pro Forma Net Loss Per Share

Net Loss Per Share

The following table sets forth the calculation of basic and diluted net loss per share during the periods presented (in thousands, except share and per share data):

	THREE MONTHS ENDED MARCH 31,	
	2017	2018
Numerator:		
Net loss	$ (2,257)	$ (4,947)
Denominator:		
Weighted-average shares of common stock outstanding	509,143	757,399
Net loss per share, basic and diluted	$ (4.43)	$ (6.53)

The following outstanding shares of common stock equivalents were excluded from the computation of the diluted net loss per share for the periods presented because their effect would have been anti-dilutive:

	THREE MONTHS ENDED MARCH 31,	
	2017	2018
Redeemable convertible preferred stock on an if converted basis	5,966,753	12,263,126
Stock options to purchase common stock	734,663	1,354,965
Common stock subject to future vesting	416,477	252,303
Total	7,117,893	13,870,394

Unaudited Pro Forma Net Loss Per Share

Unaudited pro forma net loss per share was computed to give effect to the conversion of all shares of redeemable convertible preferred stock using the if converted method as though the conversion had occurred as of the beginning of the period or the date of issuance, if later.

The following table sets forth the computation of the unaudited pro forma net loss per share (in thousands, except share and per share amounts):

	THREE MONTHS ENDED MARCH 31, 2018
Numerator:	
Net loss	$ (4,947)
Denominator:	
Weighted-average shares of common stock used in computing net loss per share	757,399
Weighted-average pro forma adjustment to reflect assumed conversion of redeemable convertible preferred stock	12,263,126
Weighted-average shares of common stock used in computing pro forma net loss per share	13,020,525
Pro forma net loss per share, basic and diluted	$ (0.38)

6. Income Taxes

For the three months ended March 31, 2017 and 2018, the Company did not record an income tax provision. The U.S. federal deferred tax assets generated from the Company's net operating losses have been fully reserved, as the Company believes it is not more likely than not that the benefit will be realized. The Tax Cuts and Jobs Act of 2017 (the "Tax Act") contains tax law changes that are effective in tax years 2018 and onward. The Company believes that these changes may alter the amount of tax loss generated, but does not believe that the changes will create a tax liability in 2018. The Company has also not yet made a policy election with respect to its treatment of potential global intangible low-taxed-income ("GILTI"). Companies can either account for taxes on GILTI as incurred or recognized deferred taxes when basis differences exist that are expected to affect the amount of the GILTI inclusion upon reversal. The Company is still in the process of analyzing the provisions of the Tax Act associated with GILTI and the expected impact of GILTI on the Company in the future.

7. Related Party Disclosure

Consulting Agreement with Michael Kauffman

On April 1, 2017, the Company entered into a consulting agreement with Michael Kauffman, a member of its board of directors. This agreement provides that Dr. Kauffman shall provide clinical and scientific advisory services and participate on our board of directors in exchange for a monthly fee of $3,000, payable on the first of the month. The consulting agreement will terminate upon the effectiveness of the Company's registration statement on Form S-1 in connection with the Company's IPO. For the three months ended March 31, 2018, the Company recognized $9,000 as consulting expense for the agreement.

8. Subsequent Events

Stock Options

In April 2018, the Company granted 784,507 options to purchase its common stock at an exercise price of $5.91 per share.

Reverse Stock Split

On June , 2018, the Company filed an Amended and Restated Certificate of Incorporation effecting a 1-for-5.62 reverse stock split of its issued and outstanding common stock and redeemable convertible preferred stock. The par value of the authorized stock was not adjusted as a result of the reverse stock split. In connection with the reverse stock split, the filed Amended and Restated Certificate of Incorporation also adjusted the minimum price per share required in a firm-commitment underwritten public offering of the Company's common stock in order for the preferred stock to automatically convert to common stock. The minimum price post-split was $15.884 and has been adjusted to now be $7.942. The Company did not adjust the number of authorized shares of common stock or

redeemable convertible preferred stock. Other than the par value and the number of authorized shares of common stock, all share and per share data shown in the accompanying consolidated financial statements and related notes have been retroactively revised to reflect the reverse stock split.

4,666,667 Shares

Common Stock

PRELIMINARY PROSPECTUS

Lead Book-Running Managers

Jefferies
Cowen

Joint Book-Running Managers

Wells Fargo Securities
William Blair

, 2018

Through and including , 2018 (the 25th day after the commencement of this offering), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses, other than the underwriting discounts and commissions, payable by the registrant in connection with the sale of our common stock being registered. All amounts are estimates except for the Securities and Exchange Commission, or SEC, registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and The Nasdaq Global Market, or Nasdaq, listing fee.

ITEM	AMOUNT
SEC registration fee	$ 10,691
FINRA filing fee	13,380
Nasdaq listing fee	125,000
Printing expenses	700,000
Legal fees and expenses	1,515,000
Accounting fees and expenses	1,010,000
Transfer agent fees and expenses	10,000
Miscellaneous expenses	415,929
Total	$ 3,800,000

Item 14. Indemnification of Directors and Officers.

As permitted by Section 102 of the Delaware General Corporation Law, we have adopted provisions in our amended and restated certificate of incorporation and bylaws that limit or eliminate the personal liability of our directors for a breach of their fiduciary duty of care as a director. The duty of care generally requires that, when acting on behalf of the corporation, directors exercise an informed business judgment based on all material information reasonably available to them. Consequently, a director will not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any act related to unlawful stock repurchases, redemptions or other distributions or payment of dividends; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not affect the availability of equitable remedies such as injunctive relief or rescission. Our amended and restated certificate of incorporation also authorizes us to indemnify our officers, directors and other agents to the fullest extent permitted under Delaware law.

As permitted by Section 145 of the Delaware General Corporation Law, our amended and restated bylaws provide that:

- we may indemnify our directors, officers and employees to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions;
- we may advance expenses to our directors, officers and employees in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions; and
- the rights provided in our bylaws are not exclusive.

Our amended and restated certificate of incorporation, attached as Exhibit 3.1, and our amended and restated bylaws, attached as Exhibit 3.3, provide for the indemnification provisions described above and elsewhere herein. We have entered or will enter into, and intend to continue to enter, into separate indemnification agreements with our directors and officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements generally require us, among other things, to indemnify

our officers and directors against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct. These indemnification agreements also generally require us to advance any expenses incurred by the directors or officers as a result of any proceeding against them as to which they could be indemnified. These indemnification provisions and the indemnification agreements may be sufficiently broad to permit indemnification of our officers and directors for liabilities, including reimbursement of expenses incurred, arising under the Securities Act of 1933, as amended, or the Securities Act.

The Registrant has purchased and currently intends to maintain insurance on behalf of each and every person who is or was a director or officer of the Registrant against any loss arising from any claim asserted against him or her and incurred by him or her in any such capacity, subject to certain exclusions.

The form of Underwriting Agreement, to be attached as Exhibit 1.1 hereto, provides for indemnification by the underwriters of us and our officers and directors who sign this Registration Statement for specified liabilities, including matters arising under the Securities Act.

Item 15. Recent Sales of Unregistered Securities.

The following list sets forth information as to all securities we have sold since February 19, 2015 (date of inception) up to the date of the prospectus that is a part of this registration statement:

(1) We granted options to purchase an aggregate of 2,361,571 shares of common stock, with exercise prices ranging from $0.90 to $5.91 per share, to employees, directors and consultants pursuant to our 2015 Equity Incentive Plan, as amended, or 2015 Plan.

(2) We issued 248,609 shares of common stock to certain of our directors and employees pursuant to the exercise of stock options under our 2015 Plan for an aggregate purchase price of $314,008.

(3) In April 2015, we issued an aggregate of 836,297 shares of common stock to our President and Chief Scientific Officer, our Chief Executive Officer and our co-founder at a price per share of $0.00562 for an aggregate purchase price of $4,700.

(4) In June 2015, we issued and sold an aggregate of 5,966,753 shares of our Series A redeemable convertible preferred stock to 50 accredited investors in exchange for cash and to Onyx Therapeutics, Inc., or Onyx, as consideration for entry into that certain Exclusive License Agreement, dated as of June 11, 2015, by and between us and Onyx, at a price per share of $4.755 for an aggregate purchase price of $23.0 million.

(5) In June and July 2017, we issued and sold an aggregate of 6,296,373 shares of our Series B redeemable convertible preferred stock to 24 accredited investors at a price per share of $7.942 for an aggregate purchase price of $50.0 million.

The offers, sales and issuances of the securities described in paragraphs (3) through (5) above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act and Rule 506 promulgated under Regulation D promulgated thereunder as transactions by an issuer not involving a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited investor within the meaning of Rule 501 of Regulation D under the Securities Act and had adequate access, through employment, business or other relationships, to information about the Registrant. No underwriters were involved in these transactions.

The offers, sales and issuances of the securities described in paragraphs (1) and (2) were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 in that the transactions were under compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of such securities were employees, directors or bona fide consultants of the Registrant and received the securities under the 2015 Plan. Appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions had adequate access, through employment, business or other relationships, to information about the Registrant.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

The exhibits listed below are filed as part of this registration statement.

EXHIBIT NUMBER	DESCRIPTION
1.1	Form of Underwriting Agreement.
3.1#	Amended and Restated Certificate of Incorporation, as currently in effect.
3.2#	Form of Amended and Restated Certificate of Incorporation, to be effective immediately after to the completion of this offering.
3.3#	Amended and Restated Bylaws, as currently in effect.
3.4#	Form of Amended and Restated Bylaws, to be effective immediately prior to the completion of this offering.
4.1	Form of Common Stock Certificate of the Registrant.
4.2#	Amended and Restated Investors' Rights Agreement, by and among the Registrant and certain of its stockholders, dated June 26, 2017.
5.1	Opinion of Cooley LLP.
10.1+#	Form of Indemnity Agreement by and between the Registrant and its directors and officers.
10.2+#	2018 Equity Incentive Plan.
10.3+#	Forms of Option Grant Notice and Option Agreement under 2018 Equity Incentive Plan.
10.4+#	Form of Restricted Stock Unit Grant Notice and Unit Award Agreement under 2018 Equity Incentive Plan.
10.5+#	2015 Equity Incentive Plan, as amended.
10.6+#	Form of Stock Option Agreement under the 2015 Equity Incentive Plan.
10.7+#	Form of Stock Option Agreement—Early Exercise under the 2015 Equity Incentive Plan.
10.8+#	2018 Employee Stock Purchase Plan.
10.9+	Amended and Restated Executive Employment Agreement between the Registrant and John Fowler, dated June 7, 2018.
10.10+	Amended and Restated Executive Employment Agreement between the Registrant and Christopher J. Kirk, dated June 7, 2018.
10.11†	Exclusive License Agreement by and between the Registrant and Onyx Therapeutics, Inc., dated June 11, 2015.
10.12#	Lease between the Registrant and AP3-SF1 4000 Shoreline, LLC, dated August 16, 2017.
21.1#	Subsidiaries of the Registrant.
23.1	Consent of KPMG LLP, an Independent Registered Public Accounting Firm.
23.2	Consent of Cooley LLP (included in Exhibit 5.1).
24.1#	Power of Attorney (included on the signature page to this registration statement).

\+ Indicates a management contract or compensatory plan.
† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment that will be separately filed with the Securities and Exchange Commission.
\# Previously filed.

(b) Financial Statement Schedules.

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

1. For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.
2. For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this amendment to the Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of South San Francisco, State of California, on June 8, 2018.

KEZAR LIFE SCIENCES, INC.

By: /s/ John Fowler
John Fowler
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this amendment to the registration statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ John Fowler John Fowler	Chief Executive Officer and Director *(Principal Executive Officer)*	June 8, 2018
/s/ Marc L. Belsky Marc L. Belsky	Chief Financial Officer and Secretary *(Principal Financial and Accounting Officer)*	June 8, 2018
* Christopher Kirk, Ph.D.	President, Chief Scientific Officer and Director	June 8, 2018
* Jean-Pierre Sommadossi, Ph.D.	Director	June 8, 2018
* Franklin M. Berger, CFA	Director	June 8, 2018
* Bihua Chen	Director	June 8, 2018
* Graham Cooper	Director	June 8, 2018
* Jason Dinges, Ph.D., J.D.	Director	June 8, 2018
* Michael Kauffman, M.D., Ph.D.	Director	June 8, 2018

*By: /s/ Marc L. Belsky
Marc L. Belsky
Attorney-in-fact

Exhibit 1.1

[Number of Shares]

Kezar Life Sciences, Inc.

UNDERWRITING AGREEMENT

[Date], 2018

JEFFERIES LLC
COWEN AND COMPANY, LLC
As Representatives of the Several Underwriters

c/o JEFFERIES LLC
520 Madison Avenue
New York, New York 10022

and

c/o COWEN AND COMPANY, LLC
599 Lexington Avenue, 27th Floor
New York, New York 10022

Ladies and Gentlemen:

Introductory. Kezar Life Sciences, Inc., a Delaware corporation (the "**Company**"), proposes to issue and sell to the several underwriters named in Schedule A (the "**Underwriters**") an aggregate of [●] shares of its common stock, par value $0.001 per share (the "**Shares**"). The [●] Shares to be sold by the Company are called the "**Firm Shares**." In addition, the Company has granted to the Underwriters an option to purchase up to an additional [●] Shares as provided in Section 2. The additional [●] Shares to be sold by the Company pursuant to such option are collectively called the "**Optional Shares**." The Firm Shares and, if and to the extent such option is exercised, the Optional Shares are collectively called the "**Offered Shares**." Jefferies LLC ("**Jefferies**") and Cowen and Company, LLC ("**Cowen**") have agreed to act as representatives of the several Underwriters (in such capacity, the "**Representatives**") in connection with the offering and sale of the Offered Shares. To the extent there are no additional underwriters listed on Schedule A, the term "Representatives" as used herein shall mean you, as Underwriters, and the term "Underwriters" shall mean either the singular or the plural, as the context requires.

The Company has prepared and filed with the Securities and Exchange Commission (the "**Commission**") a registration statement on Form S-1, File No. 333-[●] which contains a form of prospectus to be used in connection with the public offering and sale of the Offered Shares. Such registration statement, as amended, including the financial statements, exhibits and schedules thereto, in the form in which it became effective under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (collectively, the "**Securities Act**"), including any information deemed to be a part thereof at the time of effectiveness pursuant to Rule 430A under the Securities Act, is called the "**Registration Statement**." Any registration statement filed by the Company pursuant to Rule 462(b) under the Securities Act in connection with the offer and sale of the Offered Shares is called the "**Rule 462(b) Registration Statement**," and from and after the date and time of filing of any such Rule 462(b) Registration Statement the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The prospectus, in the form first used by the Underwriters to confirm sales of the Offered Shares or in the form first made available to the Underwriters by the Company to meet requests of

purchasers pursuant to Rule 173 under the Securities Act, is called the "**Prospectus**." The preliminary prospectus dated [●], 2018 describing the Offered Shares and the offering thereof is called the "**Preliminary Prospectus**," and the Preliminary Prospectus and any other prospectus in preliminary form that describes the Offered Shares and the offering thereof and is used prior to the filing of the Prospectus is called a "**preliminary prospectus**." As used herein, "**Applicable Time**" is [●][a.m.][p.m.] (New York City time) on [●], 2018. As used herein, "**free writing prospectus**" has the meaning set forth in Rule 405 under the Securities Act, and "**Time of Sale Prospectus**" means the Preliminary Prospectus together with the free writing prospectuses, if any, identified in Schedule B hereto and the pricing information set forth on Schedule C hereto. As used herein, **"Road Show"** means a "road show" (as defined in Rule 433 under the Securities Act) relating to the offering of the Offered Shares contemplated hereby that is a "written communication" (as defined in Rule 405 under the Securities Act). As used herein, "**Section 5(d) Written Communication**" means each written communication (within the meaning of Rule 405 under the Securities Act) that is made in reliance on Section 5(d) of the Securities Act by the Company or any person authorized to act on behalf of the Company to one or more potential investors that are qualified institutional buyers ("**QIBs**") and/or institutions that are accredited investors ("**IAIs**"), as such terms are respectively defined in Rule 144A and Rule 501(a) under the Securities Act, to determine whether such investors might have an interest in the offering of the Offered Shares; "**Section 5(d) Oral Communication**" means each oral communication, if any, made in reliance on Section 5(d) of the Securities Act by the Company or any person authorized to act on behalf of the Company made to one or more QIBs and/or one or more IAIs to determine whether such investors might have an interest in the offering of the Offered Shares; "**Marketing Materials**" means any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Offered Shares, including any roadshow or investor presentations made to investors by the Company (whether in person or electronically); and "**Permitted Section 5(d) Communication**" means the Section 5(d) Written Communication(s) and Marketing Materials listed on Schedule D attached hereto.

All references in this Agreement to (i) the Registration Statement, any preliminary prospectus (including the Preliminary Prospectus), or the Prospectus, or any amendments or supplements to any of the foregoing, or any free writing prospectus, shall include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("**EDGAR**") and (ii) the Prospectus shall be deemed to include any "electronic Prospectus" provided for use in connection with the offering of the Offered Shares as contemplated by Section 3(n) of this Agreement.

In the event that the Company has only one subsidiary, then all references herein to "subsidiaries" of the Company shall be deemed to refer to such single subsidiary, mutatis mutandis.

The Company hereby confirms its agreements with the Underwriters as follows:

Section 1. Representations and Warranties of the Company.

The Company hereby represents, warrants and covenants to each Underwriter, as of the date of this Agreement, as of the First Closing Date (as hereinafter defined) and as of each Option Closing Date (as hereinafter defined), if any, as follows:

(a) ***Compliance with Registration Requirements*****.** The Registration Statement has become effective under the Securities Act. The Company has complied, to the Commission's satisfaction with all requests of the Commission for additional or supplemental information, if any. No stop order suspending the effectiveness of the Registration Statement is in effect and no proceedings for such purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated or threatened by the Commission.

(b) ***Disclosure*****.** Each preliminary prospectus and the Prospectus when filed complied in all material respects with the Securities Act and, if filed by electronic transmission pursuant to EDGAR, was identical (except as may be permitted by Regulation S-T under the Securities Act) to the copy thereof delivered to the Underwriters for use in connection with the offer and sale of the Offered Shares. Each of the Registration Statement and any post-effective amendment thereto, at the time it became or becomes effective, complied and will comply in all material respects with the Securities Act and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. As of the Applicable Time, the Time of Sale Prospectus (including any preliminary prospectus wrapper) did not, and at the First Closing Date (as defined in Section 2) and at each applicable Option Closing Date (as defined in Section 2), will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Prospectus (including any Prospectus wrapper), as of its date, did not, and at the First Closing Date and at each applicable Option Closing Date, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the three immediately preceding sentences do not apply to statements in or omissions from the Registration Statement or any post-effective amendment thereto, or the Prospectus or the Time of Sale Prospectus, or any amendments or supplements thereto, made in reliance upon and in conformity with written information relating to any Underwriter furnished to the Company in writing by the Representatives expressly for use therein, it being understood and agreed that the only such information consists of the information described in Section 9(b) below. There are no contracts or other documents required to be described in the Time of Sale Prospectus or the Prospectus or to be filed as an exhibit to the Registration Statement which have not been described or filed as required.

(c) ***Free Writing Prospectuses; Road Show*****.** As of the determination date referenced in Rule 164(h) under the Securities Act, the Company was not, is not or will not be (as applicable) an "ineligible issuer" in connection with the offering of the Offered Shares pursuant to Rules 164, 405 and 433 under the Securities Act. Each free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of Rule 433 under the Securities Act, including timely filing with the Commission or retention where required and legending, and each such free writing prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Offered Shares did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement, the Prospectus or any preliminary prospectus and not superseded or modified. Except for the free writing prospectuses, if any, identified in Schedule , and electronic road shows, if any, furnished to you before first use, the Company has not prepared, used or referred to, and will not, without your prior written consent, prepare, use or refer to, any free writing prospectus. Each Road Show, when considered together with the Time of Sale Prospectus, did not, as of the Applicable Time, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) ***Distribution of Offering Material By the Company*****.** Prior to the later of (i) the expiration or termination of the option granted to the several Underwriters in Section 2, (ii) the completion of the Underwriters' distribution of the Offered Shares and (iii) the expiration of 25 days after the date of the Prospectus**,** the Company has not distributed and will not distribute any offering material in connection with the offering and sale of the Offered Shares other than the Registration Statement, the Preliminary Prospectus, the Time of Sale Prospectus, the Prospectus or any free writing prospectus reviewed and consented to by the Representatives, the free writing prospectuses, if any, identified on Schedule B hereto and any Permitted Section 5(d) Communications.

(e) ***The Underwriting Agreement.*** This Agreement has been duly authorized, executed and delivered by the Company.

(f) ***Authorization of the Offered Shares.*** The Offered Shares have been duly authorized for issuance and sale pursuant to this Agreement and, when issued and delivered by the Company against payment therefor pursuant to this Agreement, will be validly issued, fully paid and nonassessable, and the issuance and sale of the Offered Shares is not subject to any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase the Offered Shares.

(g) ***No Applicable Registration or Other Similar Rights.*** There are no persons with registration or other similar rights to have any equity or debt securities registered for sale under the Registration Statement or included in the offering contemplated by this Agreement, except for such rights as have been duly waived.

(h) ***No Material Adverse Change.*** Except as otherwise disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, subsequent to the respective dates as of which information is given in the Registration Statement, the Time of Sale Prospectus and the Prospectus: (i) there has been no material adverse change, or any development that could be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings, business, properties, operations, assets, liabilities or prospects**,** whether or not arising from transactions in the ordinary course of business, of the Company and its subsidiaries, considered as one entity (any such change being referred to herein as a "**Material Adverse Change**"); (ii) the Company and its subsidiaries, considered as one entity, have not incurred any material liability or obligation, indirect, direct or contingent, including without limitation any losses or interference with its business from fire, explosion, flood, earthquakes, accident or other calamity, whether or not covered by insurance, or from any strike, labor dispute or court or governmental action, order or decree, that are material, individually or in the aggregate, to the Company and its subsidiaries, considered as one entity, or has entered into any material transactions not in the ordinary course of business; and (iii) there has not been any material decrease in the capital stock or any material increase in any short-term or long-term indebtedness of the Company or its subsidiaries and there has been no dividend or distribution of any kind declared, paid or made by the Company or, except for dividends paid to the Company or other subsidiaries, by any of the Company's subsidiaries on any class of capital stock, or any repurchase or redemption by the Company or any of its subsidiaries of any class of capital stock.

(i) ***Independent Accountants.*** KPMG LLP, which has expressed its opinion with respect to the financial statements (which term as used in this Agreement includes the related notes thereto) filed with the Commission as a part of the Registration Statement, the Time of Sale Prospectus and the Prospectus, is (i) an independent registered public accounting firm as required by the Securities Act, the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (collectively, the "**Exchange Act**"), and the rules of the Public Company Accounting Oversight Board ("**PCAOB**"), (ii) in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X under the Securities Act and (iii) a registered public accounting firm as defined by the PCAOB whose registration has not been suspended or revoked and who has not requested such registration to be withdrawn.

(j) ***Financial Statements.*** The financial statements filed with the Commission as a part of the Registration Statement, the Time of Sale Prospectus and the Prospectus present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of the dates indicated

and the results of their operations, changes in stockholders' equity and cash flows for the periods specified. Such financial statements have been prepared in conformity with generally accepted accounting principles as applied in the United States applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto. No other financial statements or supporting schedules are required to be included in the Registration Statement, the Time of Sale Prospectus or the Prospectus. The financial data set forth in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus under the captions "Prospectus Summary—Summary Consolidated Financial Data," "Selected Consolidated Financial Data" and "Capitalization" fairly present, in all material respects, the information set forth therein on a basis consistent with that of the audited financial statements contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus. To the Company's knowledge, no person who has been suspended or barred from being associated with a registered public accounting firm, or who has failed to comply with any sanction pursuant to Rule 5300 promulgated by the PCAOB, has participated in or otherwise aided the preparation of, or audited, the financial statements, supporting schedules or other financial data filed with the Commission as a part of the Registration Statement, the Time of Sale Prospectus and the Prospectus.

(k) ***Company's Accounting System*****.** The Company and each of its subsidiaries make and keep books and records that are accurate in all material respects and maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles as applied in the United States and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(l) ***Disclosure Controls and Procedures; Deficiencies in or Changes to Internal Control Over Financial Reporting*****.** The Company has established and maintains disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Exchange Act), which (i) are designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's principal executive officer and its principal financial officer by others within those entities, particularly during the periods in which the periodic reports required under the Exchange Act are being prepared; and (ii) are effective in all material respects to perform the functions for which they were established. Except as otherwise disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, since the end of the Company's most recent audited fiscal year, there have been no significant deficiencies or material weakness in the Company's internal control over financial reporting (whether or not remediated) and no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company is not aware of any change in its internal control over financial reporting that has occurred during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(m) ***Incorporation and Good Standing of the Company*****.** The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation and has the corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the Time of Sale Prospectus and the Prospectus and to enter into and perform its obligations under this Agreement. The Company is duly qualified as a foreign corporation to transact business and is in good standing in the State of California and each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to be so qualified or in good standing could not reasonably be expected individually or in the aggregate to have a Material Adverse Effect.

(n) ***Subsidiaries.*** Each of the Company's **"**subsidiaries**"** (for purposes of this Agreement, as defined in Rule 405 under the Securities Act) has been duly incorporated or organized, as the case may be, and is validly existing as a corporation, partnership or limited liability company, as applicable, in good standing under the laws of the jurisdiction of its incorporation or organization and has the power and authority (corporate or other) to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the Time of Sale Prospectus and the Prospectus, except where the failure to be in good standing could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. Each of the Company's subsidiaries is duly qualified as a foreign corporation, partnership or limited liability company, as applicable, to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to be so qualified could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. All of the issued and outstanding capital stock or other equity or ownership interests of each of the Company's subsidiaries have been duly authorized and validly issued, are fully paid and nonassessable and are owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance or adverse claim. The Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed in Exhibit 21.1 to the Registration Statement.

(o) ***Capitalization and Other Capital Stock Matters.*** The authorized, issued and outstanding capital stock of the Company is as set forth in the Registration Statement, the Time of Sale Prospectus and the Prospectus under the caption "Capitalization" (other than for subsequent issuances, if any, pursuant to employee benefit plans, or upon the exercise of outstanding options or warrants, in each case described in the Registration Statement, the Time of Sale Prospectus and the Prospectus). The Shares (including the Offered Shares) conform in all material respects to the description thereof contained in the Time of Sale Prospectus. All of the issued and outstanding Shares have been duly authorized and validly issued, are fully paid and nonassessable and have been issued in compliance with all federal and state securities laws. None of the outstanding Shares was issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company. There are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any capital stock of the Company or any of its subsidiaries other than those described in the Registration Statement, the Time of Sale Prospectus and the Prospectus. The descriptions of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted thereunder, set forth in the Registration Statement, the Time of Sale Prospectus and the Prospectus accurately and fairly present, in all material respects, the information required to be shown with respect to such plans, arrangements, options and rights.

(p) ***Stock Exchange Listing.*** The Offered Shares have been approved for listing on The Nasdaq Global [Select] Market ("**NASDAQ**"), subject only to official notice of issuance.

(q) ***Non-Contravention of Existing Instruments; No Further Authorizations or Approvals Required.*** Neither the Company nor any of its subsidiaries is in violation of its charter or by-laws, partnership agreement or operating agreement or similar organizational documents, as applicable, or is in default (or, with the giving of notice or lapse of time, would be in default) ("**Default**") under any indenture, loan, credit agreement, note, lease, license agreement, contract, franchise or other instrument (including, without limitation, any pledge agreement, security agreement, mortgage or other instrument or agreement evidencing, guaranteeing, securing or relating to indebtedness) to which the Company or any of

its subsidiaries is a party or by which it or any of them may be bound, or to which any of their respective properties or assets are subject (each, an "**Existing Instrument**"), except for such Defaults as could not be expected, individually or in the aggregate, to have a material adverse effect on the condition (financial or other), earnings, business, properties, operations, assets, liabilities or prospects of the Company and its subsidiaries, considered as one entity (a "**Material Adverse Effect**"). The Company's execution, delivery and performance of this Agreement, consummation of the transactions contemplated hereby and by the Registration Statement, the Time of Sale Prospectus and the Prospectus and the issuance and sale of the Offered Shares (including the use of proceeds from the sale of the Offered Shares as described in the Registration Statement, the Time of Sale Prospectus and the Prospectus under the caption "Use of Proceeds") (i) have been duly authorized by all necessary corporate action and will not result in any violation of the provisions of the charter or by-laws, partnership agreement or operating agreement or similar organizational documents, as applicable, of the Company or any subsidiary (ii) will not conflict with or constitute a breach of, or Default or a Debt Repayment Triggering Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, or require the consent of any other party to, any Existing Instrument, except as could not be expected, individually or in the aggregate, to have a Material Adverse Effect and (iii) will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company or any of its subsidiaries, except as could not be expected, individually or in the aggregate, to have a Material Adverse Effect. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental or regulatory authority or agency, is required for the Company's execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by the Registration Statement, the Time of Sale Prospectus and the Prospectus, except such as have been obtained or made by the Company and are in full force and effect under the Securities Act and such as may be required under applicable state securities or blue sky laws or the Financial Industry Regulatory Authority, Inc. ("FINRA"). As used herein, a "**Debt Repayment Triggering Event**" means any event or condition which gives, or with the giving of notice or lapse of time would give, the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its subsidiaries.

(r) ***Compliance with Laws.*** The Company and its subsidiaries have been and are in compliance with all applicable laws, rules and regulations, except where failure to be so in compliance would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(s) ***No Material Actions or Proceedings.*** Except as otherwise disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, there is no action, suit, proceeding, inquiry or investigation brought by or before any governmental entity now pending or, to the knowledge of the Company, threatened, against or affecting the Company or any of its subsidiaries, which could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect or materially and adversely affect the consummation of the transactions contemplated by this Agreement or the performance by the Company of its obligations hereunder; and the aggregate of all pending legal or governmental proceedings to which the Company or any such subsidiary is a party or of which any of their respective properties or assets is the subject, including ordinary routine litigation incidental to the business, if determined adversely to the Company, would not reasonably be expected to have a Material Adverse Effect. No material labor dispute with the employees of the Company or any of its subsidiaries, or with the employees of any principal supplier, manufacturer, customer or contractor of the Company, exists or, to the knowledge of the Company, is threatened or imminent.

(t) ***Intellectual Property Rights.*** (i) The Company and its subsidiaries own, or have obtained valid and enforceable licenses for, the inventions, patent applications, patents, trademarks, trade names, service names, copyrights, trade secrets and other intellectual property described in the Registration

Statement, the Time of Sale Prospectus and the Prospectus as being owned or licensed by them or which are necessary for the conduct of their respective businesses as currently conducted or as currently proposed to be conducted (collectively, "**Intellectual Property**"), except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. To the Company's knowledge, and except for such third party rights or infringements that could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, (A) there are no third parties who have rights to any Intellectual Property, including no liens, security interests or other encumbrances, except for customary reversionary rights of third-party licensors with respect to Intellectual Property that is disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus as licensed to the Company or one or more of its subsidiaries; (B) the Company has taken all reasonable steps necessary to secure their interests in the Intellectual Property from their employees and contractors; (C) there is no infringement, misappropriation or violation by third parties of any Intellectual Property; and (D) none of the material Company Intellectual Property has been adjudged invalid or unenforceable. There is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others: (1) challenging the Company's rights in or to any Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such action, suit, proceeding or claim; (2) challenging the validity, enforceability or scope of any Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such action, suit, proceeding or claim; or (3) asserting that the Company or any of its subsidiaries infringes or otherwise violates, or would, upon the commercialization of any product or service described in the Registration Statement, the Time of Sale Prospectus or the Prospectus as under development, infringe or violate, any patent, trademark, trade name, service name, copyright, trade secret or other proprietary rights of others, and the Company is unaware of any facts which would form a reasonable basis for any such action, suit, proceeding or claim. The Company and its subsidiaries have complied with the terms of each agreement in all material respects pursuant to which Intellectual Property has been licensed to the Company or any subsidiary, and all such agreements are in full force and effect. The drug candidates described in the Registration Statement, the Time of Sale Prospectus and the Prospectus as under development by the Company or any subsidiary fall within the scope of the claims of one or more patents or patent applications owned by, or exclusively licensed to, the Company or any subsidiary.

(u) ***All Necessary Permits, etc.*** The Company and its subsidiaries possess such valid and current certificates, approvals, licenses, registrations, exemptions, authorizations or permits required by state, federal or foreign regulatory agencies or bodies to conduct their respective businesses as currently conducted and as described in the Registration Statement, the Time of Sale Prospectus or the Prospectus ("**Permits**"), except where failure to so possess would not reasonably be expected to, individually or in the aggregate, result in a Material Adverse Effect. Neither the Company nor any of its subsidiaries is in violation of, or in default under, any of the Permits or has received any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such certificate, authorization or permit, except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(v) ***Title to Properties.*** The Company and its subsidiaries have good and marketable title to all of the real and personal property and other assets reflected as owned in the financial statements referred to in Section 1(k) above (or elsewhere in the Registration Statement, the Time of Sale Prospectus or the Prospectus), in each case free and clear of any security interests, mortgages, liens, encumbrances, equities, adverse claims and other defects, except where failure to so possess would not reasonably be expected to, individually or in the aggregate, result in a Material Adverse Effect. The real property, improvements, equipment and personal property held under lease by the Company or any of its subsidiaries are held under valid and enforceable leases, with such exceptions as are not material and do not materially interfere with the use made or proposed to be made of such real property, improvements, equipment or personal property by the Company or such subsidiary.

(w) ***Tax Law Compliance*****.** The Company and its subsidiaries have filed all necessary federal, state and foreign income and franchise tax returns or have properly requested extensions thereof and have paid all taxes required to be paid by any of them and, if due and payable, any related or similar assessment, fine or penalty levied against any of them except as may be being contested in good faith and by appropriate proceedings, except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. The Company has made adequate charges, accruals and reserves in the applicable financial statements referred to in Section 1(j) above in respect of all federal, state and foreign income and franchise taxes for all periods as to which the tax liability of the Company or any of its subsidiaries has not been finally determined.

(x) ***Insurance.*** Each of the Company and its subsidiaries is insured by recognized, financially sound and reputable institutions with policies in such amounts and with such deductibles and covering such risks as are generally deemed adequate and customary for their businesses including, but not limited to, policies covering real and personal property owned or leased by the Company and its subsidiaries against theft, damage, destruction and acts of vandalism and policies covering the Company and its subsidiaries for product liability claims and clinical trial liability claims. The Company has no reason to believe that it or any of its subsidiaries will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any of its subsidiaries has been denied any insurance coverage which it has sought or for which it has applied.

(y) ***Compliance with Environmental Laws*****.** Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect: (i) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "**Hazardous Materials**") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "**Environmental Laws**"); (ii) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements; (iii) there are no pending or, to the Company's knowledge, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries; and (iv) to the Company's knowledge, there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws.

(z) ***ERISA Compliance*****.** The Company and its subsidiaries and any "employee benefit plan" (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "**ERISA**")) established or maintained by the Company, its subsidiaries or, to the knowledge of the Company, their "ERISA Affiliates" (as defined below) are in compliance in all material respects with ERISA. "**ERISA Affiliate**" means, with respect to the Company or any of its subsidiaries, any member of any group of organizations described in Sections 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder (the "**Code**") of which the Company or such subsidiary is a member. No "reportable event" (as defined under ERISA) has occurred or is reasonably expected to occur with

respect to any "employee benefit plan" established or maintained by the Company, its subsidiaries or any of their ERISA Affiliates. No "employee benefit plan" established or maintained by the Company, its subsidiaries or any of their ERISA Affiliates, if such "employee benefit plan" were terminated, would have any "amount of unfunded benefit liabilities" (as defined under ERISA). Neither the Company, its subsidiaries nor any of their ERISA Affiliates has incurred or reasonably expects to incur any liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "employee benefit plan" or (ii) Sections 412, 4971, 4975 or 4980B of the Code. Each employee benefit plan established or maintained by the Company, its subsidiaries or any of their ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and, to the Company's knowledge, nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification.

(aa) ***Company Not an "Investment Company."*** The Company is not, and will not be, either after receipt of payment for the Offered Shares or after the application of the proceeds therefrom as described under "Use of Proceeds" in the Registration Statement, the Time of Sale Prospectus or the Prospectus, required to register as an "investment company" under the Investment Company Act of 1940, as amended (the **"Investment Company Act")**.

(bb) ***No Price Stabilization or Manipulation; Compliance with Regulation M.*** Neither the Company nor any of its subsidiaries has taken, directly or indirectly, without giving effect to activities by the Underwriters, any action designed to or that would reasonably be expected to cause or result in stabilization or manipulation of the price of the Shares or of any "reference security" (as defined in Rule 100 of Regulation M under the Exchange Act (**"Regulation M"**)) with respect to the Shares, whether to facilitate the sale or resale of the Offered Shares or otherwise, and has taken no action which would directly or indirectly violate Regulation M.

(cc) ***Related-Party Transactions.*** There are no business relationships or related-party transactions involving the Company or any of its subsidiaries or any other person required to be described in the Registration Statement, the Time of Sale Prospectus or the Prospectus that have not been described as required.

(dd) ***FINRA Matters.*** All of the information provided to the Underwriters or to counsel for the Underwriters by the Company, its counsel, its officers and directors and, to the Company's knowledge, the holders of any securities (debt or equity) or options to acquire any securities of the Company in connection with the offering of the Offered Shares is true, complete, correct in all material respects and compliant with FINRA's rules and any letters, filings or other supplemental information provided to FINRA pursuant to FINRA Rules or NASD Conduct Rules is true, complete and correct in all material respects.

(ee) ***Parties to Lock-Up Agreements.*** The Company has furnished to the Underwriters a letter agreement in the form attached hereto as Exhibit C (the "**Lock-up Agreement**") from all of the Company's directors, officers and other security holders, other than those listed on Exhibit D. If any persons shall become directors or officers of the Company after the date hereof and prior to the end of the Company Lock-up Period (as defined below), the Company shall cause each such person, prior to or contemporaneously with their appointment or election as a director or officer of the Company, to execute and deliver to the Representatives a Lock-up Agreement.

(ff) ***Statistical and Market-Related Data.*** All statistical, demographic and market-related data included in the Registration Statement, the Time of Sale Prospectus or the Prospectus are based on or derived from sources that the Company believes, after reasonable inquiry, to be reliable and accurate in all material respects. To the extent required, the Company has obtained the written consent to the use of such data from such sources.

(gg) ***No Unlawful Contributions or Other Payments.*** Neither the Company nor any of its subsidiaries nor, to the Company's knowledge, any employee or agent of the Company or any subsidiary, has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law or of the character required to be disclosed in the Registration Statement, the Time of Sale Prospectus or the Prospectus.

(hh) ***Foreign Corrupt Practices Act.*** Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company or any of its subsidiaries has, in the course of its actions for, or on behalf of, the Company or any of its subsidiaries (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) made any direct or indirect unlawful payment to any domestic government official, "foreign official" (as defined in the U.S. Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (collectively, the "**FCPA**") or employee from corporate funds; (iii) violated or is in violation of any provision of the FCPA or any applicable non-U.S. anti-bribery statute or regulation; or (iv) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any domestic government official, such foreign official or employee; and the Company and its subsidiaries and, to the knowledge of the Company, the Company's affiliates have conducted their respective businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(ii) ***Money Laundering Laws.*** The operations of the Company and its subsidiaries are, and have been conducted at all times, in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar applicable rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(jj) ***OFAC.*** Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, after due inquiry, any director, officer, agent, employee, affiliate or person acting on behalf of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Company will not directly or indirectly use the proceeds of this offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, or any joint venture partner or other person or entity, for the purpose of financing the activities of or business with any person, or in any country or territory, that currently is the subject to any U.S. sanctions administered by OFAC or in any other manner that will result in a violation by any person (including any person participating in the transaction whether as underwriter, advisor, investor or otherwise) of U.S. sanctions administered by OFAC.

(kk) ***Brokers.*** Except pursuant to this Agreement, there is no broker, finder or other party that is entitled to receive from the Company any brokerage or finder's fee or other fee or commission as a result of any transactions contemplated by this Agreement.

(ll) ***Forward-Looking Statements.*** Each financial or operational projection or other "forward-looking statement" (as defined by Section 27A of the Securities Act or Section 21E of the Exchange Act) contained in the Registration Statement, the Time of Sale Prospectus or the Prospectus (i) was so included by the Company in good faith and with reasonable basis after due consideration by the Company of the underlying assumptions, estimates and other applicable facts and circumstances and (ii) is accompanied by

meaningful cautionary statements identifying those factors that could cause actual results to differ materially from those in such forward-looking statement. No such statement was made with the knowledge of an executive officer or director of the Company that is was false or misleading.

(mm) ***Emerging Growth Company Status***. From the time of initial confidential submission of the Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged in any Section 5(d) Written Communication or any Section 5(d) Oral Communication) through the date hereof, the Company has been and is an "emerging growth company," as defined in Section 2(a) of the Securities Act (an "**Emerging Growth Company**").

(nn) ***Communications***. The Company (i) has not alone engaged in communications with potential investors in reliance on Section 5(d) of the Securities Act other than Permitted Section 5(d) Communications or Section 5(d) Oral Communications with the consent of the Representatives with entities that are QIBs or IAIs and (ii) has not authorized anyone other than the Representatives to engage in such communications; the Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Marketing Materials, Section 5(d) Oral Communications and Section 5(d) Written Communications; as of the Applicable Time, each Permitted Section 5(d) Communication, when considered together with the Time of Sale Prospectus, did not, as of the Applicable Time, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Permitted Section 5(d) Communication, if any, does not, as of the date hereof, conflict with the information contained in the Registration Statement, the Preliminary Prospectus and the Prospectus; and the Company has filed publicly on EDGAR at least 15 calendar days prior to any "road show" (as defined in Rule 433 under the Act), any confidentially submitted registration statement and registration statement amendments relating to the offer and sale of the Offered Shares.

(oo) ***Clinical Data and Regulatory Compliance.*** The preclinical tests and clinical trials, and other studies (collectively, "studies") that are described in, or the results of which are referred to in, the Registration Statement, the Time of Sale Prospectus or the Prospectus were and, if still pending, are being conducted in all material respects in accordance with the protocols, procedures and controls designed and approved for such studies and with standard medical and scientific research procedures and all applicable laws, including, without limitation, the Federal Food, Drug, and Cosmetic Act and its implementing regulations at 21 C.F.R. Parts 50, 54, 56, 58, and 312; each description of the results of such studies is accurate and complete in all material respects and fairly presents the data derived from such studies, and the Company and its subsidiaries have no knowledge of any other studies the results of which are inconsistent with, or otherwise call into question, the results described or referred to in the Registration Statement, the Time of Sale Prospectuses or the Prospectus; the Company and its subsidiaries have made all such filings and obtained all such approvals as may be required by the Food and Drug Administration of the U.S. Department of Health and Human Services or any committee thereof or from any other U.S. or foreign government or drug or medical device regulatory agency, or health care facility Institutional Review Board (collectively, the "**Regulatory Agencies**"); neither the Company nor any of its subsidiaries has received any notice of, or correspondence from, any Regulatory Agency requiring the termination, suspension or modification of any clinical trials that are described or referred to in the Registration Statement, the Time of Sale Prospectus or the Prospectus; and the Company and its subsidiaries have each operated and currently are in compliance in all material respects with all applicable rules, regulations and policies of the Regulatory Agencies.

(pp) ***Compliance with Healthcare Laws.*** Except as described in the Registration Statement, the Time of Sale Prospectus and the Prospectus, and except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, the Company: (i) has operated and currently operates its business in compliance with applicable provisions of the health care laws, including Title

XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395hhh (the Medicare statute); Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396v (the Medicaid statute); the Federal Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); the civil False Claims Act, 31 U.S.C. §§ 3729 et seq.; the criminal False Claims Act 42 U.S.C. 1320a-7b(a); the criminal laws relating to health care fraud and abuse, including 18 U.S.C. Sections 286 and 287 and the health care fraud criminal provisions under the Health Insurance Portability and Accountability Act of 1996, 42 U.S.C. §§ 1320d et seq., ("**HIPAA**"); the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a; the Physician Payments Sunshine Act, 42 U.S.C. § 1320a-7h; the Exclusion Law, 42 U.S.C. § 1320a-7; HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, 42 U.S.C. §§ 17921 et seq.; the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. §§ 301 et seq.;; the regulations promulgated pursuant to such laws; and any similar federal, state and local laws and regulations of any governmental authority including the Regulatory Agencies applicable to the ownership, testing, development, manufacture, packaging, processing, use, distribution, storage, import, export or disposal of any of the Company's product candidates, (collectively the "**Health Care Laws**"); (ii) has not received any FDA Form 483, written notice of adverse finding, warning letter, untitled letter or other correspondence or written notice from any court or arbitrator or governmental or regulatory authority alleging or asserting non-compliance with (A) any Health Care Laws or (B) or any licenses, approvals, clearances, exemptions, permits, registrations, authorizations, and supplements or amendments thereto required by any such Health Care Laws ("**Regulatory Authorizations**"); (iii) possesses all Regulatory Authorizations required to conduct its business as currently conducted and such Regulatory Authorizations are valid and in full force and effect and the Company is not in violation, in any material respect, of any term of any such Regulatory Authorizations; (iv) has not received notice of any claim, action, suit, proceeding, hearing, enforcement, investigation, arbitration or other action ("**Proceeding**") from any governmental authority including any Regulatory Agency or any other third party alleging a material violation of any Health Care Laws or Regulatory Authorizations or limiting, suspending, modifying, or revoking any material Regulatory Authorizations, and has no knowledge that any governmental authority including any Regulatory Agencies or any other third party is considering any Proceeding; (v) has filed, obtained, maintained or submitted all material reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments as required by any Health Care Laws or Regulatory Authorizations ("**Reports**") and that all such Reports were materially complete and correct on the date filed (or were materially corrected or supplemented by a subsequent submission); (vii) is not a party to or has any ongoing reporting obligations pursuant to any corporate integrity agreements, deferred prosecution agreements, monitoring agreements, consent decrees, settlement orders, plans of correction or similar agreements with or imposed by any governmental authority including any Regulatory Agencies; and (viii) along with its employees, officers and directors, has not been excluded, suspended or debarred from, or otherwise ineligible for participation in any government health care program or human clinical research.

(qq) ***No Contract Terminations.*** Neither the Company nor any of its subsidiaries has sent or received any communication regarding termination of, or intent not to renew, any of the contracts or agreements referred to or described in the Time of Sale Prospectus, the Prospectus or any free writing prospectus, or referred to or described in, or filed as an exhibit to, the Registration Statement, and no such termination or non-renewal has been threatened by the Company or any of its subsidiaries or, to the Company's knowledge, any other party to any such contract or agreement, which threat of termination or non-renewal has not been rescinded as of the date hereof.

(rr) ***No Rights to Purchase Preferred Stock.*** The issuance and sale of the Shares as contemplated hereby will not cause any holder of any shares of capital stock, securities convertible into or exchangeable or exercisable for capital stock or options, warrants or other rights to purchase capital stock or any other securities of the Company to have any right to acquire any shares of preferred stock of the Company.

(ss) ***No Rated Debt.*** There are no debt securities or preferred stock issued, or guaranteed by, the Company or any of its subsidiaries that are rated by a "nationally recognized statistical rating organization," as such term is defined in Section 3(a)(62) of the Exchange Act.

(tt) ***Dividend Restrictions.*** No subsidiary of the Company is prohibited or restricted, directly or indirectly, from paying dividends to the Company, or from making any other distribution with respect to such subsidiary's equity securities or from repaying to the Company or any other subsidiary of the Company any amounts that may from time to time become due under any loans or advances to such subsidiary from the Company or from transferring any property or assets to the Company or to any other subsidiary.

Any certificate signed by any officer of the Company or any of its subsidiaries and delivered to any Underwriter or to counsel for the Underwriters in connection with the offering, or the purchase and sale, of the Offered Shares shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

The Company has a reasonable basis for making each of the representations set forth in this Section 1. The Company acknowledges that the Underwriters and, for purposes of the opinions to be delivered pursuant to Section 6 hereof, counsel to the Company and counsel to the Underwriters, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

Section 2. Purchase, Sale and Delivery of the Offered Shares.

(a) ***The Firm Shares.*** Upon the terms herein set forth, the Company agrees to issue and sell to the several Underwriters an aggregate of [●] Firm Shares. On the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Underwriters agree, severally and not jointly, to purchase from the Company the respective number of Firm Shares set forth opposite their names on Schedule A. The purchase price per Firm Share to be paid by the several Underwriters to the Company shall be $[●] per share.

(b) ***The First Closing Date.*** Delivery of certificates for the Firm Shares to be purchased by the Underwriters and payment therefor shall be made at the offices of Latham & Watkins LLP (or such other place as may be agreed to by the Company and the Representatives) at 9:00 a.m. New York City time, on [●], 2018**,** or such other time and date not later than 1:30 p.m. New York City time, on [●], 2018 as the Representatives shall designate by notice to the Company (the time and date of such closing are called the "**First Closing Date**"). The Company hereby acknowledges that circumstances under which the Representatives may provide notice to postpone the First Closing Date as originally scheduled include, but are not limited to, any determination by the Company or the Representatives to recirculate to the public copies of an amended or supplemented Prospectus or a delay as contemplated by the provisions of Section 11.

(c) ***The Optional Shares; Option Closing Date.*** In addition, on the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Company hereby grants an option to the several Underwriters to purchase, severally and not jointly, up to an aggregate of [●] Optional Shares from the Company at the purchase price per share to be paid by the Underwriters for the Firm Shares. The option granted hereunder may be exercised at any time and from time to time in whole or in part upon notice by the Representatives to the Company, which notice may be given at any time within 30 days from the date of this Agreement. Such notice shall set forth (i) the aggregate number of Optional Shares as to which the Underwriters are exercising the option and (ii) the time, date and place at which certificates for the Optional Shares will be delivered (which time and date may be simultaneous with, but not earlier than, the First Closing Date; and

in the event that such time and date are simultaneous with the First Closing Date, the term "**First Closing Date**" shall refer to the time and date of delivery of certificates for the Firm Shares and such Optional Shares). Any such time and date of delivery, if subsequent to the First Closing Date, is called an "**Option Closing Date**," shall be determined by the Representatives and shall not be earlier than two or later than five full business days after delivery of such notice of exercise. If any Optional Shares are to be purchased, (a) each Underwriter agrees, severally and not jointly, to purchase the number of Optional Shares (subject to such adjustments to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the total number of Optional Shares to be purchased as the number of Firm Shares set forth on Schedule A opposite the name of such Underwriter bears to the total number of Firm Shares and (b) the Company agrees to sell the number of Optional Shares set forth in the paragraph "Introductory" of this Agreement (subject to such adjustments to eliminate fractional shares as the Representatives may determine). The Representatives may cancel the option at any time prior to its expiration by giving written notice of such cancellation to the Company.

(d) ***Public Offering of the Offered Shares.*** The Representatives hereby advise the Company that the Underwriters intend to offer for sale to the public, initially on the terms set forth in the Registration Statement, the Time of Sale Prospectus and the Prospectus, their respective portions of the Offered Shares as soon after this Agreement has been executed and the Registration Statement has been declared effective as the Representatives, in their sole judgment, have determined is advisable and practicable.

(e) ***Payment for the Offered Shares.*** (i) Payment for the Offered Shares shall be made at the First Closing Date (and, if applicable, at each Option Closing Date) by wire transfer of immediately available funds to the order of the Company.

(ii) It is understood that the Representatives have been authorized, for their own account and the accounts of the several Underwriters, to accept delivery of and receipt for, and make payment of the purchase price for, the Firm Shares and any Optional Shares the Underwriters have agreed to purchase. Each of the Representatives, individually and not as the Representatives of the Underwriters, may (but shall not be obligated to) make payment for any Offered Shares to be purchased by any Underwriter whose funds shall not have been received by the Representatives by the First Closing Date or the applicable Option Closing Date, as the case may be, for the account of such Underwriter, but any such payment shall not relieve such Underwriter from any of its obligations under this Agreement.

(f) ***Delivery of the Offered Shares.*** The Company shall deliver, or cause to be delivered to the Representatives for the accounts of the several Underwriters certificates for the Firm Shares at the First Closing Date, against release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The Company shall also deliver, or cause to be delivered to the Representatives for the accounts of the several Underwriters, certificates for the Optional Shares the Underwriters have agreed to purchase at the First Closing Date or the applicable Option Closing Date, as the case may be, against the release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The certificates for the Offered Shares shall be registered in such names and denominations as the Representatives shall have requested at least two full business days prior to the First Closing Date (or the applicable Option Closing Date, as the case may be) and shall be made available for inspection on the business day preceding the First Closing Date (or the applicable Option Closing Date, as the case may be) at a location in New York City as the Representatives may designate. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a further condition to the obligations of the Underwriters.

Section 3. Additional Covenants of the Company.

The Company further covenants and agrees with each Underwriter as follows; provided, however, the Representatives may, in their sole discretion, waive the performance by the Company of any one or more of the following covenants or extend the time for their performance:

(a) ***Delivery of Registration Statement, Time of Sale Prospectus and Prospectus.*** The Company shall furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period when a prospectus relating to the Offered Shares is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) in connection with sales of the Offered Shares, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) ***Representatives' Review of Proposed Amendments and Supplements.*** During the period when a prospectus relating to the Offered Shares is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule), the Company (i) will furnish to the Representatives for review, a reasonable period of time prior to the proposed time of filing of any proposed amendment or supplement to the Registration Statement, a copy of each such amendment or supplement and (ii) will not amend or supplement the Registration Statement without the Representatives' prior written consent, which will not be unreasonably withheld, conditioned or delayed. Prior to amending or supplementing any preliminary prospectus, the Time of Sale Prospectus or the Prospectus, the Company shall furnish to the Representatives for review, a reasonable amount of time prior to the time of filing or use of the proposed amendment or supplement, a copy of each such proposed amendment or supplement. The Company shall not file or use any such proposed amendment or supplement without the Representatives' prior written consent, which will not be unreasonably withheld, conditioned or delayed. The Company shall file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) ***Free Writing Prospectuses.*** The Company shall furnish to the Representatives for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of each proposed free writing prospectus or any amendment or supplement thereto prepared by or on behalf of, used by, or referred to by the Company, and the Company shall not file, use or refer to any proposed free writing prospectus or any amendment or supplement thereto without the Representatives' prior written consent, which will not be unreasonably withheld, conditioned or delayed. The Company shall furnish to each Underwriter, without charge, as many copies of any free writing prospectus prepared by or on behalf of, used by or referred to by the Company as such Underwriter may reasonably request. If at any time when a prospectus is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) in connection with sales of the Offered Shares (but in any event if at any time through and including the First Closing Date) there occurred or occurs an event or development as a result of which any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company conflicted or would conflict with the information contained in the Registration Statement or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at such time, not misleading, the Company shall promptly amend or supplement such free writing prospectus to eliminate or correct such conflict so that the statements in such free writing prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at such time, not misleading, as the case may be; *provided, however*, that prior to amending or supplementing any such free writing prospectus, the Company shall furnish to the Representatives for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of such

proposed amended or supplemented free writing prospectus, and the Company shall not file, use or refer to any such amended or supplemented free writing prospectus without the Representatives' prior written consent, which will not be unreasonably withheld, conditioned or delayed.

(d) ***Filing of Underwriter Free Writing Prospectuses.*** The Company shall not take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of such Underwriter that such Underwriter otherwise would not have been required to file thereunder.

(e) ***Amendments and Supplements to Time of Sale Prospectus.*** If the Time of Sale Prospectus is being used to solicit offers to buy the Offered Shares at a time when the Prospectus is not yet available to prospective purchasers, and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus so that the Time of Sale Prospectus does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when delivered to a prospective purchaser, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, the Company shall (subject to Section 3(b) and Section 3(c) hereof) promptly prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when delivered to a prospective purchaser, not misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the information contained in the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(f) ***Certain Notifications and Required Actions*****.** After the date of this Agreement, the Company shall promptly advise the Representatives in writing of: (i) the receipt of any comments of, or requests for additional or supplemental information from, the Commission; (ii) the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus or the Prospectus; (iii) the time and date that any post-effective amendment to the Registration Statement becomes effective; and (iv) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or any amendment or supplement to any preliminary prospectus, the Time of Sale Prospectus or the Prospectus or of any order preventing or suspending the use of any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus or the Prospectus, or of any proceedings to remove, suspend or terminate from listing or quotation the Shares from any securities exchange upon which they are listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time, the Company will use its best efforts to obtain the lifting of such order as soon as possible. Additionally, the Company agrees that it shall comply with all applicable provisions of Rule 424(b), Rule 433 and Rule 430A under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under Rule 424(b) or Rule 433 were received in a timely manner by the Commission.

(g) ***Amendments and Supplements to the Prospectus and Other Securities Act Matters.*** If any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus so that the Prospectus does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the

Prospectus is delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) to a purchaser, not misleading, or if in the opinion of the Representatives or counsel for the Underwriters it is otherwise necessary to amend or supplement the Prospectus to comply with applicable law, the Company agrees (subject to Section 3(b) and Section 3(c)) hereof to promptly prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) to a purchaser, not misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law. Neither the Representatives' consent to, nor delivery of, any such amendment or supplement shall constitute a waiver of any of the Company's obligations under Section 3(b) or Section 3(c).

(h) ***Blue Sky Compliance*****.** The Company shall cooperate with the Representatives and counsel for the Underwriters to qualify or register the Offered Shares for sale under (or obtain exemptions from the application of) the state securities or blue sky laws or Canadian provincial securities laws [(or other foreign laws)] of those jurisdictions designated by the Representatives, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Offered Shares. The Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified [or where it would be subject to taxation as a foreign corporation][1]. The Company will advise the Representatives promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Offered Shares for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible moment.

(i) ***Use of Proceeds*****.** The Company shall apply the net proceeds from the sale of the Offered Shares sold by it substantially in the manner described under the caption "Use of Proceeds" in the Registration Statement, the Time of Sale Prospectus and the Prospectus.

(j) ***Transfer Agent*****.** The Company shall engage and maintain, at its expense, a registrar and transfer agent for the Shares.

(k) ***Earnings Statement*****.** The Company will make generally available to its security holders and to the Representatives as soon as practicable an earnings statement (which need not be audited) covering a period of at least twelve months beginning with the first fiscal quarter of the Company commencing after the date of this Agreement that will satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(l) ***Continued Compliance with Securities Laws*****.** The Company will comply with the Securities Act and the Exchange Act so as to permit the completion of the distribution of the Offered Shares as contemplated by this Agreement**,** the Registration Statement, the Time of Sale Prospectus and the Prospectus. Without limiting the generality of the foregoing, the Company will, during the period when a prospectus relating to the Offered Shares is required by the Securities Act to be delivered (whether

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1 **Note to Draft**: Include if sales are to be made in foreign jurisdiction.

physically or through compliance with Rule 172 under the Securities Act or any similar rule), file on a timely basis with the Commission and NASDAQ all reports and documents required to be filed under the Exchange Act. Additionally, the Company shall report the use of proceeds from the issuance of the Offered Shares as may be required under Rule 463 under the Securities Act.

(m) ***Listing.*** The Company will use its best efforts to list, subject to notice of issuance, the Offered Shares on NASDAQ.

(n) ***Company to Provide Copy of the Prospectus in Form That May be Downloaded from the Internet.*** If requested by the Representatives, the Company shall cause to be prepared and delivered, at its expense, within one business day from the effective date of this Agreement, to the Representatives an "**electronic Prospectus**" to be used by the Underwriters in connection with the offering and sale of the Offered Shares. As used herein, the term "**electronic Prospectus**" means a form of Time of Sale Prospectus, and any amendment or supplement thereto, that meets each of the following conditions: (i) it shall be encoded in an electronic format, satisfactory to the Representatives, that may be transmitted electronically by the Representatives and the other Underwriters to offerees and purchasers of the Offered Shares; (ii) it shall disclose the same information as the paper Time of Sale Prospectus, except to the extent that graphic and image material cannot be disseminated electronically, in which case such graphic and image material shall be replaced in the electronic Prospectus with a fair and accurate narrative description or tabular representation of such material, as appropriate; and (iii) it shall be in or convertible into a paper format or an electronic format, satisfactory to the Representatives, that will allow investors to store and have continuously ready access to the Time of Sale Prospectus at any future time, without charge to investors (other than any fee charged for subscription to the Internet as a whole and for on-line time).

(o) ***Agreement Not to Offer or Sell Additional Shares.*** During the period commencing on and including the date hereof and continuing through and including the 180th day following the date of the Prospectus (such period, as extended as described below, being referred to herein as the "**Lock-up Period**"), the Company will not, without the prior written consent of the Representatives (which consent may be withheld in their sole discretion), directly or indirectly: (i) sell, offer to sell, contract to sell or lend any Shares or Related Securities (as defined below); (ii) effect any short sale, or establish or increase any "put equivalent position" (as defined in Rule 16a-1(h) under the Exchange Act) or liquidate or decrease any "call equivalent position" (as defined in Rule 16a-1(b) under the Exchange Act) of any Shares or Related Securities; (iii) pledge, hypothecate or grant any security interest in any Shares or Related Securities; (iv) in any other way transfer or dispose of any Shares or Related Securities; (v) enter into any swap, hedge or similar arrangement or agreement that transfers, in whole or in part, the economic risk of ownership of any Shares or Related Securities, regardless of whether any such transaction is to be settled in securities, in cash or otherwise; (vi) announce the offering of any Shares or Related Securities; (vii) file any registration statement under the Securities Act in respect of any Shares or Related Securities (other than as contemplated by this Agreement with respect to the Offered Shares); or (viii) publicly announce the intention to do any of the foregoing; *provided, however*, that the Company may (A) effect the transactions contemplated hereby and (B) issue Shares or options to purchase Shares, or issue Shares upon exercise of options, pursuant to any stock option, stock bonus or other stock plan or arrangement described in the Registration Statement, the Time of Sale Prospectus and the Prospectus, but only if the holders of such Shares or options agree in writing with the Underwriters not to sell, offer, dispose of or otherwise transfer any such Shares or options during such Lock-up Period without the prior written consent of the Representatives (which consent may be withheld in its sole discretion). For purposes of the foregoing, "**Related Securities**" shall mean any options or warrants or other rights to acquire Shares or any securities exchangeable or exercisable for or convertible into Shares, or to acquire other securities or rights ultimately exchangeable or exercisable for, or convertible into, Shares, (C) file one or more registration statements on Form S-8, and (D) offer, issue and sell Shares or any securities convertible into, or exercisable, or exchangeable for, Shares in connection with any merger, acquisition or strategic investment

(including any joint venture, strategic alliance or partnership) as long as (x) the aggregate number of Shares issued or issuable does not exceed 7.5% of the number of Shares outstanding immediately after the issuance and sale and (y) each recipient of any such Shares issued or issuable agrees to the restrictions on the resale of securities that are consistent with the lock-up letters described in Section 6(i) hereof for the remainder of the Lock-Up Period.

(p) ***Future Reports to the Representatives.*** During the period of five years hereafter, the Company will furnish to the Representatives, c/o Jefferies, at 520 Madison Avenue, New York, New York 10022, Attention: Global Head of Syndicate, c/o Cowen, at 599 Lexington Avenue, 27th Floor, New York, New York 10022, Attention: General Counsel: (i) as soon as practicable after the end of each fiscal year, copies of the Annual Report of the Company containing the balance sheet of the Company as of the close of such fiscal year and statements of income, stockholders' equity and cash flows for the year then ended and the opinion thereon of the Company's independent public or certified public accountants; (ii) as soon as practicable after the filing thereof, copies of each proxy statement, Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or other report filed by the Company with the Commission or any securities exchange; and (iii) as soon as available, copies of any report or communication of the Company furnished or made available generally to holders of its capital stock; *provided, however,* that the requirements of this Section 3(p) shall be satisfied to the extent that such reports, statement, communications, financial statements or other documents are available on EDGAR.

(q) ***Investment Limitation.*** The Company shall not invest or otherwise use the proceeds received by the Company from its sale of the Offered Shares in such a manner as would require the Company or any of its subsidiaries to register as an investment company under the Investment Company Act.

(r) ***No Stabilization or Manipulation; Compliance with Regulation M.*** The Company will not take, and will ensure that no affiliate of the Company will take, directly or indirectly, any action designed to or that might cause or result in stabilization or manipulation of the price of the Shares or any reference security with respect to the Shares, whether to facilitate the sale or resale of the Offered Shares or otherwise, and the Company will, and shall cause each of its affiliates to, comply with all applicable provisions of Regulation M.

(s) ***Enforce Lock-Up Agreements.*** During the Lock-up Period, the Company will enforce all agreements between the Company and any of its security holders that restrict or prohibit, expressly or in operation, the offer, sale or transfer of Shares or Related Securities or any of the other actions restricted or prohibited under the terms of the form of Lock-up Agreement. In addition, the Company will direct the transfer agent to place stop transfer restrictions upon any such securities of the Company that are bound by such "lock-up" agreements for the duration of the periods contemplated in such agreements, including, without limitation, "lock-up" agreements entered into by the Company's officers and directors and stockholders pursuant to Section 6(i) hereof.

(t) ***Company to Provide Interim Financial Statements.*** Prior to the First Closing Date and each applicable Option Closing Date, the Company will furnish the Underwriters, as soon as they have been prepared by or are available to the Company, a copy of any unaudited interim financial statements of the Company for any period subsequent to the period covered by the most recent financial statements appearing in the Registration Statement and the Prospectus; *provided*, *however*, that the requirements of this Section 3(t) shall be deemed satisfied to the extent such financial statements are available on EDGAR.

(u) ***Amendments and Supplements to Permitted Section 5(d) Communications***. If at any time following the distribution of any Permitted Section 5(d) Communication, there occurred or occurs an event or development as a result of which such Permitted Section 5(d) Communication included or would

include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Permitted Section 5(d) Communication to eliminate or correct such untrue statement or omission.

(v) ***Emerging Growth Company Status***. The Company will promptly notify the Representatives if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) the time when a prospectus relating to the Offered Shares is not required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) and (ii) the expiration of the Lock-Up Period (as defined herein).

(w) ***Announcement Regarding Lock-ups.*** The Company agrees to announce the Underwriters' intention to release any director or "officer" (within the meaning of Rule 16a-1(f) under the Exchange Act) of the Company from any of the restrictions imposed by any Lock-Up Agreement, by issuing, through a major news service, a press release in form and substance satisfactory to the Representatives promptly following the Company's receipt of any notification from the Representatives in which such intention is indicated, but in any case not later than the close of the third business day prior to the date on which such release or waiver is to become effective; *provided*, *however*, that nothing shall prevent the Representatives, on behalf of the Underwriters, from announcing the same through a major news service, irrespective of whether the Company has made the required announcement; and *provided, further,* that no such announcement shall be made of any release or waiver granted solely to permit a transfer of securities that is not for consideration and where the transferee has agreed in writing to be bound by the terms of a Lock-Up Agreement in the form set forth as Exhibit A hereto.

Section 4. Payment of Expenses. The Company agrees to pay all costs, fees and expenses incurred in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including without limitation (i) all expenses incident to the issuance and delivery of the Offered Shares (including all printing and engraving costs), (ii) all fees and expenses of the registrar and transfer agent of the Shares, (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Offered Shares to the Underwriters, (iv) all fees and expenses of the Company's counsel, independent public or certified public accountants and other advisors, (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), the Time of Sale Prospectus, the Prospectus, each free writing prospectus prepared by or on behalf of, used by, or referred to by the Company, and each preliminary prospectus, each Permitted Section 5(d) Communication, and all amendments and supplements thereto, and this Agreement, (vi) all filing fees, attorneys' fees and expenses incurred by the Company or the Underwriters in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Offered Shares for offer and sale under the state securities or blue sky laws or the provincial securities laws of Canada, and, if requested by the Representatives, preparing and printing a "Blue Sky Survey" or memorandum and a "Canadian wrapper," and any supplements thereto, advising the Underwriters of such qualifications, registrations and exemptions, up to a maximum aggregate amount of $10,000, (vii) the costs, fees and expenses incurred by the Underwriters in connection with determining their compliance with the rules and regulations of FINRA related to the Underwriters' participation in the offering and distribution of the Offered Shares, including any related filing fees and the legal fees of, and disbursements by, counsel to the Underwriters, up to a maximum aggregate amount of $25,000, (viii) the costs and expenses of the Company relating to investor presentations on any "road show," any Permitted Section 5(d) Communication or any Section 5(d) Oral Communication undertaken in connection with the offering of the Offered Shares, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides

and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives, employees and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show, *provided*, *however*, that the cost of any aircraft chartered in connection with the road show shall be paid 50% by the Company and 50% by the Underwriters, (ix) the fees and expenses associated with listing the Offered Shares on NASDAQ, and (x) all other fees, costs and expenses of the nature referred to in Item 13 of Part II of the Registration Statement. Except as provided in this Section 4 or in Section 7, Section 9 or Section 10 hereof, the Underwriters shall pay their own expenses, including the fees and disbursements of their counsel.

Section 5. Covenant of the Underwriters. Each Underwriter severally and not jointly covenants with the Company not to take any action that would result in the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of such Underwriter that otherwise would not, but for such actions, be required to be filed by the Company under Rule 433(d).

Section 6. Conditions of the Obligations of the Underwriters. The respective obligations of the several Underwriters hereunder to purchase and pay for the Offered Shares as provided herein on the First Closing Date and, with respect to the Optional Shares, each Option Closing Date, shall be subject to the accuracy of the representations and warranties on the part of the Company set forth in Section 1 hereof as of the date hereof and as of the First Closing Date as though then made and, with respect to the Optional Shares, as of each Option Closing Date as though then made, to the timely performance by the Company of its covenants and other obligations hereunder, and to each of the following additional conditions:

(a) ***Comfort Letter*****.** On the date hereof, the Representatives shall have received from KPMG LLP, independent registered public accountants for the Company, a letter dated the date hereof addressed to the Underwriters, in form and substance satisfactory to the Representatives, containing statements and information of the type ordinarily included in accountant's "comfort letters" to underwriters, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited and unaudited financial statements and certain financial information contained in the Registration Statement, the Time of Sale Prospectus, and each free writing prospectus, if any.

(b) ***Compliance with Registration Requirements; No Stop Order; No Objection from FINRA.***

(i) The Company shall have filed the Prospectus with the Commission (including the information required by Rule 430A under the Securities Act) in the manner and within the time period required by Rule 424(b) under the Securities Act; or the Company shall have filed a post-effective amendment to the Registration Statement containing the information required by such Rule 430A, and such post-effective amendment shall have become effective.

(ii) No stop order suspending the effectiveness of the Registration Statement or any post-effective amendment to the Registration Statement shall be in effect, and no proceedings for such purpose shall have been instituted or threatened by the Commission.

(iii) FINRA shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements.

(c) ***No Material Adverse Change or Ratings Agency Change*****.** For the period from and after the date of this Agreement and through and including the First Closing Date and, with respect to any Optional Shares purchased after the First Closing Date, each Option Closing Date:

(i) in the judgment of the Representatives there shall not have occurred any Material Adverse Change; and

(ii) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any securities of the Company or any of its subsidiaries by any "nationally recognized statistical rating organization" as that term is used in Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

(d) ***Opinion of Counsel for the Company*****.** On each of the First Closing Date and each Option Closing Date the Representatives shall have received the opinion of Cooley LLP, counsel for the Company, dated as of such date, in the form attached hereto as Exhibit A and to such further effect as the Representatives shall reasonably request.

(e) ***Opinion of Intellectual Property Counsel for the Company.*** On each of the First Closing Date and each Option Closing Date, the Representatives shall have received the opinion of Marshall, Gerstein & Borun LLP, counsel for the Company with respect to intellectual property matters, dated as of such date, in the form attached hereto as Exhibit B and to such further effect as the Representatives shall reasonably request.

(f) ***Opinion of Counsel for the Underwriters*****.** On each of the First Closing Date and each Option Closing Date the Representatives shall have received the opinion of Latham & Watkins LLP, counsel for the Underwriters in connection with the offer and sale of the Offered Shares, in form and substance satisfactory to the Underwriters, dated as of such date.

(g) ***Officers' Certificate*****.** On each of the First Closing Date and each Option Closing Date, the Representatives shall have received a certificate executed by the Chief Executive Officer or President of the Company and the Chief Financial Officer of the Company, dated as of such date, to the effect set forth in Section 6(b)(ii) and further to the effect that:

(i) for the period from and including the date of this Agreement through and including such date, there has not occurred any Material Adverse Change;

(ii) the representations, warranties and covenants of the Company set forth in Section 1 of this Agreement are true and correct with the same force and effect as though expressly made on and as of such date; and

(iii) the Company has complied with all the agreements hereunder and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such date.

(h) ***Bring-down Comfort Letter*****.** On each of the First Closing Date and each Option Closing Date the Representatives shall have received from KPMG LLP, independent registered public accountants for the Company, a letter dated such date, in form and substance satisfactory to the Representatives, which letter shall: (i) reaffirm the statements made in the letter furnished by them pursuant to Section 6(a), except that the specified date referred to therein for the carrying out of procedures shall be no more than three business days prior to the First Closing Date or the applicable Option Closing Date, as the case may be; and (ii) cover certain financial information contained in the Prospectus.

(i) ***Lock-Up Agreements.*** On or prior to the date hereof, the Company shall have furnished to the Representatives an agreement in the form of Exhibit C hereto from all of the Company's officers, directors and other security holders, and each such agreement shall be in full force and effect on each of the First Closing Date and each Option Closing Date.

(j) ***Rule 462(b) Registration Statement.*** In the event that a Rule 462(b) Registration Statement is filed in connection with the offering contemplated by this Agreement, such Rule 462(b) Registration Statement shall have been filed with the Commission on the date of this Agreement and shall have become effective automatically upon such filing.

(k) ***Approval of Listing***. At the First Closing Date, the Offered Shares shall have been approved for listing on NASDAQ, subject only to official notice of issuance.

(l) ***Additional Documents***. On or before each of the First Closing Date and each Option Closing Date, the Representatives and counsel for the Underwriters shall have received such information, documents and opinions as they may reasonably request for the purposes of enabling them to pass upon the issuance and sale of the Offered Shares as contemplated herein, or in order to evidence the accuracy of any of the representations and warranties, or the satisfaction of any of the conditions or agreements, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Offered Shares as contemplated herein and in connection with the other transactions contemplated by this Agreement shall be satisfactory in form and substance to the Representatives and counsel for the Underwriters.

If any condition specified in this Section 6 is not satisfied when and as required to be satisfied (unless waived by the Representatives), this Agreement may be terminated by the Representatives by notice from the Representatives to the Company at any time on or prior to the First Closing Date and, with respect to the Optional Shares, at any time on or prior to the applicable Option Closing Date, which termination shall be without liability on the part of any party to any other party, except that Section 4, Section 7, Section 9 and Section 10 shall at all times be effective and shall survive such termination.

Section 7. Reimbursement of Underwriters' Expenses. If this Agreement is terminated by the Representatives pursuant to Section 6, Section 11 or Section 12(i),(iv) or (v), or if the sale to the Underwriters of the Offered Shares on the First Closing Date is not consummated because of any refusal, inability or failure on the part of the Company to perform any agreement herein or to comply with any provision hereof, the Company agrees to reimburse the Representatives and the other Underwriters (or such Underwriters as have terminated this Agreement with respect to themselves), severally, upon demand for all documented out-of-pocket expenses that shall have been reasonably incurred by the Representatives and the Underwriters in connection with the proposed purchase and the offering and sale of the Offered Shares, including, but not limited to, fees and disbursements of counsel, printing expenses, travel expenses, postage, facsimile and telephone charges.

Section 8. Effectiveness of this Agreement. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

Section 9. Indemnification.

(a) ***Indemnification of the Underwriters.*** The Company agrees to indemnify and hold harmless each Underwriter, its affiliates, directors, officers, employees and agents, and each person, if any, who controls any Underwriter within the meaning of the Securities Act or the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which such Underwriter or such affiliate, director, officer, employee, agent or controlling person may become subject, under the Securities Act, the Exchange

Act, other federal or state statutory law or regulation, or the laws or regulations of foreign jurisdictions where Offered Shares have been offered or sold or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Company, insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon (A) (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, any Marketing Material, any Section 5(d) Written Communication or the Prospectus (or any amendment or supplement to the foregoing), or the omission or alleged omission to state therein a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading; or (iii) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the Shares or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon any matter covered by clause (i) or (ii) above, or (B) the violation of any laws or regulations of foreign jurisdictions where Offered Shares have been offered or sold; and to reimburse each Underwriter and each such affiliate, director, officer, employee, agent and controlling person for any and all reasonable expenses (including the reasonable fees and disbursements of counsel) as such expenses are incurred by such Underwriter or such affiliate, director, officer, employee, agent or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; *provided, however*, that the foregoing indemnity agreement shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company by the Representatives in writing expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any such free writing prospectus, any Marketing Material, any Section 5(d) Written Communication or the Prospectus (or any amendment or supplement thereto), it being understood and agreed that the only such information consists of the information described in Section 9(b) below. The indemnity agreement set forth in this Section 9(a) shall be in addition to any liabilities that the Company may otherwise have.

(b) ***Indemnification of the Company, its Directors and Officers***. Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, against any loss, claim, damage, liability or expense, as incurred, to which the Company, or any such director, officer or controlling person may become subject, under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus, that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433 of the Securities Act, any Section 5(d) Written Communication or the Prospectus (or any such amendment or supplement) or the omission or alleged omission to state therein a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, such

preliminary prospectus, the Time of Sale Prospectus, such free writing prospectus, such Section 5(d) Written Communication or the Prospectus (or any such amendment or supplement), in reliance upon and in conformity with information relating to such Underwriter furnished to the Company by the Representatives in writing expressly for use therein; and to reimburse the Company, or any such director, officer or controlling person for any and all expenses (including the fees and disbursements of counsel) as such expenses are incurred by the Company, or any such director, officer or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. The Company hereby acknowledges that the only information that the Representatives have furnished to the Company expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, any Section 5(d) Written Communication or the Prospectus (or any amendment or supplement to the foregoing) are the statements set forth in first sentence of the third paragraph in the section titled "Underwriting," the first two sentences of the first paragraph in the section titled "Underwriting—Commission and Expenses," and the first sentence of the first paragraph in the section titled "Underwriting—Stabilization" in the Preliminary Prospectus and the Prospectus under the caption "Underwriting" in the Preliminary Prospectus and the Prospectus. The indemnity agreement set forth in this Section 9(b) shall be in addition to any liabilities that each Underwriter may otherwise have.

(c) ***Notifications and Other Indemnification Procedures.*** Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 9, notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party will not relieve the indemnifying party from any liability which it may have to any indemnified party to the extent the indemnifying party is not materially prejudiced as a proximate result of such failure and shall not in any event relieve the indemnifying party from any liability that it may have otherwise than on account of this indemnity agreement. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; *provided, however*, that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 9 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the fees and expenses of more than one separate counsel (together with local counsel), representing the indemnified parties who are parties to such action), which counsel (together with any local counsel) for the indemnified parties shall be selected by the Representatives (in the case of counsel for the indemnified parties referred to in Section 9(a) above) or by the Company (in the case of counsel for the indemnified parties referred to in Section 9(b) above)) or (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or

(iii) the indemnifying party has authorized in writing the employment of counsel for the indemnified party at the expense of the indemnifying party, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party and shall be paid as they are incurred.

(d) ***Settlements.*** The indemnifying party under this Section 9 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by Section 9(c) hereof, the indemnifying party shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding and does not include an admission of fault or culpability or a failure to act by or on behalf of such indemnified party.

Section 10. Contribution. If the indemnification provided for in Section 9 is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount paid or payable by such indemnified party, as incurred, as a result of any losses, claims, damages, liabilities or expenses referred to therein (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, from the offering of the Offered Shares pursuant to this Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Underwriters, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Offered Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total proceeds from the offering of the Offered Shares pursuant to this Agreement (before deducting expenses) received by the Company, and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth on the front cover page of the Prospectus, bear to the aggregate initial public offering price of the Offered Shares as set forth on such cover. The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or the Underwriters, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 9(c), any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. The provisions set forth in Section 9(c) with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this Section 10; *provided, however,* that no additional notice shall be required with respect to any action for which notice has been given under Section 9(c) for purposes of indemnification.

The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 10 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 10.

Notwithstanding the provisions of this Section 10, no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions received by such Underwriter in connection with the Offered Shares underwritten by it and distributed to the public. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 10 are several, and not joint, in proportion to their respective underwriting commitments as set forth opposite their respective names on Schedule A. For purposes of this Section 10, each affiliate, director, officer, employee and agent of an Underwriter and each person, if any, who controls an Underwriter within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Company.

Section 11. Default of One or More of the Several Underwriters. If, on the First Closing Date or any Option Closing Date any one or more of the several Underwriters shall fail or refuse to purchase Offered Shares that it or they have agreed to purchase hereunder on such date, and the aggregate number of Offered Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase does not exceed 10% of the aggregate number of the Offered Shares to be purchased on such date, the Representatives may make arrangements satisfactory to the Company for the purchase of such Offered Shares by other persons, including any of the Underwriters, but if no such arrangements are made by such date, the other Underwriters shall be obligated, severally and not jointly, in the proportions that the number of Firm Shares set forth opposite their respective names on Schedule A bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as may be specified by the Representatives with the consent of the non-defaulting Underwriters, to purchase the Offered Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date. If, on the First Closing Date or any Option Closing Date any one or more of the Underwriters shall fail or refuse to purchase Offered Shares and the aggregate number of Offered Shares with respect to which such default occurs exceeds 10% of the aggregate number of Offered Shares to be purchased on such date, and arrangements satisfactory to the Representatives and the Company for the purchase of such Offered Shares are not made within 48 hours after such default, this Agreement shall terminate without liability of any party to any other party except that the provisions of Section 4, Section 7, Section 9 and Section 10 shall at all times be effective and shall survive such termination. In any such case either the Representatives or the Company shall have the right to postpone the First Closing Date or the applicable Option Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

As used in this Agreement, the term "**Underwriter**" shall be deemed to include any person substituted for a defaulting Underwriter under this Section 11. Any action taken under this Section 11 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

Section 12. Termination of this Agreement. Prior to the purchase of the Firm Shares by the Underwriters on the First Closing Date, this Agreement may be terminated by the Representatives by notice given to the Company if at any time: (i) trading or quotation in any of the Company's securities shall have been suspended or limited by the Commission or by NASDAQ, or trading in securities generally on either NASDAQ or the NYSE shall have been suspended or limited, or minimum or maximum prices shall have been generally established on any of such stock exchanges; (ii) a general banking moratorium shall have been declared by any of federal, New York or California authorities; (iii) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States or international financial markets, or any substantial change or development involving a prospective substantial change in United States' or international political, financial or economic conditions, as in the judgment of the Representatives is material and adverse and makes it impracticable to market the Offered Shares in the manner and on the terms described in the Time of Sale Prospectus or the Prospectus or to enforce contracts for the sale of securities; (iv) in the judgment of the Representatives there shall have occurred any Material Adverse Change; or (v) the Company shall have sustained a loss by strike, fire, flood, earthquake, accident or other calamity of such character as in the judgment of the Representatives may interfere materially with the conduct of the business and operations of the Company regardless of whether or not such loss shall have been insured. Any termination pursuant to this Section 12 shall be without liability on the part of (a) the Company to any Underwriter, except that the Company shall be obligated to reimburse the expenses of the Representatives and the Underwriters pursuant to Section 4 or Section 7 hereof or (b) any Underwriter to the Company; *provided, however,* that the provisions of Section 9 and Section 10 shall at all times be effective and shall survive such termination.

Section 13. No Advisory or Fiduciary Relationship. The Company acknowledges and agrees that (a) the purchase and sale of the Offered Shares pursuant to this Agreement, including the determination of the public offering price of the Offered Shares and any related discounts and commissions, is an arm's-length commercial transaction between the Company, on the one hand, and the several Underwriters, on the other hand, (b) in connection with the offering contemplated hereby and the process leading to such transaction, each Underwriter is and has been acting solely as a principal and is not the agent or fiduciary of the Company, or its stockholders, creditors, employees or any other party, (c) no Underwriter has assumed or will assume an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters) and no Underwriter has any obligation to the Company with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, (d) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company and (e) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

Section 14. Representations and Indemnities to Survive Delivery. The respective indemnities, agreements, representations, warranties and other statements of the Company, of its officers and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or the Company or any of its or their partners, officers or directors or any controlling person, as the case may be, and, anything herein to the contrary notwithstanding, will survive delivery of and payment for the Offered Shares sold hereunder and any termination of this Agreement.

Section 15. Notices. All communications hereunder shall be in writing and shall be mailed, hand delivered or telecopied and confirmed to the parties hereto as follows:

If to the Representatives:	Jefferies LLC 520 Madison Avenue New York, New York 10022 Facsimile: (646) 619-4437 Attention: General Counsel
	Cowen and Company, LLC 599 Lexington Avenue, 27th Floor New York, New York 10022 Facsimile: (646) 562-1269 Attention: General Counsel
with a copy to:	Latham & Watkins LLP 650 Town Center Drive, 20th Floor Costa Mesa, CA 92626 Facsimile: (714) 755-8290 Attention: Shayne Kennedy, Esq.
If to the Company:	Kezar Life Sciences, Inc. 4000 Shoreline Court, Suite 300 South San Francisco, California 94080 email: mbelsky@kezarbio.com Attention: Marc Belsky
with a copy to:	Cooley LLP 3175 Hanover Street Palo Alto, California 94304 Facsimile: (650) 849-7400 Attention: Laura Berezin

Any party hereto may change the address for receipt of communications by giving written notice to the others.

Section 16. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto, including any substitute Underwriters pursuant to Section 11 hereof, and to the benefit of the affiliates, directors, officers, employees, agents and controlling persons referred to in Section 9 and Section 10, and in each case their respective successors, and no other person will have any right or obligation hereunder. The term "**successors**" shall not include any purchaser of the Offered Shares as such from any of the Underwriters merely by reason of such purchase.

Section 17. Partial Unenforceability. The invalidity or unenforceability of any section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other section, paragraph or provision hereof. If any section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

Section 18. Governing Law Provisions. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York applicable to agreements made and to be performed in such state. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("**Related Proceedings**") may be instituted in the federal courts of the United States of America located in the Borough of Manhattan in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "**Specified Courts**"), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "**Related Judgment**"), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

Section 19. General Provisions. This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

Each of the parties hereto acknowledges that it is a sophisticated business person who was adequately represented by counsel during negotiations regarding the provisions hereof, including, without limitation, the indemnification provisions of Section 9 and the contribution provisions of Section 10, and is fully informed regarding said provisions. Each of the parties hereto further acknowledges that the provisions of Section 9 and Section 10 hereof fairly allocate the risks in light of the ability of the parties to investigate the Company, its affairs and its business in order to assure that adequate disclosure has been made in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, each free writing prospectus and the Prospectus (and any amendments and supplements to the foregoing), as contemplated by the Securities Act and the Exchange Act.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

KEZAR LIFE SCIENCES, INC.

By: _____
Name: John Fowler
Title: Chief Executive Officer

The foregoing Underwriting Agreement is hereby confirmed and accepted by the Representatives in New York, New York as of the date first above written.

JEFFERIES LLC
COWEN AND COMPANY, LLC
Acting individually and as Representatives
of the several Underwriters named in
the attached Schedule A.

JEFFERIES LLC

By: _____
Name:
Title:

COWEN AND COMPANY, LLC

By: _____
Name:
Title:

Schedule A

Underwriters	Number of Firm Shares to be Purchased
Jefferies LLC	[●]
Cowen and Company, LLC	[●]
Wells Fargo Securities LLC	[●]
William Blair & Company, L.L.C.	[●]
[___]	[●]
Total	[●]

Schedule B

Free Writing Prospectuses Included in the Time of Sale Prospectus

[to be added]

Schedule C

Pricing Information Included in the Time of Sale Prospectus

Price per share to the public:	$[●]
Number of shares being sold by the Company:	[●]
Number of shares potentially issuable pursuant to the option to purchase additional shares:	[●]

Schedule D

Permitted Section 5(d) Communications

[to be added]

Form of Opinion of Company Counsel

EXHIBIT B

Form of Opinion of Marshall, Gerstein & Borun LLP

Exhibit C

Form of Lock-up Agreement

[●], 2018

Jefferies LLC
Cowen and Company, LLC
As Representatives of the several Underwriters

c/o Jefferies LLC
520 Madison Avenue
New York, New York 10022

and

c/o Cowen and Company, LLC
599 Lexington Avenue, 27th Floor
New York, New York 10022

RE: Kezar Life Sciences, Inc. (the "**Company**")

Ladies & Gentlemen:

The undersigned is an owner of shares of common stock, par value $0.001 per share, of the Company ("**Shares**") or of securities convertible into or exchangeable or exercisable for Shares. The Company proposes to conduct a public offering of Shares (the "**Offering**") for which Jefferies LLC ("**Jefferies**") and Cowen and Company, LLC ("**Cowen**") will act as the representatives (the "**Representatives**") of the underwriters. The undersigned recognizes that the Offering will benefit the Company and the undersigned. The undersigned acknowledges that you are relying on the representations and agreements of the undersigned contained in this letter agreement in conducting the Offering and, at a subsequent date, in entering into an underwriting agreement (the "**Underwriting Agreement**") and other underwriting arrangements with the Company with respect to the Offering.

Annex A sets forth definitions for capitalized terms used in this letter agreement that are not defined in the body of this letter agreement. Those definitions are a part of this letter agreement.

In consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby agrees that, during the Lock-up Period, the undersigned will not (and will cause any Family Member not to), without the prior written consent of the Representatives, which may withhold their consent in their sole discretion:

- Sell or Offer to Sell any Shares or Related Securities currently or hereafter owned either of record or beneficially (as defined in Rule 13d-3 under the Exchange Act) by the undersigned or such Family Member,
- enter into any Swap,
- make any demand for, or exercise any right with respect to, the registration under the Securities Act of the offer and sale of any Shares or Related Securities, or cause to be filed a registration statement, prospectus or prospectus supplement (or an amendment or supplement thereto) with respect to any such registration, or

- publicly announce any intention to do any of the foregoing.

The foregoing will not apply to the registration of the offer and sale of the Shares, and the sale of the Shares to the underwriters, in each case as contemplated by the Underwriting Agreement. In addition, the foregoing restrictions shall not apply to:

(i) the transfer of Shares or Related Securities by gift, including, without limitation, to a charitable organization, or by will or intestate succession to the legal representative, heir, beneficiary or any Family Member or to a trust whose beneficiaries consist exclusively of one or more of the undersigned and/or a Family Member;

(ii) transfers or dispositions of the undersigned's Shares or Related Securities to any corporation, partnership, limited liability company or other entity all of the beneficial ownership interests of which, in each case, are held by the undersigned or any Family Member;

(iii) distributions of the undersigned's Shares or Related Securities to partners, members, stockholders or trust beneficiaries of the undersigned;

(iv) if the undersigned is a corporation, partnership, limited liability company, trust or other business entity, the transfer of Shares or Related Securities to (x) another corporation, partnership, limited liability company, trust or other business entity that is a direct or indirect affiliate (as defined in Rule 405 promulgated under the Securities Act) of the undersigned, (y) any investment fund or other entity controlling, controlled by, managing or managed by or under common control with the undersigned or affiliates of the undersigned, or (z) limited partners, general partners, members, managers, managing members, directors, officers, employees, stockholders or other equity holders of the undersigned or of the entities described in the preceding clauses (x) and (y);

(v) transfers of Shares as forfeitures (x) to satisfy tax withholding and remittance obligations of the undersigned in connection with the vesting or exercise of equity awards granted pursuant to the Company's equity incentive plans or (y) pursuant to a net exercise or cashless exercise by the stockholder of outstanding equity awards pursuant to the Company's equity incentive plans;

(vi) the transfer of Shares or Related Securities pursuant to a change of control of the Company (meaning the consummation of any bona fide third party tender offer, merger, consolidation or other similar transaction made to all holders of Shares the result of which is that any "person" (as defined in Section 13(d)(3) of the Exchange Act), or group of persons, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 of the Exchange Act) of more than 50% of the voting capital stock of the Company) after the Offering that has been approved by the independent members of the Company's board of directors, provided, that in the event that such change of control is not completed, the Shares or Related Securities owned by the undersigned shall remain subject to the restrictions herein; or

(vii) the transfer of Shares or Related Securities to the Company pursuant to agreements under which the Company has the option to repurchase such Shares or Related Securities or a right of first refusal with respect to transfers of such Shares or Related Securities.

Notwithstanding the foregoing, in any such case as provided in clauses (i) through (vi), it shall be a condition to such transfer that:

- each transferee or distributee executes and delivers to the Representatives an agreement in form and substance satisfactory to the Representatives stating that such transferee or distributee is receiving and holding such Shares and/or Related Securities subject to the provisions of this letter agreement and agrees not to Sell or Offer to Sell such Shares and/or Related Securities, engage in any Swap or engage in any other activities restricted under this letter agreement except in accordance with this letter agreement (as if such transferee or distribute had been an original signatory hereto), and
- prior to the expiration of the Lock-up Period, no public disclosure or filing under the Exchange Act by any party to the transfer (donor, donee, transferor or transferee) shall be required, or made voluntarily, reporting a reduction in beneficial ownership of Shares in connection with such transfer.

Furthermore, notwithstanding the restrictions imposed by this letter agreement, the undersigned may (i) exercise an option to purchase Shares granted under any equity incentive plan or stock purchase plan of the Company, provided that the Shares issued upon such exercise shall continue to be subject to the restrictions on transfer set forth in this letter agreement, (ii) establish a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of Shares, provided that such plan does not provide for any transfers of Shares during the Lock-up Period and the entry into such plan is not publicly disclosed, including in any filing under the Exchange Act, during the Lock-up Period, (iii) transfer Shares or Related Securities by operation of law, including pursuant to a domestic order or negotiated divorce settlement provided that the transferee execute and deliver to Jefferies and Cowen a letter agreement in substantially the form of this letter agreement or (iv) transfer or dispose of Shares or Related Securities acquired in the Offering or on the open market following the Offering, provided that no public disclosure or filing under the Exchange Act (other than filings under Section 13 of the Exchange Act) by any party to the transfer shall be required, or made voluntarily, during the Lock-up Period.

If the undersigned is an officer or director of the Company, the undersigned further agrees that the foregoing provisions shall be equally applicable to any Company-directed Shares the undersigned may purchase or otherwise receive in the Offering (including pursuant to a directed share program).

In addition, if the undersigned is an officer or director of the Company, (i) the Representatives agree that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of Shares, the Representatives will notify the Company of the impending release or waiver, and (ii) the Company (in accordance with the provisions of the Underwriting Agreement) will announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by the Representatives hereunder to any such officer or director shall only be effective two business days after the publication date of such press release or registration statement. The provisions of this paragraph will not apply if both (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this letter agreement that are applicable to the transferor to the extent and for the duration that such terms remain in effect at the time of the transfer.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of Shares or Related Securities held by the undersigned and the undersigned's Family Members, if any, except in compliance with the foregoing restrictions.

With respect to the Offering only, the undersigned waives any registration rights relating to registration under the Securities Act of the offer and sale of any Shares and/or any Related Securities owned either of record or beneficially by the undersigned, including any rights to receive notice of the Offering.

The undersigned confirms that the undersigned has not, and has no knowledge that any Family Member has, directly or indirectly, taken any action designed to or that might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale of the Shares. The undersigned will not, and will cause any Family Member not to take, directly or indirectly, any such action.

Whether or not the Offering occurs as currently contemplated or at all depends on market conditions and other factors. The Offering will only be made pursuant to the Underwriting Agreement, the terms of which are subject to negotiation between the Company and the underwriters.

If (i) the Company notifies the Representatives in writing that it does not intend to proceed with the Offering, (ii) the Company withdraws the registration statement relating to the Public Offering, (iii) the Underwriting Agreement is not executed before September 30, 2018 (provided that the Company may by written notice to the undersigned prior to September 30, 2018, extend such date for a period of up to an additional three months, in the event that the Underwriting Agreement has not been executed by such date), or (iv) the Underwriting Agreement (other than the provisions thereof that survive termination) terminates or is terminated prior to payment for and delivery of the Shares, then in each case, this letter agreement shall automatically, and without any action on the part of any other party, terminate and be of no further force and effect, and the undersigned shall automatically be released from the obligations under this letter agreement.

The undersigned hereby represents and warrants that the undersigned has full power, capacity and authority to enter into this letter agreement. This letter agreement is irrevocable and will be binding on the undersigned and the successors, heirs, personal representatives and assigns of the undersigned.

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Signature

Printed Name of Person Signing

(Indicate capacity of person signing if signing as custodian or trustee, or on behalf of an entity)

Annex A

Certain Defined Terms
Used in Lock-up Agreement

For purposes of the letter agreement to which this Annex A is attached and of which it is made a part:

- "**Call Equivalent Position**" shall have the meaning set forth in Rule 16a-1(b) under the Exchange Act.
- "**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended.
- "**Family Member**" shall mean the spouse of the undersigned, an immediate family member of the undersigned or an immediate family member of the undersigned's spouse, in each case living in the undersigned's household or whose principal residence is the undersigned's household (regardless of whether such spouse or family member may at the time be living elsewhere due to educational activities, health care treatment, military service, temporary internship or employment or otherwise). "**Immediate family member**" as used above shall have the meaning set forth in Rule 16a-1(e) under the Exchange Act.
- "**Lock-up Period**" shall mean the period beginning on the date hereof and continuing through the close of trading on the date that is 180 days after the date of the Prospectus (as defined in the Underwriting Agreement).
- "**Put Equivalent Position**" shall have the meaning set forth in Rule 16a-1(h) under the Exchange Act.
- "**Related Securities**" shall mean any options or warrants or other rights to acquire Shares or any securities exchangeable or exercisable for or convertible into Shares, or to acquire other securities or rights ultimately exchangeable or exercisable for or convertible into Shares.
- "**Securities Act**" shall mean the Securities Act of 1933, as amended.
- "**Sell or Offer to Sell**" shall mean to:

  sell, offer to sell, contract to sell or lend,

  effect any short sale or establish or increase a Put Equivalent Position or liquidate or decrease any Call Equivalent Position,

  pledge, hypothecate or grant any security interest in, or

  in any other way transfer or dispose of,

  in each case whether effected directly or indirectly.
- "**Swap**" shall mean any swap, hedge or similar arrangement or agreement that transfers, in whole or in part, the economic risk of ownership of Shares or Related Securities, regardless of whether any such transaction is to be settled in securities, in cash or otherwise.

Capitalized terms not defined in this Annex A shall have the meanings given to them in the body of this lock-up agreement.

ZQ|CERT#|COY|CLS|RGSTRY|ACCT#|TRANSTYPE|RUN#|TRANS#

COMMON STOCK

PAR VALUE $0.001

COMMON STOCK

KEZAR LIFE SCIENCES

Certificate Number

ZQ00000000

Shares

000000

***000000**

****000000**

*****000000**

******000000**

KEZAR LIFE SCIENCES, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFIES THAT

MR SAMPLE & MRS SAMPLE &
MR SAMPLE & MRS SAMPLE

SEE REVERSE FOR CERTAIN DEFINITIONS

CUSIP 49372L 10 0

is the owner of

***ZERO HUNDRED THOUSAND
ZERO HUNDRED AND ZERO***

THIS CERTIFICATE IS TRANSFERABLE IN CITIES DESIGNATED BY THE TRANSFER AGENT, AVAILABLE ONLINE AT www.computershare.com

FULLY-PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK OF

Kezar Life Sciences, Inc. (hereinafter called the "Company"), transferable on the books of the Company in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby, are issued and shall be held subject to all of the provisions of the Certificate of Incorporation, as amended, and the Bylaws, as amended, of the Company (copies of which are on file with the Company and with the Transfer Agent), to all of which each holder, by acceptance hereof, assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

DATED DD-MMM-YYYY

FACSIMILE SIGNATURE TO COME

Chief Executive Officer

KEZAR LIFE SCIENCES, INC. CORPORATE SEAL 2015 DELAWARE

COUNTERSIGNED AND REGISTERED:
COMPUTERSHARE TRUST COMPANY, N.A.
TRANSFER AGENT AND REGISTRAR,

FACSIMILE SIGNATURE TO COME

Secretary

By _____
AUTHORIZED SIGNATURE

SECURITY INSTRUCTIONS ON REVERSE

12345

KEZAR LIFE SCIENCES

PO BOX 43004, Providence, RI 02940-3004

MR A SAMPLE
DESIGNATION (IF ANY)
ADD 1
ADD 2
ADD 3
ADD 4

CUSIP/IDENTIFIER	XXXXXX XX X
Holder ID	XXXXXXXXXX
Insurance Value	1,000,000.00
Number of Shares	123456
DTC	12345678 12345678901234 5

Certificate Numbers	Num/No.	Denom.	Total
1234567890/1234567890	1	1	1
1234567890/1234567890	2	2	2
1234567890/1234567890	3	3	3
1234567890/1234567890	4	4	4
1234567890/1234567890	5	5	5
1234567890/1234567890	6	6	6
Total Transaction			7

KEZAR LIFE SCIENCES, INC.

THE COMPANY WILL FURNISH WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS, A SUMMARY OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OF THE COMPANY AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND RIGHTS, AND THE VARIATIONS IN RIGHTS, PREFERENCES AND LIMITATIONS DETERMINED FOR EACH SERIES, WHICH ARE FIXED BY THE CERTIFICATE OF INCORPORATION OF THE COMPANY, AS AMENDED, AND THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE COMPANY, AND THE AUTHORITY OF THE BOARD OF DIRECTORS TO DETERMINE VARIATIONS FOR FUTURE SERIES. SUCH REQUEST MAY BE MADE TO THE OFFICE OF THE SECRETARY OF THE COMPANY OR TO THE TRANSFER AGENT. THE BOARD OF DIRECTORS MAY REQUIRE THE OWNER OF A LOST OR DESTROYED STOCK CERTIFICATE, OR HIS LEGAL REPRESENTATIVES, TO GIVE THE COMPANY A BOND TO INDEMNIFY IT AND ITS TRANSFER AGENTS AND REGISTRARS AGAINST ANY CLAIM THAT MAY BE MADE AGAINST THEM ON ACCOUNT OF THE ALLEGED LOSS OR DESTRUCTION OF ANY SUCH CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UNIF GIFT MIN ACT	- ..... (Cust) Custodian ..... (Minor)
TEN ENT	- as tenants by the entireties		under Uniform Gifts to Minors Act..... (State)
JT TEN	- as joint tenants with right of survivorship and not as tenants in common	UNIF TRF MIN ACT	- ..... (Cust) Custodian (until age .....)
			..... (Minor) under Uniform Transfers to Minors Act ..... (State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

_____

_____

_____ Shares

of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney

to transfer the said stock on the books of the within-named Company with full power of substitution in the premises.

Dated: _____ 20 _____

Signature: _____

Signature: _____

Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed: Medallion Guarantee Stamp

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions) WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15.

SECURITY INSTRUCTIONS

THIS IS WATERMARKED PAPER. DO NOT ACCEPT WITHOUT NOTING WATERMARK. HOLD TO LIGHT TO VERIFY WATERMARK.

The IRS requires that the named transfer agent ("we") report the cost basis of certain shares or units acquired after January 1, 2011. If your shares or units are covered by the legislation, and you requested to sell or transfer the shares or units using a specific cost basis calculation method, then we have processed as you requested. If you did not specify a cost basis calculation method, then we have defaulted to the first in, first out (FIFO) method. Please consult your tax advisor if you need additional information about cost basis.

If you do not keep in contact with the issuer or do not have any activity in your account for the time period specified by state law, your property may become subject to state unclaimed property laws and transferred to the appropriate state.

15349201

Cooley

Laura A. Berezin
T: +1 650 843 5128
lberezin@cooley.com

June 8, 2018

Kezar Life Sciences, Inc.
4000 Shoreline Court, Suite 300
South San Francisco, California 94080

Ladies and Gentlemen:

You have requested our opinion, as counsel to Kezar Life Sciences, Inc., a Delaware corporation (the "***Company***"), in connection with the filing by the Company of a Registration Statement (No. 333-225194) on Form S-1 (the "***Registration Statement***") with the Securities and Exchange Commission, including a related prospectus filed with the Registration Statement (the "***Prospectus***"), covering an underwritten public offering of up to 5,366,667 shares (the "***Shares***") of the Company's common stock, par value $0.001, including up to 700,000 Shares that may be sold pursuant to the exercise of an option to purchase additional shares.

In connection with this opinion, we have (i) examined and relied upon (a) the Registration Statement and the Prospectus, (b) the Company's Amended and Restated Certificate of Incorporation and Amended and Restated By-laws, each as currently in effect, (c) the Company's Amended and Restated Certificate of Incorporation, filed as Exhibit 3.2 to the Registration Statement, and the Company's Amended and Restated Bylaws, filed as Exhibit 3.3 to the Registration Statement, each of which is to be in effect immediately following the closing of the offering contemplated by the Registration Statement and (d) originals or copies certified to our satisfaction of such records, documents, certificates, memoranda and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below and (ii) assumed that the Shares will be sold at a price established by the Board of Directors of the Company or a duly constituted pricing committee thereof in accordance with Section 153 of the General Corporation Law of the State of Delaware (the "***DGCL***"). We have undertaken no independent verification with respect to such matters. We have assumed the genuineness and authenticity of all documents submitted to us as originals, and the conformity to originals of all documents submitted to us as copies and the due execution and delivery of all documents where due execution and delivery are a prerequisite to the effectiveness thereof. As to certain factual matters, we have relied upon a certificate of an officer of the Company and have not sought independently to verify such matters.

Our opinion is expressed only with respect to the DGCL. We express no opinion to the extent that any other laws are applicable to the subject matter hereof and express no opinion and provide no assurance as to compliance with any federal or state securities law, rule or regulation.

On the basis of the foregoing, and in reliance thereon, we are of the opinion that the Shares, when sold and issued against payment therefor as described in the Registration Statement and the Prospectus, will be validly issued, fully paid and non-assessable.

We consent to the reference to our firm under the caption "Legal Matters" in the Prospectus included in the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement.

Sincerely,

Cooley LLP

By: /s/ Laura A. Berezin
Laura A. Berezin

Exhibit 10.9

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This **AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT** (this "***Agreement***") is entered into as of the 7 day of June, 2018 (the "***Effective Date***"), between John F. Fowler ("***Executive***") and **KEZAR LIFE SCIENCES, INC.** (the "***Company***"). Certain capitalized terms used in this Agreement are defined in Article 7. On the Effective Date this Agreement amends, restates, replaces and supersedes the Prior Employment Agreement.

RECITALS

A. The Company is a biopharmaceutical company.

B. The Company desires to employ Executive, or to continue Executive's employment, in the position set forth below, and Executive wishes to be employed, or continue to be employed, by the Company in such position, upon the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises contained herein, the Company and Executive agree as follows:

ARTICLE 1

PRELIMINARY MATTERS

1.1 Effectiveness of Agreement. This Agreement shall be effective on the Effective Date.

ARTICLE 2

TERMS OF EMPLOYMENT

2.1 Appointment. Executive shall serve as Chief Executive Officer, reporting to the Board. As Chief Executive Officer, Executive shall perform the duties that are consistent with such position and that may be assigned to Executive by the Company from time to time, such as: (a) all day-to-day management decisions and for leading the development and execution of the Company's short and long-term strategy and (b) communicating on behalf of the Company to stockholders, employees, government authorities and the public. Executive's specific responsibilities as Chief Executive Officer include, but are not limited to (i) setting the strategy for the Company and ensuring the organization is appropriately staffed and has appropriate financial, physical and human resources to execute the strategy; (ii) assessing and monitoring significant business risks and trends; (iii) ensuring that effective internal controls and systems are in place in order for the company to conduct its activities lawfully and ethically; and (iv) ensuring that the Board is properly informed and ensuring the integrity of all public disclosure. During Executive's employment with the Company, Executive shall (i) devote substantially all of Executive's business efforts to the Company, and (ii) faithfully and to the best of Executive's abilities and experience, and in accordance with the standards and ethics of the business in which the Company is engaged, perform all duties that may be required of Executive by this Agreement, the Company's policies and procedures, and such other duties and responsibilities as may be assigned to Executive from time to time, as well as the directives of the Board. During Executive's employment with the Company, Executive shall not engage in any activity that conflicts with or is detrimental to the Company's best interests, as determined by the Board.

2.2 Employment Term. Executive will be employed by the Company on an "at-will" basis. This means that either the Company or Executive may terminate Executive's employment at any time, for any reason, with or without Cause, and with or without advance notice (provided that Resignation for Good Reason (as defined below) requires certain advanced notice by Executive of Executive's termination of employment). Subject to the terms herein, it also means that Executive's job title, duties, responsibilities, reporting level, compensation and benefits, as well as the Company's personnel policies and procedures, may be changed with or without notice at any time in the Company's sole discretion. This at-will employment relationship shall not be modified by any conflicting actions or representations of any Company employee or other party before or during the term of Executive's employment.

2.3 Compensation.

a) **Annual Base Salary**. Executive's annual base salary shall be $460,000 per year ("***Annual Base Salary***"), payable in equal installments, less applicable deductions and withholdings, in accordance with the Company's standard payroll practices. Executive's Annual Base Salary shall be subject to review by the Company's Board or compensation committee and may be adjusted, from time to time.

b) **Benefits**. Subject to the terms and conditions thereof and all eligibility requirements, Executive may participate in the employee benefits and benefit plans that the Company generally makes available to its full-time employees and for which Executive is eligible in accordance with the Company's policies as in effect from time to time. Executive will also be eligible for vacation in accordance with the Company's vacation policy as in effect from time to time. The benefits and benefit plans made available by the Company, and the rules, terms and conditions for participation in such benefit programs, may be changed by the Company at any time without advance notice.

c) **Bonus**. In addition to Annual Base Salary, Executive shall be eligible to earn an annual performance bonus of up to 50% of Executive's Annual Base Salary, which bonus shall be earned upon Executive's attainment of objectives to be determined by the Board (or the compensation committee thereof) and continued employment with the Company (the "***Target Performance Bonus***"). The amount of and Executive's eligibility for the Target Performance Bonus shall be determined in the sole discretion of the Board (or the compensation committee thereof). If earned, any Target Performance Bonus shall be paid to Executive, less authorized deductions and applicable withholdings, on or before March 15th following the calendar year during which such bonus was earned. Except as provided in Sections 3.2 and 4.2, Executive shall be eligible to earn the Target Performance Bonus only if Executive is actively employed with the Company on both the determination and payment dates for the Target Performance Bonus (and has not given or received notice of termination or resignation).

d) **Equity Compensation**. Executive has already been granted options to purchase shares of the Company's common stock, which shall continue to be governed by the terms and conditions of the applicable stock option agreements, grant notices and the Company's 2015 Equity Incentive Plan, as amended (the "***Equity Plan***"). At the discretion of the Board or the Company's compensation committee, Executive shall be eligible to receive additional options to purchase shares of the Company's common stock.

2.4 Reimbursement of Expenses. Subject to Section 5.10(c), the Company shall reimburse Executive for Executive's necessary and reasonable business expenses incurred in connection with Executive's duties in accordance with the Company's generally applicable policies.

2.5 Indemnification/D&O Insurance. If Executive is made a party, is threatened to be made a party or reasonably anticipates being made a party, to any formal or informal action, suit or proceeding, whether civil, criminal, administrative or investigative (a "***Proceeding***"), by reason of the fact that he is or was an officer of the Company, Executive shall be indemnified and held harmless by the Company to the

fullest extent permitted by the Company's bylaws against all cost, expense, liability and loss reasonably incurred or suffered by the Executive in connection therewith, as more fully described and subject to the terms and conditions of the indemnification agreement, dated March 3, 2015, entered into between the Company and Executive, as amended from time to time (the "***Indemnification Agreement***"). Subject to the terms and conditions of the Indemnification Agreement, so long as Executive shall continue to serve as an officer of the Company (and for any applicable periods after termination with respect to acts performed as an employee of the Company), the Company shall use reasonable efforts to obtain and maintain in full force and effect directors' and officers' liability insurance (the "***D&O Insurance***") in reasonable amounts and Executive shall be covered under the D&O Insurance to the same extent as other of the Company's executives.

ARTICLE 3

COVERED TERMINATION SEVERANCE BENEFITS

3.1 Severance Benefits. Upon a Covered Termination (as defined in Section 7.11), and subject to the limitations and conditions set forth in this Agreement, Executive shall be eligible to receive the benefits set forth in this Article 3. The receipt of any severance payments or benefits pursuant to this Agreement is subject to Executive signing and not revoking a separation agreement and general release of claims (the "***Release***"), in substantially the form attached hereto and incorporated herein as **Exhibit A**, **Exhibit B**, or **Exhibit C**, as appropriate, which Release must become effective and irrevocable no later than the sixtieth (60th) day following Executive's termination of employment (the "***Release Deadline Date***"). If the Release does not become effective and irrevocable by the Release Deadline Date, Executive will forfeit any right to severance payments or benefits under this Agreement. In no event will severance payments or benefits be paid or provided until the Release actually becomes effective and irrevocable.

3.2 Salary and Pro-Rata Bonus Payment. In consideration of Executive's execution and non-revocation of the Release by the Release Deadline Date, in a form provided by the Company and in accordance with Article 5, the Company shall pay Executive a severance payment equal to (i) the sum of Executive's Monthly Base Salary and Pro-Rata Bonus multiplied by (ii) the number of months in the Covered Termination Severance Period, less applicable withholdings. "***Covered Termination Severance Period***" means the period of twelve (12) months commencing on the Termination Date. The severance payment shall be payable (except as set forth in Article 5) in accordance with the Company's standard payroll procedure commencing on the first regularly-scheduled payroll date occurring on or after the Release Deadline Date.

3.3 Health Continuation Payments.

a) The Company will pay Executive on the first day of each month a fully taxable cash payment equal to the applicable premium for Executive, his spouse and any dependents for the group health plan maintained by the Company for the month in which the Covered Termination occurs, subject to applicable tax withholdings but grossed up for all taxes owed by the Executive on such payment, for the duration of the Covered Termination Benefits Period. "***Covered Termination Benefits Period***" means the period of twelve (12) months commencing on the Termination Date. Such coverage shall be counted as coverage pursuant to COBRA. The Company shall have no obligation in respect of any premium payments following the effective date of the Executive's coverage by a health insurance plan of a subsequent employer. Executive shall be required to notify the Company immediately if Executive becomes covered by a health insurance plan of a subsequent employer.

b) For purposes of this Section 3.3, (i) references to COBRA shall be deemed to include analogous provisions of state law, and (ii) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by Executive under a Code Section 125 health care reimbursement plan, which amounts, if any, are the sole responsibility of Executive.

3.4 Stock Awards. Upon a Covered Termination, (i) the vesting and exercisability of all outstanding options to purchase the Company's common stock (or stock appreciation rights or other rights with respect to the stock of the Company issued pursuant to any equity incentive plan of the Company) that are held by Executive on the Termination Date shall be accelerated in full, and such options to the extent not exercised shall expire ninety (90) days after the Termination Date and (ii) any reacquisition or repurchase rights held by the Company with respect to common stock issued or issuable (or with respect to other rights with respect to the stock of the Company issued or issuable) pursuant to any other stock award granted to Executive or stock purchase agreement executed by Executive shall lapse.

ARTICLE 4

CHANGE IN CONTROL SEVERANCE BENEFITS

4.1 Severance Benefits. Upon a Change in Control Termination (as defined in Section 7.6), and subject to the limitations and conditions set forth in this Agreement, Executive shall be eligible to receive the benefits set forth in this Article 4. The receipt of any severance payments or benefits pursuant to this Agreement is subject to Executive signing and not revoking the appropriate Release, which Release must become effective and irrevocable by the Release Deadline Date. If the Release does not become effective and irrevocable by the Release Deadline Date, Executive will forfeit any right to severance payments or benefits under this Agreement. In no event will severance payments or benefits be paid or provided until the Release actually becomes effective and irrevocable.

4.2 Salary and Pro-Rata Bonus Payment. In consideration of Executive's execution and non-revocation of the Release by the Release Deadline Date, in a form provided by the Company and in accordance with Article 5, the Company shall pay Executive a severance payment equal to (i) the sum of Executive's Monthly Base Salary and Pro-Rata Bonus multiplied by (ii) the number of months in the Change in Control Severance Period , less applicable withholdings. "***Change in Control Severance Period***" means the period of eighteen (18) months commencing on the Termination Date. The severance payment shall be payable (except as set forth in Article 5) in accordance with the Company's standard payroll procedure commencing on the first regularly-scheduled payroll date occurring on or after the Release Deadline Date.

4.3 Health Continuation Payments.

a) The Company will pay Executive on the first day of each month a fully taxable cash payment equal to the applicable premium for Executive, his spouse and any dependents for the group health plan maintained by the Company for the month in which the Change in Control Termination occurs, subject to applicable tax withholdings but grossed up for all taxes owed by the Executive on such payment, for the duration of the Change in Control Benefits Period. "***Change in Control Benefits Period***" means the period of eighteen (18) months commencing on the Termination Date. Such coverage shall be counted as coverage pursuant to COBRA. The Company shall have no obligation in respect of any premium payments following the effective date of the Executive's coverage by a health insurance plan of a subsequent employer. Executive shall be required to notify the Company immediately if Executive becomes covered by a health insurance plan of a subsequent employer.

b) For purposes of this Section 4.3, (i) references to COBRA shall be deemed to include analogous provisions of state law, and (ii) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by Executive under a Code Section 125 health care reimbursement plan, which amounts, if any, are the sole responsibility of Executive.

4.4 Stock Awards. Upon a Change in Control Termination, (i) the vesting and exercisability of all outstanding options to purchase the Company's common stock (or stock appreciation rights or other rights with respect to the stock of the Company issued pursuant to any equity incentive plan of the Company) that are held by Executive on the Termination Date shall be accelerated in full, and such options to the extent not exercised shall expire ninety (90) days after the Termination Date and (ii) any reacquisition or repurchase rights held by the Company with respect to common stock issued or issuable (or with respect to other rights with respect to the stock of the Company issued or issuable) pursuant to any other stock award granted to Executive or stock purchase agreement executed by Executive shall lapse.

ARTICLE 5

LIMITATIONS AND CONDITIONS ON BENEFITS

5.1 Rights Conditioned on Compliance. Executive's rights to receive all severance benefits described in Article 3 and Article 4 shall be conditioned upon and subject to Executive's compliance with the limitations and conditions on benefits as described in this Article 5.

5.2 Continuation of Service until Date of Termination. Executive shall continue to provide service to the Company in good faith until the Termination Date, unless such performance is otherwise excused in writing by the Company.

5.3 Release Prior to Payment of Benefits. Upon the occurrence of a Change in Control Termination or a Covered Termination, as applicable, and prior to Executive earning any entitlement to any severance or separation benefits under this Agreement on account of such Change in Control Termination or Covered Termination, as applicable, Executive must execute the appropriate Release, and such Release must become effective in accordance with its terms, but in no event later than the Release Deadline Date. No amount shall be earned or paid prior to such date. Instead, on the first regularly-scheduled payroll date occurring on or after the Release Deadline Date, the Company will pay Executive the severance amount that Executive would otherwise have received on or prior to such date but for the delay in payment related to the effectiveness of the Release, with the balance of the severance amount being paid as originally scheduled. The Company may modify the Release in its discretion to comply with changes in applicable law at any time prior to Executive's execution of such Release. Such Release shall specifically relate to all of Executive's rights and claims in existence at the time of such execution and shall confirm Executive's obligations under the Confidential Information and Inventions Assignment Agreement and any similar obligations under applicable law. It is understood that, as specified in the applicable Release, Executive has a certain number of calendar days to consider whether to execute such Release. If Executive does not execute and deliver such Release within the applicable period, no benefits shall be provided or payable under this Agreement, and Executive shall have no further rights, title or interests in or to any severance benefits or payments pursuant to this Agreement. It is further understood that if Executive is age 40 or older at the time of a Change in Control Termination or a Covered Termination, as applicable, Executive may revoke the applicable Release within seven (7) calendar days after its execution by Executive. If Executive revokes such Release within such subsequent seven (7) day period, no benefits shall be provided or payable under this Agreement pursuant to such Change in Control Termination or Covered Termination, as applicable.

5.4 Return of Company Property. Not later than the Termination Date, Executive shall return to the Company all documents (and all copies thereof) and other property belonging to the Company that Executive has in his or her possession or control. The documents and property to be returned include, but are not limited to, all files, correspondence, email, memoranda, notes, notebooks, records, plans, forecasts, reports, studies, analyses, compilations of data, proposals, agreements, financial information, research and development information, marketing information, operational and personnel information, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computers, facsimile machines, mobile telephones and servers), credit cards, entry cards, identification badges and keys, and any materials of any kind which contain or embody any proprietary or confidential information of the Company (and all reproductions thereof in whole or in part). Executive agrees to make a diligent search to locate any such documents, property and information. If Executive has used any personally owned computer, server or e-mail system to receive, store, review, prepare or transmit any Company confidential or proprietary data, materials or information, then within ten (10) business days after the Termination Date, Executive shall provide the Company with a computer-useable copy of all such information and then permanently delete and expunge such confidential or proprietary information from those systems. Executive agrees to provide the Company with a certification that the necessary copying and/or deletion is done.

5.5 Cooperation and Continued Compliance with Restrictive Covenants.

a) From and after the Termination Date, Executive shall cooperate fully, at reasonable times as agreed between Executive and the Company, with the Company in connection with its actual or contemplated defense, prosecution or investigation of any existing or future litigation, arbitrations, mediations, claims, demands, audits, government or regulatory inquiries, or other matters arising from events, acts or failures to act that occurred during the time period in which Executive was employed by the Company (including any period of employment with an entity acquired by the Company). Such cooperation includes, without limitation, being available upon reasonable notice, without subpoena, to provide accurate and complete advice, assistance and information to the Company, including offering and explaining evidence, providing truthful and accurate sworn statements, and participating in discovery and trial preparation and testimony. Executive also agrees to promptly send the Company copies of all correspondence (for example, but not limited to, subpoenas) received by Executive in connection with any such legal proceedings, unless Executive is expressly prohibited by law from so doing. However, nothing in this Agreement prohibits Executive from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Executive does not need the prior authorization of the Company to make any such reports or disclosures, and is not required to notify the Company that Executive has made such reports or disclosures. The Company will reimburse Executive for reasonable out-of-pocket expenses incurred in connection with any such cooperation (excluding foregone wages, salary or other compensation) within thirty (30) days of Executive's timely presentation of appropriate documentation thereof, in accordance with the Company's standard reimbursement policies and procedures. The Company will reasonably accommodate Executive's scheduling needs with respect to any such cooperation after the Termination Date.

b) From and after the Termination Date, Executive shall continue to abide by all of the terms and provisions of the Confidential Information and Inventions Assignment Agreement (and any other comparable agreement signed by Executive), in accordance with its terms.

c) Executive acknowledges and agrees that Executive's obligations under this Section 5.5 are an essential part of the consideration Executive is providing hereunder in exchange for which and in reliance upon which the Company has agreed to provide the payments and benefits under this Agreement. Executive further acknowledges and agrees that Executive's violation of this Section 5.5 inevitably would involve use or disclosure of the Company's proprietary and confidential information. Accordingly, Executive agrees that Executive will forfeit, effective as of the date of any breach, any right, entitlement, claim or interest in or to any unpaid portion of the severance payments or benefits provided in Article 3 or Article 4. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 5.5 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

5.6 Parachute Payments.

a) **Parachute Payment Limitation**. If any payment or benefit (including payments and benefits pursuant to this Agreement) Executive would receive in connection with a Change in Control from the Company or otherwise ("***Payment***") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this paragraph, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then the Company shall cause to be determined, before any amounts of the Payment are paid to Executive, which of the following two alternative forms of payment shall be paid to Executive: (A) payment in full of the entire amount of the Payment (a "***Full Payment***"), or (B) payment of only a part of the Payment so that Executive receives the largest payment possible without the imposition of the Excise Tax (a "***Reduced Payment***"). A Full Payment shall be made in the event that the amount received by the Executive on a net after-tax basis is greater than what would be received by the Executive on a net after-tax basis if the Reduced Payment were made, otherwise a Reduced Payment shall be made. If a Reduced Payment is made, (i) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (ii) reduction in payments and/or benefits shall occur in the following order: (A) reduction of cash payments; (B) cancellation of accelerated vesting of equity awards other than stock options; (C) cancellation of accelerated vesting of stock options; and (D) reduction of other benefits paid to Executive. In the event that acceleration of compensation from Executive's equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant.

b) The independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall make all determinations required to be made under this Section 5.6. If the independent registered public accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized independent registered public accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder.

c) The independent registered public accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. If the independent registered public accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it shall furnish the Company and Executive with an opinion reasonably acceptable to Executive that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

5.7 Certain Reductions and Offsets. To the extent that any federal, state or local laws, including, without limitation, the Worker Adjustment and Retraining Notification Act or any other so-called "plant closing" laws, require the Company to give advance notice or make a payment of any kind to Executive because of Executive's involuntary termination due to a layoff, reduction in force, plant or facility closing, sale of business, change in control or any other similar event or reason, the benefits payable under this Agreement shall be correspondingly reduced. The benefits provided under this Agreement are intended to satisfy any and all statutory obligations that may arise out of Executive's involuntary termination of employment for the foregoing reasons, and the parties shall construe and enforce the terms of this Agreement accordingly.

5.8 Mitigation. Except as otherwise specifically provided herein, Executive shall not be required to mitigate damages or the amount of any payment provided under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or by any retirement benefits received by Executive after the date of a Change in Control Termination or Covered Termination (except as expressly provided in Sections 3.3 and 4.3 above).

5.9 Indebtedness of Executive. If Executive is indebted to the Company on the effective date of a Change in Control Termination or Covered Termination, the Company reserves the right to offset any severance payments and benefits under this Agreement by the amount of such indebtedness.

5.10 Application of Section 409A.

a) **Separation from Service**. Notwithstanding any provision to the contrary in this Agreement, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to Article 3 or Article 4 unless Executive's termination of employment constitutes a "separation from service" with the Company within the meaning of Section 409A of the Code and the Department of Treasury Regulations and other guidance promulgated thereunder and, except as provided under Section 5.10(b) hereof, any such amount shall not be paid, or in the case of installments, commence payment, until the first regularly-scheduled payroll date occurring on or after the 60th day following Executive's separation from service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's separation from service but for the preceding sentence shall be paid to Executive on the first regularly-scheduled payroll date occurring on or after the 60th day after Executive's separation from service and the remaining payments shall be made as provided in this Agreement.

b) **Specified Executive**. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his or her separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of Executive's "separation from service" with the Company (as such term is defined in the Treasury Regulations issued under Section 409A of the Code) or (ii) the date of Executive's death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 5.10(b) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

c) **Expense Reimbursements**. To the extent that any reimbursement payable pursuant to this Agreement is subject to the provisions of Section 409A of the Code, any such reimbursement payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred; the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year; and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

d) **Installments**. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

5.11 Tax Withholding. All payments under this Agreement shall be subject to applicable withholding for federal, state and local income and employment taxes.

5.12 No Duplication of Severance Benefits. The severance and other benefits provided in Article 3 and Article 4 are mutually exclusive of each other, and in no event shall Executive receive any severance or other benefits pursuant to both Article 3 and Article 4.

ARTICLE 6

TERMINATION WITH CAUSE OR BY VOLUNTARY RESIGNATION; OTHER RIGHTS AND BENEFITS

6.1 Termination for Cause by the Company. If the Company shall terminate the Executive's employment with the Company for Cause, then upon such termination, the Company shall have no further obligation to Executive hereunder except for the payment or provision, as applicable, of (i) the portion of the Annual Base Salary for the period prior to the effective date of termination earned but unpaid (if any), (ii) all unreimbursed expenses (if any), subject to Sections 2.4 and 5.10(c), (iii) payment for all accrued, unused vacation days and (iv) other payments, entitlements or benefits, if any, in accordance with terms of the applicable plans, programs, arrangements or other agreements of the Company (other than any severance plan or policy) as to which the Executive held rights to such payments, entitlements or benefits, whether as a participant, beneficiary or otherwise on the date of termination ("**Other Benefits**"). For the avoidance of doubt, Executive shall have no right to receive (and Other Benefits shall not include) any amounts under any Company severance plan or policy or pursuant to Article 3 or Article 4 upon Executive's termination for Cause.

6.2 Termination by Voluntary Resignation by the Executive (other than Resignation for Good Reason). Upon any voluntary resignation by Executive that is not a Resignation for Good Reason, the Company shall have no further obligation to the Executive hereunder except for the payment of (i) the portion of the Annual Base Salary for the period prior to the effective date of termination earned but unpaid (if any), (ii) all unreimbursed expenses (if any), subject to Section 2.4 and Section 5.10(c), (iii) payment for all accrued, unused vacation days and (iv) the payment or provision of any Other Benefits. For the avoidance of doubt, Executive shall have no right to receive (and Other Benefits shall not include) any amounts under any Company severance plan or policy or pursuant to Article 3 or Article 4 upon any voluntary resignation by Executive that is not a Resignation for Good Reason.

6.3 Other Rights and Benefits. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices provided by the Company and for which Executive may otherwise qualify, nor shall anything herein limit or otherwise affect such rights as Executive may have under other agreements with the

Company except as provided in Article 1, Article 5, Section 6.1 and Section 6.2 above. Except as otherwise expressly provided herein, amounts that are vested benefits or that Executive is otherwise entitled to receive under any plan, policy, practice or program of the Company at or subsequent to the date of a Change in Control shall be payable in accordance with such plan, policy, practice or program.

ARTICLE 7

DEFINITIONS

Unless otherwise provided, for purposes of this Agreement, the following definitions shall apply:

7.1 "***Board***" means the Board of Directors of the Company.

7.2 "***Cause***" shall mean a determination by the Company based upon reasonably available information of Executive's: (i) unauthorized use or disclosure of the Company's confidential information or trade secrets, which use or disclosure causes harm to the Company; (ii) material breach of any agreement to which the Executive and the Company are a party resulting in harm to the Company; (iii) failure to comply with the Company's written policies or rules resulting in material harm to the Company; (iv) conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State; (v) negligence or willful misconduct relating to Executive's performance of his duties on behalf of the Company resulting in material harm to the Company; (vi) continuing failure to perform material and lawful assigned duties after receiving written notification of the failure from the Company's Chief Executive Officer; or (vii) failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested Executive's cooperation without prejudice or personal liability to Executive. With respect to clause (vi), Executive will be given written notice and a 30-day period in which to cure such breach. Executive agrees that the breach of any confidentiality obligation to the Company or any subsidiary shall not be curable to any extent.

7.3 "***Change in Control***" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

a) Any natural person, entity or group within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended ("***Exchange Act Person***"), becomes the owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (i) on account of the acquisition of securities of the Company by any institutional investor, any affiliate thereof or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions that are primarily a private financing transaction for the Company or (ii) solely because the level of ownership held by any Exchange Act Person (the "***Subject Person***") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities owned by the Subject Person over the designated percentage threshold, then a Change in Control shall be deemed to occur;

b) There is consummated a merger, consolidation or similar transaction involving, directly or indirectly, the Company if, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not own, directly or

indirectly, either (i) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving entity in such merger, consolidation or similar transaction or (ii) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving entity in such merger, consolidation or similar transaction; or

c) There is consummated a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries to an entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportion as their ownership of the Company immediately prior to such sale, lease, license or other disposition.

The term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company. Notwithstanding the foregoing or any other provision of this Agreement, the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any affiliate and the participant shall supersede the foregoing definition with respect to stock awards subject to such agreement (it being understood, however, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition shall apply).

7.4 "***Change in Control Benefits Period***" has the meaning ascribed to such term in Section 4.3.

7.5 "***Change in Control Severance Period***" has the meaning ascribed to such term in Section 4.2.

7.6 "***Change in Control Termination***" means an "***Involuntary Termination Without Cause***" or "***Resignation for Good Reason***," either of which occurs on, or within three (3) months prior to, or within twelve (12) months following, the effective date of a Change in Control or Dissolution Event, provided that any such termination is a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h). Death and disability shall not be deemed Change in Control Terminations.

7.7 "***COBRA***" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

7.8 "***Code***" means the Internal Revenue Code of 1986, as amended.

7.9 "***Company***" means Kezar Life Sciences, Inc. or, following a Change in Control, the surviving entity resulting from such transaction, or any subsequent surviving entity resulting from any subsequent Change in Control.

7.10 "***Confidential Information and Inventions Assignment Agreement***" means Executive's Employee Confidential Information and Inventions Assignment Agreement with the Company, dated March 2, 2015 (or any successor agreement thereto).

7.11 "***Covered Termination***" means an "***Involuntary Termination Without Cause***" or "***Resignation for Good Reason***," provided that any such termination is a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h). Death and disability, other than a Permanent Disability, shall not be deemed Covered Terminations. If an Involuntary Termination Without Cause or Resignation for Good Reason qualifies as a Change in Control Termination, it shall not constitute a Covered Termination.

7.12 "***Covered Termination Benefits Period***" has the meaning ascribed to such term in Section 3.3.

7.13 "***Covered Termination Severance Period***" has the meaning ascribed to such term in Section 3.2.

7.14 "***Dissolution Event***" means the stockholders of the Company approve or the Board approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the Company shall otherwise occur.

7.15 "***Involuntary Termination Without Cause***" means Executive's dismissal or discharge by the Company for reasons other than Cause and other than as a result of death or disability; provided however, that for purposes of a Covered Termination, Involuntary Termination Without Cause shall include Executive's dismissal or discharge by the Company for reasons of Permanent Disability.

7.16 "***Monthly Base Salary***" means 1/12th of Executive's annual base salary (excluding incentive pay, premium pay, commissions, overtime, bonuses and other forms of variable compensation) as in effect on the date of a Covered Termination or a Change in Control Termination, as applicable.

7.17 "***Permanent Disability***" means total and permanent disability as defined in Code Section 22(e)(3).

7.18 "***Prior Employment Agreement***" means that certain Executive Employment Agreement, dated August 6, 2015, by and between the Company and Executive, as amended by Amendment No. 1 to Executive Employment Agreement between the Company and Executive dated November 8, 2017.

7.19 "***Pro-Rata Bonus***" means 1/12th of the greater of (i) the average Target Performance Bonus paid to Executive for the three (3) years preceding the date of the Covered Termination or the Change in Control Termination, as applicable, (or such lesser number of years during which the Executive has been employed by the Company), or (ii) annual target performance cash bonus, as in effect on the date of a Covered Termination or a Change in Control Termination, as applicable.

7.20 "***Resignation for Good Reason***" means Executive's resignation from all employee positions Executive then holds with the Company within ninety (90) days following any of the following events taken without Executive's consent, provided Executive has given the Company written notice of such event within thirty (30) days after the first occurrence of such event and the Company has not cured such event within thirty (30) days thereafter:

a) A material decrease in Executive's Annual Base Salary, other than in connection with a decrease in compensation for all comparable executives of the Company;

b) Executive's duties or responsibilities are materially diminished (not simply a change in title); provided, that Executive shall not be deemed to have a "***Resignation for Good Reason***" if the Company survives as a separate legal entity or business unit following the Change in Control and Executive holds materially the same position in such legal entity or business unit as Executive held before the Change in Control;

c) A relocation of Executive's principal place of work outside of a fifty (50) mile radius of its current location; or

d) The Company's material breach of this Agreement.

7.21 "***Termination Date***" means the effective date of the Change in Control Termination, the Covered Termination, Executive's resignation (whether Resignation for Good Reason or otherwise) or a termination for Cause, as applicable.

ARTICLE 8

GENERAL PROVISIONS

8.1 Employment Status. This Agreement does not constitute a contract of employment or impose upon Executive any obligation to remain as an employee, or impose on the Company any obligation (i) to retain Executive as an employee, (ii) to change the status of Executive as an at-will employee or (iii) to change the Company's policies regarding termination of employment.

8.2 Notices. Any notices provided hereunder must be in writing, and such notices or any other written communication shall be deemed effective upon the earlier of personal delivery (including personal delivery by facsimile or email transmission (to a facsimile number or email address designated in advance by the receiving party)) or the third day after mailing by first class mail, to the Company at its primary office location and to Executive at Executive's address as listed in the Company's payroll records. Any payments made by the Company to Executive under the terms of this Agreement shall be delivered to Executive either in person or at the address as listed in the Company's payroll records.

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

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

8.5 Complete Agreement. This Agreement, including **Exhibit A**, **Exhibit B**, **Exhibit C**, the Confidential Information and Inventions Assignment Agreement and the Indemnification Agreement constitute the entire agreement between Executive and the Company and is the complete, final and exclusive embodiment of their agreement with regard to this subject matter, wholly superseding all written and oral agreements with respect to payments and benefits to Executive in the event of employment termination. It is entered into without reliance on any promise or representation other than those expressly contained herein.

8.6 Amendment or Termination of Agreement; Continuation of Agreement. This Agreement may be changed or terminated only upon the mutual written consent of the Company and Executive. The written consent of the Company to a change or termination of this Agreement must be signed by an executive officer of the Company (other than Executive) after such change or termination has been approved by the Board. Unless so terminated, this Agreement shall continue in effect for as long as Executive continues to be employed by the Company or by any surviving entity following any Change in Control. In other words, if, following a Change in Control, Executive continues to be employed by the surviving entity without a Change in Control Termination and the surviving entity then undergoes a Change in Control, following which Executive is terminated by the subsequent surviving entity in a Change in Control Termination, then Executive shall receive the benefits described in Article 4 hereof.

8.7 Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

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

8.9 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, and the Company, and any surviving entity resulting from a Change in Control and upon any other person who is a successor by merger, acquisition, consolidation or otherwise to the business formerly carried on by the Company, and their respective successors, assigns, heirs, executors and administrators, without regard to whether or not such person actively assumes any rights or duties hereunder; provided, however, that Executive may not assign any duties hereunder and may not assign any rights hereunder without the written consent of the Company, which consent shall not be withheld unreasonably.

8.10 Choice of Law. Because of the Company's and Executive's interests in ensuring that disputes regarding this Agreement are resolved on a uniform basis, the parties agree that all questions concerning the construction, validity and interpretation of this Agreement will be governed by the law of the State of California, without regard for any conflict of law principles. Further, the parties consent to the jurisdiction of the state and federal courts of the State of California for all purposes in connection with this Agreement. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which Executive or the Company may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute.

8.11 Arbitration. To ensure the rapid and economical resolution of any disputes that may arise under or relate to this Agreement or Executive's employment relationship, Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the performance, enforcement, execution, or interpretation of this Agreement, Executive's employment with the Company, or the termination of Executive's employment (collectively, "***Claims***"), shall be resolved to the fullest extent permitted by law, by final, binding, and (to the extent permitted by law) confidential arbitration before a single arbitrator in the state where Executive is employed. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Section 1 *et seq.*, as amended, and shall be administered by the Judicial Arbitration & Mediation Services, Inc. ("***JAMS***"), in accordance with its then-current Employment Arbitration Rules & Procedures (the "JAMS Rules"). The JAMS Rules are available online at http://www.jamsadr.com/rules-employment-arbitration/. The parties or their representatives may also call JAMS at 800.352.5267 if they have questions about the arbitration process. If the JAMS Rules are inconsistent with the terms of this Agreement, the terms of this Agreement shall govern. Notwithstanding the foregoing, this provision shall exclude Claims that by law are not subject to arbitration. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of all Claims and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The Company shall pay all JAMS fees in excess of the amount of filing and other court-related fees Executive would have been required to pay if the Claims were asserted in a court of law. EXECUTIVE AND THE COMPANY UNDERSTAND AND FULLY AGREE THAT BY ENTERING INTO THIS AGREEMENT, BOTH EXECUTIVE AND THE COMPANY ARE GIVING UP THE CONSTITUTIONAL RIGHT TO HAVE A TRIAL BY JURY, AND ARE GIVING UP THE NORMAL RIGHTS OF APPEAL FOLLOWING THE RENDERING OF A DECISION, EXCEPT AS THE FEDERAL ARBITRATION ACT AND APPLICABLE FEDERAL LAW ALLOW FOR

JUDICIAL REVIEW OF ARBITRATION PROCEEDINGS. Nothing in this Agreement shall prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or final orders in such arbitrations may be entered and enforced as judgments or orders in the federal and state courts of any competent jurisdiction in compliance with Section 8.11 of this Agreement.

8.12 Construction of Agreement. In the event of a conflict between the text of this Agreement and any summary, description or other information regarding this Agreement, the text of this Agreement shall control.

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date written above.

KEZAR LIFE SCIENCES, INC.

By: /s/ Christopher Kirk
Name: Christopher J. Kirk
Title: President

EXECUTIVE

By: /s/ John Fowler
Name: John F. Fowler

Exhibit A:	Release (Individual Termination – Age 40 or Older)
Exhibit B:	Release (Individual and Group Termination – Under Age 40)
Exhibit C:	Release (Group Termination – Age 40 or Older)
Exhibit D:	Confidential Information and Inventions Assignment Agreement

EXHIBIT A

RELEASE

(INDIVIDUAL TERMINATION – AGE 40 OR OLDER)

Certain capitalized terms used in this Release are defined in the Amended and Restated Executive Employment Agreement (the "***Agreement***") which I have executed and of which this Release is a part.

I hereby confirm my obligations under the Confidential Information and Inventions Assignment Agreement (or other comparable agreement that I have signed, if any).

Except as otherwise set forth in this Release, in consideration for the payments and benefits set forth in the Agreement, I hereby release, acquit and forever discharge the Company, its parents and subsidiaries, and their officers, directors, agents, servants, employees, shareholders, successors, assigns and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys' fees, damages, indemnities and obligations of every kind and nature, in law, equity or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed (other than any claim for indemnification I may have as a result of any third party action against me based on my employment with the Company), arising out of or in any way related to agreements, events, acts or conduct at any time prior to the date I execute this Release, including, but not limited to: all such claims and demands directly or indirectly arising out of or in any way connected with my employment with the Company or the termination of that employment, including, but not limited to, claims of intentional and negligent infliction of emotional distress, any and all tort claims for personal injury, claims or demands related to salary, bonuses, commissions, stock, stock options, or any other ownership interests in the Company, vacation pay, fringe benefits, expense reimbursements, severance pay, or any other form of compensation; and claims pursuant to any federal, state or local law or cause of action including, but not limited to, the federal Civil Rights Act of 1964, as amended, the federal Age Discrimination in Employment Act of 1967, as amended ("***ADEA***"), the federal Employee Retirement Income Security Act of 1974, as amended, the federal Americans with Disabilities Act of 1990, the California Fair Employment and Housing Act, as amended, the New York City Human Rights Law, as amended, the Massachusetts Fair Employment Practices Law, as amended, the South Carolina Human Affairs Law, as amended, tort law, contract law, wrongful discharge, discrimination, fraud, defamation, emotional distress, and breach of the implied covenant of good faith and fair dealing; provided, however, that nothing in this paragraph shall be construed in any way to (1) release the Company from its obligation to indemnify me pursuant to the Company's indemnification obligation pursuant to written agreement or applicable law; (2) release any claim by me against the Company relating to the validity or enforceability of this release or the Agreement; (3) release any claim that cannot be waived by private agreement as a matter of law; or (4) prohibit me from exercising any non-waivable right to file a charge with the United States Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board ("NLRB"), or any other federal, state or local government agency (provided, however, that I shall not be entitled to recover any monetary damages or to obtain non-monetary relief if the agency were to pursue any claims relating to my employment with the Company).

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA. I also acknowledge that the consideration given under the Agreement for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (A) my waiver and release do not apply to any rights or claims that may arise on or after the date I

execute this Release; (B) I have the right to consult with an attorney prior to executing this Release; (C) I have twenty-one (21) days to consider this Release (although I may choose to voluntarily execute this Release earlier); (D) I have seven (7) days following my execution of this Release to revoke the Release by providing a written notice of revocation to the Company's President; and (E) this Release shall not be effective until the date upon which the revocation period has expired, which shall be the eighth (8th) day after I execute this Release (provided that I do not revoke it).

I hereby represent that I have been paid all compensation owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, pursuant to the federal Family and Medical Leave Act, the California Family Rights Act, any Company policy or applicable law, and I have not suffered any on-the-job injury or illness for which I have not already filed a workers' compensation claim.

I agree that I will not make any disparaging statements regarding the Company or its officers, directors, shareholders, members, agents or products jointly or severally. The Company agrees not to authorize any communications that would disparage Executive; provided, however, that the foregoing shall not be violated by truthful statements required by legal process. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

EXECUTIVE:

Signature

Printed Name

Date:

EXHIBIT B

RELEASE

(INDIVIDUAL AND GROUP TERMINATION – UNDER AGE 40)

Certain capitalized terms used in this Release are defined in the Amended and Restated Executive Employment Agreement (the "***Agreement***") which I have executed and of which this Release is a part.

I hereby confirm my obligations under the Confidential Information and Inventions Assignment Agreement (or other comparable agreement that I have signed, if any).

Except as otherwise set forth in this Release, in consideration for the payments and benefits set forth in the Agreement, I hereby release, acquit and forever discharge the Company, its parents and subsidiaries, and their officers, directors, agents, servants, employees, shareholders, successors, assigns and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys' fees, damages, indemnities and obligations of every kind and nature, in law, equity or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed (other than any claim for indemnification I may have as a result of any third party action against me based on my employment with the Company), arising out of or in any way related to agreements, events, acts or conduct at any time prior to the date I execute this Release, including, but not limited to: all such claims and demands directly or indirectly arising out of or in any way connected with my employment with the Company or the termination of that employment, including, but not limited to, claims of intentional and negligent infliction of emotional distress, any and all tort claims for personal injury, claims or demands related to salary, bonuses, commissions, stock, stock options, or any other ownership interests in the Company, vacation pay, fringe benefits, expense reimbursements, severance pay, or any other form of compensation; and claims pursuant to any federal, state or local law or cause of action including, but not limited to, the federal Civil Rights Act of 1964, as amended, the federal Employee Retirement Income Security Act of 1974, as amended, the federal Americans with Disabilities Act of 1990, the California Fair Employment and Housing Act, as amended, the New York City Human Rights Law, as amended, the Massachusetts Fair Employment Practices Law, as amended, the South Carolina Human Affairs Law, as amended, tort law, contract law, wrongful discharge, discrimination, fraud, defamation, emotional distress, and breach of the implied covenant of good faith and fair dealing; provided, however, that nothing in this paragraph shall be construed in any way to (1) release the Company from its obligation to indemnify me pursuant to the Company's indemnification obligation pursuant to written agreement or applicable law; (2) release any claim by me against the Company relating to the validity or enforceability of this release or the Agreement; (3) release any claim that cannot be waived by private agreement as a matter of law; or (4) prohibit me from exercising any non-waivable right to file a charge with the United States Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board ("NLRB"), or any other federal, state or local government agency (provided, however, that I shall not be entitled to recover any monetary damages or to obtain non-monetary relief if the agency were to pursue any claims relating to my employment with the Company).

I acknowledge that the consideration given under the Agreement for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing that: (A) my waiver and release do not apply to any rights or claims that may arise on or after the date I execute this Release; (B) I have the right to consult with an attorney prior to executing this Release; and (C) I have twenty-one (21) days to consider this Release (although I may choose to voluntarily execute this Release earlier).

I hereby represent that I have been paid all compensation owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, pursuant to the federal Family and Medical Leave Act, the California Family Rights Act, any Company policy or applicable law, and I have not suffered any on-the-job injury or illness for which I have not already filed a workers' compensation claim.

I agree that I will not make any disparaging statements regarding the Company or its officers, directors, shareholders, members, agents or products jointly or severally. The Company agrees not to authorize any communications that would disparage Executive; provided, however, that the foregoing shall not be violated by truthful statements required by legal process. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

EXECUTIVE:

Signature

Printed Name

Date:

EXHIBIT C

RELEASE

(GROUP TERMINATION – AGE 40 OR OLDER)

Certain capitalized terms used in this Release are defined in the Amended and Restated Executive Employment Agreement (the "***Agreement***") which I have executed and of which this Release is a part.

I hereby confirm my obligations under the Confidential Information and Inventions Assignment Agreement (or other comparable agreement that I have signed, if any).

Except as otherwise set forth in this Release, in consideration for the payments and benefits set forth in the Agreement, I hereby release, acquit and forever discharge the Company, its parents and subsidiaries, and their officers, directors, agents, servants, employees, shareholders, successors, assigns and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys' fees, damages, indemnities and obligations of every kind and nature, in law, equity or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed (other than any claim for indemnification I may have as a result of any third party action against me based on my employment with the Company), arising out of or in any way related to agreements, events, acts or conduct at any time prior to the date I execute this Release, including, but not limited to: all such claims and demands directly or indirectly arising out of or in any way connected with my employment with the Company or the termination of that employment, including, but not limited to, claims of intentional and negligent infliction of emotional distress, any and all tort claims for personal injury, claims or demands related to salary, bonuses, commissions, stock, stock options, or any other ownership interests in the Company, vacation pay, fringe benefits, expense reimbursements, severance pay, or any other form of compensation; and claims pursuant to any federal, state or local law or cause of action including, but not limited to, the federal Civil Rights Act of 1964, as amended, the federal Age Discrimination in Employment Act of 1967, as amended ("***ADEA***"), the federal Employee Retirement Income Security Act of 1974, as amended, the federal Americans with Disabilities Act of 1990, the California Fair Employment and Housing Act, as amended, the New York City Human Rights Law, as amended, the Massachusetts Fair Employment Practices Law, as amended, the South Carolina Human Affairs Law, as amended, tort law, contract law, wrongful discharge, discrimination, fraud, defamation, emotional distress, and breach of the implied covenant of good faith and fair dealing; provided, however, that nothing in this paragraph shall be construed in any way to (1) release the Company from its obligation to indemnify me pursuant to the Company's indemnification obligation pursuant to written agreement or applicable law; (2) release any claim by me against the Company relating to the validity or enforceability of this release or the Agreement; (3) release any claim that cannot be waived by private agreement as a matter of law; or (4) prohibit me from exercising any non-waivable right to file a charge with the United States Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board ("NLRB"), or any other federal, state or local government agency (provided, however, that I shall not be entitled to recover any monetary damages or to obtain non-monetary relief if the agency were to pursue any claims relating to my employment with the Company).

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA. I also acknowledge that the consideration given under the Agreement for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (A) my waiver and release do not apply to any rights or claims that may arise on or after the date I

execute this Release; (B) I have the right to consult with an attorney prior to executing this Release; (C) I have forty-five (45) days to consider this Release (although I may choose to voluntarily execute this Release earlier); (D) I have seven (7) days following my execution of this Release to revoke the Release by providing a written notice of revocation to the Company's President; (E) this Release shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day (8th) after I execute this Release; and (F) I have received with this Release the required written disclosure for a "group termination" under the ADEA, including a detailed list of the job titles and ages of all employees who were terminated in this group termination and the ages of all employees of the Company in the same job classification or organizational unit who were not terminated.

I hereby represent that I have been paid all compensation owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, pursuant to the federal Family and Medical Leave Act, the California Family Rights Act, any Company policy or applicable law, and I have not suffered any on-the-job injury or illness for which I have not already filed a workers' compensation claim.

I agree that I will not engage in any conduct that is injurious to the reputation of the Company or its parents, subsidiaries and affiliates, including but not limited to disparagement of the Company, its officers, Board members, employees and shareholders. The Company agrees not to authorize any communications that would disparage Executive; provided, however, that the foregoing shall not be violated by truthful statements required by legal process. The foregoing shall not be violated by a statement made in a deposition, trial or administrative proceeding in response to legal process; by any statement made to a government agency; or whenever I make any statement to a court, administrative tribunal or government agency as required by law.

EXECUTIVE:

_____

Signature

_____

Printed Name

Date: _____

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This **AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT** (this "***Agreement***") is entered into as of the 7 day of June, 2018 (the "***Effective Date***"), between Christopher J. Kirk ("***Executive***") and **KEZAR LIFE SCIENCES, INC.** (the "***Company***"). Certain capitalized terms used in this Agreement are defined in Article 7. On the Effective Date this Agreement amends, restates, replaces and supersedes the Prior Employment Agreement.

RECITALS

A. The Company is a biopharmaceutical company.

B. The Company desires to employ Executive, or to continue Executive's employment, in the position set forth below, and Executive wishes to be employed, or continue to be employed, by the Company in such position, upon the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises contained herein, the Company and Executive agree as follows:

ARTICLE 1

PRELIMINARY MATTERS

1.1. Effectiveness of Agreement. This Agreement shall be effective on the Effective Date.

ARTICLE 2

TERMS OF EMPLOYMENT

2.1. Appointment.

a) Executive shall serve as President and Chief Scientific Officer, reporting to the Chief Executive Officer. As President and Chief Scientific Officer, Executive shall perform the duties that are consistent with such position and that may be assigned to Executive by the Company from time to time, such as: (1) establishing and maintaining the Company's strategic clinical and regulatory development roadmap in order to support the overall corporate strategy set by the Board; (2) maintaining the highest quality of scientific foundations of the Company's development process; (3) providing members of the Company's executive team with scientific input in the areas of business development, clinical development and commercialization, financial planning and execution, regulatory matters, manufacturing, funding processes and initiatives; (4) providing strategic input from a scientific standpoint for the Company's mid- and long-term goals; (5) recommending membership of, managing and insuring effective output from the Company's Scientific Advisory Board; (6) expansion and management of intellectual property related to medicines in the Company's pipeline; (7) hiring, managing and retaining key scientific staff; and (8) where appropriate, participating and representing the Company at scientific conferences or public venues as requested.

b) During Executive's employment with the Company, Executive shall (i) devote substantially all of Executive's business efforts to the Company, and (ii) faithfully and to the best of Executive's abilities and experience, and in accordance with the standards and ethics of the business in which the Company is engaged, perform all duties that may be required of Executive by this Agreement, the Company's policies and procedures, and such other duties and responsibilities as may be assigned to

Executive from time to time, as well as the directives of the Board. During Executive's employment with the Company, Executive shall not engage in any activity that conflicts with or is detrimental to the Company's best interests, as determined by the Board; provided, however, that Executive may continue to serve as a member of the scientific advisory board or similar committee to (1) Karyopharm Therapeutics, Inc. and (2) Azatan Pharmaceuticals, LLC. Provided that Executive obtains the Chief Executive Officer's and the Board's prior consent, which consent shall not be unreasonably withheld, Executive may participate in additional external scientific advisory activities that neither conflict with nor are detrimental to the Company's best interests.

2.2. Employment Term. Executive will be employed by the Company on an "at-will" basis. This means that either the Company or Executive may terminate Executive's employment at any time, for any reason, with or without Cause, and with or without advance notice (provided that Resignation for Good Reason (as defined below) requires certain advanced notice by Executive of Executive's termination of employment). Subject to the terms herein, it also means that Executive's job title, duties, responsibilities, reporting level, compensation and benefits, as well as the Company's personnel policies and procedures, may be changed with or without notice at any time in the Company's sole discretion. This at-will employment relationship shall not be modified by any conflicting actions or representations of any Company employee or other party before or during the term of Executive's employment.

2.3. Compensation.

a) **Annual Base Salary**. Executive's annual base salary shall be $365,000 per year ("***Annual Base Salary***"), payable in equal installments, less applicable deductions and withholdings, in accordance with the Company's standard payroll practices. Executive's Annual Base Salary shall be subject to review by the Company's Board or compensation committee and may be adjusted, from time to time.

b) **Benefits**. Subject to the terms and conditions thereof and all eligibility requirements, Executive may participate in the employee benefits and benefit plans that the Company generally makes available to its full-time employees and for which Executive is eligible in accordance with the Company's policies as in effect from time to time. Executive will also be eligible for vacation in accordance with the Company's vacation policy as in effect from time to time. The benefits and benefit plans made available by the Company, and the rules, terms and conditions for participation in such benefit programs, may be changed by the Company at any time without advance notice.

c) **Bonus**. In addition to Annual Base Salary, Executive shall be eligible to earn an annual performance bonus of up to 35% of Executive's Annual Base Salary, which bonus shall be earned upon Executive's attainment of objectives to be determined by the Board (or the compensation committee thereof) and continued employment with the Company (the "***Target Performance Bonus***"). The amount of and Executive's eligibility for the Target Performance Bonus shall be determined in the sole discretion of the Board (or the compensation committee thereof). If earned, any Target Performance Bonus shall be paid to Executive, less authorized deductions and applicable withholdings, on or before March 15th following the calendar year during which such bonus was earned. Except as provided in Sections 3.2 and 4.2, Executive shall be eligible to earn the Target Performance Bonus only if Executive is actively employed with the Company on both the determination and payment dates for the Target Performance Bonus (and has not given or received notice of termination or resignation).

d) **Equity Compensation**. Executive has already been granted options to purchase shares of the Company's common stock, which shall continue to be governed by the terms and conditions of the applicable stock option agreements, grant notices and the Company's 2015 Equity Incentive Plan, as amended (the "***Equity Plan***"). At the discretion of the Board or the Company's compensation committee, Executive shall be eligible to receive additional options to purchase shares of the Company's common stock.

2.4. Reimbursement of Expenses. Subject to Section 5.10(c), the Company shall reimburse Executive for Executive's necessary and reasonable business expenses incurred in connection with Executive's duties in accordance with the Company's generally applicable policies.

2.5. Indemnification/D&O Insurance. If Executive is made a party, is threatened to be made a party or reasonably anticipates being made a party, to any formal or informal action, suit or proceeding, whether civil, criminal, administrative or investigative (a "***Proceeding***"), by reason of the fact that he is or was an officer of the Company, Executive shall be indemnified and held harmless by the Company to the fullest extent permitted by the Company's bylaws against all cost, expense, liability and loss reasonably incurred or suffered by the Executive in connection therewith, as more fully described and subject to the terms and conditions of the indemnification agreement, dated March 3, 2015, entered into between the Company and Executive, as amended from time to time (the "***Indemnification Agreement***"). Subject to the terms and conditions of the Indemnification Agreement, so long as Executive shall continue to serve as an officer of the Company (and for any applicable periods after termination with respect to acts performed as an employee of the Company), the Company shall use reasonable efforts to obtain and maintain in full force and effect directors' and officers' liability insurance (the "***D&O Insurance***") in reasonable amounts and Executive shall be covered under the D&O Insurance to the same extent as other of the Company's executives.

ARTICLE 3

COVERED TERMINATION SEVERANCE BENEFITS

3.1. Severance Benefits. Upon a Covered Termination (as defined in Section 7.11), and subject to the limitations and conditions set forth in this Agreement, Executive shall be eligible to receive the benefits set forth in this Article 3. The receipt of any severance payments or benefits pursuant to this Agreement is subject to Executive signing and not revoking a separation agreement and general release of claims (the "***Release***"), in substantially the form attached hereto and incorporated herein as **Exhibit A**, **Exhibit B**, or **Exhibit C**, as appropriate, which Release must become effective and irrevocable no later than the sixtieth (60th) day following Executive's termination of employment (the "***Release Deadline Date***"). If the Release does not become effective and irrevocable by the Release Deadline Date, Executive will forfeit any right to severance payments or benefits under this Agreement. In no event will severance payments or benefits be paid or provided until the Release actually becomes effective and irrevocable.

3.2. Salary and Pro-Rata Bonus Payment. In consideration of Executive's execution and non-revocation of the Release by the Release Deadline Date, in a form provided by the Company and in accordance with Article 5, the Company shall pay Executive a severance payment equal to (i) the sum of Executive's Monthly Base Salary and Pro-Rata Bonus multiplied by (ii) the number of months in the Covered Termination Severance Period, less applicable withholdings. "***Covered Termination Severance Period***" means the period of twelve (12) months commencing on the Termination Date. The severance payment shall be payable (except as set forth in Article 5) in accordance with the Company's standard payroll procedure commencing on the first regularly-scheduled payroll date occurring on or after the Release Deadline Date.

3.3. Health Continuation Payments.

a) The Company will pay Executive on the first day of each month a fully taxable cash payment equal to the applicable premium for Executive, his spouse and any dependents for the group health plan maintained by the Company for the month in which the Covered Termination occurs, subject

to applicable tax withholdings but grossed up for all taxes owed by the Executive on such payment, for the duration of the Covered Termination Benefits Period. "***Covered Termination Benefits Period***" means the period of twelve (12) months commencing on the Termination Date. Such coverage shall be counted as coverage pursuant to COBRA. The Company shall have no obligation in respect of any premium payments following the effective date of the Executive's coverage by a health insurance plan of a subsequent employer. Executive shall be required to notify the Company immediately if Executive becomes covered by a health insurance plan of a subsequent employer.

b) For purposes of this Section 3.3, (i) references to COBRA shall be deemed to include analogous provisions of state law, and (ii) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by Executive under a Code Section 125 health care reimbursement plan, which amounts, if any, are the sole responsibility of Executive.

3.4. Stock Awards. Upon a Covered Termination, (i) the vesting and exercisability of all outstanding options to purchase the Company's common stock (or stock appreciation rights or other rights with respect to the stock of the Company issued pursuant to any equity incentive plan of the Company) that are held by Executive on the Termination Date shall be accelerated in full, and such options to the extent not exercised shall expire ninety (90) days after the Termination Date and (ii) any reacquisition or repurchase rights held by the Company with respect to common stock issued or issuable (or with respect to other rights with respect to the stock of the Company issued or issuable) pursuant to any other stock award granted to Executive or stock purchase agreement executed by Executive shall lapse.

ARTICLE 4

CHANGE IN CONTROL SEVERANCE BENEFITS

4.1. Severance Benefits. Upon a Change in Control Termination (as defined in Section 7.6), and subject to the limitations and conditions set forth in this Agreement, Executive shall be eligible to receive the benefits set forth in this Article 4. The receipt of any severance payments or benefits pursuant to this Agreement is subject to Executive signing and not revoking the appropriate Release, which Release must become effective and irrevocable by the Release Deadline Date. If the Release does not become effective and irrevocable by the Release Deadline Date, Executive will forfeit any right to severance payments or benefits under this Agreement. In no event will severance payments or benefits be paid or provided until the Release actually becomes effective and irrevocable.

4.2. Salary and Pro-Rata Bonus Payment. In consideration of Executive's execution and non-revocation of the Release by the Release Deadline Date, in a form provided by the Company and in accordance with Article 5, the Company shall pay Executive a severance payment equal to (i) the sum of Executive's Monthly Base Salary and Pro-Rata Bonus multiplied by (ii) the number of months in the Change in Control Severance Period, less applicable withholdings. "***Change in Control Severance Period***" means the period of eighteen (18) months commencing on the Termination Date. The severance payment shall be payable (except as set forth in Article 5) in accordance with the Company's standard payroll procedure commencing on the first regularly-scheduled payroll date occurring on or after the Release Deadline Date.

4.3. Health Continuation Payments.

a) The Company will pay Executive on the first day of each month a fully taxable cash payment equal to the applicable premium for Executive, his spouse and any dependents for the group health plan maintained by the Company for the month in which the Change in Control Termination occurs, subject to applicable tax withholdings but grossed up for all taxes owed by the Executive on such payment, for the duration of the Change in Control Benefits Period. "***Change in Control Benefits***

Period" means the period of eighteen (18) months commencing on the Termination Date. Such coverage shall be counted as coverage pursuant to COBRA. The Company shall have no obligation in respect of any premium payments following the effective date of the Executive's coverage by a health insurance plan of a subsequent employer. Executive shall be required to notify the Company immediately if Executive becomes covered by a health insurance plan of a subsequent employer.

b) For purposes of this Section 4.3, (i) references to COBRA shall be deemed to include analogous provisions of state law, and (ii) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by Executive under a Code Section 125 health care reimbursement plan, which amounts, if any, are the sole responsibility of Executive.

4.4. Stock Awards. Upon a Change in Control Termination, (i) the vesting and exercisability of all outstanding options to purchase the Company's common stock (or stock appreciation rights or other rights with respect to the stock of the Company issued pursuant to any equity incentive plan of the Company) that are held by Executive on the Termination Date shall be accelerated in full, and such options to the extent not exercised shall expire ninety (90) days after the Termination Date and (ii) any reacquisition or repurchase rights held by the Company with respect to common stock issued or issuable (or with respect to other rights with respect to the stock of the Company issued or issuable) pursuant to any other stock award granted to Executive or stock purchase agreement executed by Executive shall lapse.

ARTICLE 5

LIMITATIONS AND CONDITIONS ON BENEFITS

5.1. Rights Conditioned on Compliance. Executive's rights to receive all severance benefits described in Article 3 and Article 4 shall be conditioned upon and subject to Executive's compliance with the limitations and conditions on benefits as described in this Article 5.

5.2. Continuation of Service until Date of Termination. Executive shall continue to provide service to the Company in good faith until the Termination Date, unless such performance is otherwise excused in writing by the Company.

5.3. Release Prior to Payment of Benefits. Upon the occurrence of a Change in Control Termination or a Covered Termination, as applicable, and prior to Executive earning any entitlement to any severance or separation benefits under this Agreement on account of such Change in Control Termination or Covered Termination, as applicable, Executive must execute the appropriate Release, and such Release must become effective in accordance with its terms, but in no event later than the Release Deadline Date. No amount shall be earned or paid prior to such date. Instead, on the first regularly-scheduled payroll date occurring on or after the Release Deadline Date, the Company will pay Executive the severance amount that Executive would otherwise have received on or prior to such date but for the delay in payment related to the effectiveness of the Release, with the balance of the severance amount being paid as originally scheduled. The Company may modify the Release in its discretion to comply with changes in applicable law at any time prior to Executive's execution of such Release. Such Release shall specifically relate to all of Executive's rights and claims in existence at the time of such execution and shall confirm Executive's obligations under the Confidential Information and Inventions Assignment Agreement and any similar obligations under applicable law. It is understood that, as specified in the applicable Release, Executive has a certain number of calendar days to consider whether to execute such Release. If Executive does not execute and deliver such Release within the applicable period, no benefits shall be provided or payable under this Agreement, and Executive shall have no further rights, title or interests in or to any severance benefits or payments pursuant to this Agreement. It is further understood that if Executive is age 40 or older at the time of a Change in Control Termination or a Covered Termination, as applicable, Executive may revoke the applicable Release within seven (7) calendar days after its execution by Executive. If Executive revokes such Release within such subsequent seven (7) day period, no benefits shall be provided or payable under this Agreement pursuant to such Change in Control Termination or Covered Termination, as applicable.

5.4. Return of Company Property. Not later than the Termination Date, Executive shall return to the Company all documents (and all copies thereof) and other property belonging to the Company that Executive has in his or her possession or control. The documents and property to be returned include, but are not limited to, all files, correspondence, email, memoranda, notes, notebooks, records, plans, forecasts, reports, studies, analyses, compilations of data, proposals, agreements, financial information, research and development information, marketing information, operational and personnel information, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computers, facsimile machines, mobile telephones and servers), credit cards, entry cards, identification badges and keys, and any materials of any kind which contain or embody any proprietary or confidential information of the Company (and all reproductions thereof in whole or in part). Executive agrees to make a diligent search to locate any such documents, property and information. If Executive has used any personally owned computer, server or e-mail system to receive, store, review, prepare or transmit any Company confidential or proprietary data, materials or information, then within ten (10) business days after the Termination Date, Executive shall provide the Company with a computer-useable copy of all such information and then permanently delete and expunge such confidential or proprietary information from those systems. Executive agrees to provide the Company with a certification that the necessary copying and/or deletion is done.

5.5. Cooperation and Continued Compliance with Restrictive Covenants.

a) From and after the Termination Date, Executive shall cooperate fully, at reasonable times as agreed between Executive and the Company, with the Company in connection with its actual or contemplated defense, prosecution or investigation of any existing or future litigation, arbitrations, mediations, claims, demands, audits, government or regulatory inquiries, or other matters arising from events, acts or failures to act that occurred during the time period in which Executive was employed by the Company (including any period of employment with an entity acquired by the Company). Such cooperation includes, without limitation, being available upon reasonable notice, without subpoena, to provide accurate and complete advice, assistance and information to the Company, including offering and explaining evidence, providing truthful and accurate sworn statements, and participating in discovery and trial preparation and testimony. Executive also agrees to promptly send the Company copies of all correspondence (for example, but not limited to, subpoenas) received by Executive in connection with any such legal proceedings, unless Executive is expressly prohibited by law from so doing. However, nothing in this Agreement prohibits Executive from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Executive does not need the prior authorization of the Company to make any such reports or disclosures, and is not required to notify the Company that Executive has made such reports or disclosures. The Company will reimburse Executive for reasonable out-of-pocket expenses incurred in connection with any such cooperation (excluding foregone wages, salary or other compensation) within thirty (30) days of Executive's timely presentation of appropriate documentation thereof, in accordance with the Company's standard reimbursement policies and procedures. The Company will reasonably accommodate Executive's scheduling needs with respect to any such cooperation after the Termination Date.

b) From and after the Termination Date, Executive shall continue to abide by all of the terms and provisions of the Confidential Information and Inventions Assignment Agreement (and any other comparable agreement signed by Executive), in accordance with its terms.

c) Executive acknowledges and agrees that Executive's obligations under this Section 5.5 are an essential part of the consideration Executive is providing hereunder in exchange for which and in reliance upon which the Company has agreed to provide the payments and benefits under this Agreement. Executive further acknowledges and agrees that Executive's violation of this Section 5.5 inevitably would involve use or disclosure of the Company's proprietary and confidential information. Accordingly, Executive agrees that Executive will forfeit, effective as of the date of any breach, any right, entitlement, claim or interest in or to any unpaid portion of the severance payments or benefits provided in Article 3 or Article 4. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 5.5 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

5.6. Parachute Payments.

a) **Parachute Payment Limitation**. If any payment or benefit (including payments and benefits pursuant to this Agreement) Executive would receive in connection with a Change in Control from the Company or otherwise ("***Payment***") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this paragraph, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then the Company shall cause to be determined, before any amounts of the Payment are paid to Executive, which of the following two alternative forms of payment shall be paid to Executive: (A) payment in full of the entire amount of the Payment (a "***Full Payment***"), or (B) payment of only a part of the Payment so that Executive receives the largest payment possible without the imposition of the Excise Tax (a "***Reduced Payment***"). A Full Payment shall be made in the event that the amount received by the Executive on a net after-tax basis is greater than what would be received by the Executive on a net after-tax basis if the Reduced Payment were made, otherwise a Reduced Payment shall be made. If a Reduced Payment is made, (i) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (ii) reduction in payments and/or benefits shall occur in the following order: (A) reduction of cash payments; (B) cancellation of accelerated vesting of equity awards other than stock options; (C) cancellation of accelerated vesting of stock options; and (D) reduction of other benefits paid to Executive. In the event that acceleration of compensation from Executive's equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant.

b) The independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall make all determinations required to be made under this Section 5.6. If the independent registered public accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized independent registered public accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder.

c) The independent registered public accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. If the independent registered public accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it shall furnish the Company and Executive with an opinion reasonably acceptable to Executive that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

5.7. Certain Reductions and Offsets. To the extent that any federal, state or local laws, including, without limitation, the Worker Adjustment and Retraining Notification Act or any other so-called "plant closing" laws, require the Company to give advance notice or make a payment of any kind to Executive because of Executive's involuntary termination due to a layoff, reduction in force, plant or facility closing, sale of business, change in control or any other similar event or reason, the benefits payable under this Agreement shall be correspondingly reduced. The benefits provided under this Agreement are intended to satisfy any and all statutory obligations that may arise out of Executive's involuntary termination of employment for the foregoing reasons, and the parties shall construe and enforce the terms of this Agreement accordingly.

5.8. Mitigation. Except as otherwise specifically provided herein, Executive shall not be required to mitigate damages or the amount of any payment provided under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or by any retirement benefits received by Executive after the date of a Change in Control Termination or Covered Termination (except as expressly provided in Sections 3.3 and 4.3 above).

5.9. Indebtedness of Executive. If Executive is indebted to the Company on the effective date of a Change in Control Termination or Covered Termination, the Company reserves the right to offset any severance payments and benefits under this Agreement by the amount of such indebtedness.

5.10. Application of Section 409A.

a) **Separation from Service**. Notwithstanding any provision to the contrary in this Agreement, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to Article 3 or Article 4 unless Executive's termination of employment constitutes a "separation from service" with the Company within the meaning of Section 409A of the Code and the Department of Treasury Regulations and other guidance promulgated thereunder and, except as provided under Section 5.10(b) hereof, any such amount shall not be paid, or in the case of installments, commence payment, until the first regularly-scheduled payroll date occurring on or after the 60th day following Executive's separation from service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's separation from service but for the preceding sentence shall be paid to Executive on the first regularly-scheduled payroll date occurring on or after the 60th day after Executive's separation from service and the remaining payments shall be made as provided in this Agreement.

b) **Specified Executive**. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his or her separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of Executive's "separation from service" with the Company (as such term is defined in the Treasury Regulations issued under Section 409A of the Code) or (ii) the date of Executive's death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 5.10(b) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

c) **Expense Reimbursements**. To the extent that any reimbursement payable pursuant to this Agreement is subject to the provisions of Section 409A of the Code, any such reimbursement payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred; the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year; and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

d) **Installments**. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

5.11. Tax Withholding. All payments under this Agreement shall be subject to applicable withholding for federal, state and local income and employment taxes.

5.12. No Duplication of Severance Benefits. The severance and other benefits provided in Article 3 and Article 4 are mutually exclusive of each other, and in no event shall Executive receive any severance or other benefits pursuant to both Article 3 and Article 4.

ARTICLE 6

TERMINATION WITH CAUSE OR BY VOLUNTARY RESIGNATION; OTHER RIGHTS AND BENEFITS

6.1. Termination for Cause by the Company. If the Company shall terminate the Executive's employment with the Company for Cause, then upon such termination, the Company shall have no further obligation to Executive hereunder except for the payment or provision, as applicable, of (i) the portion of the Annual Base Salary for the period prior to the effective date of termination earned but unpaid (if any), (ii) all unreimbursed expenses (if any), subject to Sections 2.4 and 5.10(c), (iii) payment for all accrued, unused vacation days and (iv) other payments, entitlements or benefits, if any, in accordance with terms of the applicable plans, programs, arrangements or other agreements of the Company (other than any severance plan or policy) as to which the Executive held rights to such payments, entitlements or benefits, whether as a participant, beneficiary or otherwise on the date of termination ("**Other Benefits**"). For the avoidance of doubt, Executive shall have no right to receive (and Other Benefits shall not include) any amounts under any Company severance plan or policy or pursuant to Article 3 or Article 4 upon Executive's termination for Cause.

6.2. Termination by Voluntary Resignation by the Executive (other than Resignation for Good Reason). Upon any voluntary resignation by Executive that is not a Resignation for Good Reason, the Company shall have no further obligation to the Executive hereunder except for the payment of (i) the portion of the Annual Base Salary for the period prior to the effective date of termination earned but unpaid (if any), (ii) all unreimbursed expenses (if any), subject to Section 2.4 and Section 5.10(c), (iii) payment for all accrued, unused vacation days and (iv) the payment or provision of any Other Benefits. For the avoidance of doubt, Executive shall have no right to receive (and Other Benefits shall not include) any amounts under any Company severance plan or policy or pursuant to Article 3 or Article 4 upon any voluntary resignation by Executive that is not a Resignation for Good Reason.

6.3. Other Rights and Benefits. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices provided by the Company and for which Executive may otherwise qualify, nor shall anything herein limit or otherwise affect such rights as Executive may have under other agreements with the Company except as provided in Article 1, Article 5, Section 6.1 and Section 6.2 above. Except as

otherwise expressly provided herein, amounts that are vested benefits or that Executive is otherwise entitled to receive under any plan, policy, practice or program of the Company at or subsequent to the date of a Change in Control shall be payable in accordance with such plan, policy, practice or program.

ARTICLE 7

DEFINITIONS

Unless otherwise provided, for purposes of this Agreement, the following definitions shall apply:

7.1. "***Board***" means the Board of Directors of the Company.

7.2. "***Cause***" shall mean a determination by the Company based upon reasonably available information of Executive's: (i) unauthorized use or disclosure of the Company's confidential information or trade secrets, which use or disclosure causes harm to the Company; (ii) material breach of any agreement to which the Executive and the Company are a party resulting in harm to the Company; (iii) failure to comply with the Company's written policies or rules resulting in material harm to the Company; (iv) conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State; (v) negligence or willful misconduct relating to Executive's performance of his duties on behalf of the Company resulting in material harm to the Company; (vi) continuing failure to perform material and lawful assigned duties after receiving written notification of the failure from the Company's Chief Executive Officer; or (vii) failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested Executive's cooperation without prejudice or personal liability to Executive. With respect to clause (vi), Executive will be given written notice and a 30-day period in which to cure such breach. Executive agrees that the breach of any confidentiality obligation to the Company or any subsidiary shall not be curable to any extent.

7.3. "***Change in Control***" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

a) Any natural person, entity or group within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended ("***Exchange Act Person***"), becomes the owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (i) on account of the acquisition of securities of the Company by any institutional investor, any affiliate thereof or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions that are primarily a private financing transaction for the Company or (ii) solely because the level of ownership held by any Exchange Act Person (the "***Subject Person***") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities owned by the Subject Person over the designated percentage threshold, then a Change in Control shall be deemed to occur;

b) There is consummated a merger, consolidation or similar transaction involving, directly or indirectly, the Company if, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not own, directly or indirectly, either (i) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving entity in such merger, consolidation or similar transaction or (ii) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving entity in such merger, consolidation or similar transaction; or

c) There is consummated a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries to an entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportion as their ownership of the Company immediately prior to such sale, lease, license or other disposition.

The term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company. Notwithstanding the foregoing or any other provision of this Agreement, the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any affiliate and the participant shall supersede the foregoing definition with respect to stock awards subject to such agreement (it being understood, however, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition shall apply).

7.4. "***Change in Control Benefits Period***" has the meaning ascribed to such term in Section 4.3.

7.5. "***Change in Control Severance Period***" has the meaning ascribed to such term in Section 4.2.

7.6. "***Change in Control Termination***" means an "***Involuntary Termination Without Cause***" or "***Resignation for Good Reason,***" either of which occurs on, or within three (3) months prior to, or within twelve (12) months following, the effective date of a Change in Control or Dissolution Event, provided that any such termination is a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h). Death and disability shall not be deemed Change in Control Terminations.

7.7. "***COBRA***" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

7.8. "***Code***" means the Internal Revenue Code of 1986, as amended.

7.9. "***Company***" means Kezar Life Sciences, Inc. or, following a Change in Control, the surviving entity resulting from such transaction, or any subsequent surviving entity resulting from any subsequent Change in Control.

7.10. "***Confidential Information and Inventions Assignment Agreement***" means Executive's Employee Confidential Information and Inventions Assignment Agreement with the Company, dated March 3, 2015 (or any successor agreement thereto).

7.11. "***Covered Termination***" means an "***Involuntary Termination Without Cause***" or "***Resignation for Good Reason,***" provided that any such termination is a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h). Death and disability, other than a Permanent Disability, shall not be deemed Covered Terminations. If an Involuntary Termination Without Cause or Resignation for Good Reason qualifies as a Change in Control Termination, it shall not constitute a Covered Termination.

7.12. "***Covered Termination Benefits Period***" has the meaning ascribed to such term in Section 3.3.

7.13. "***Covered Termination Severance Period***" has the meaning ascribed to such term in Section 3.2.

7.14. "***Dissolution Event***" means the stockholders of the Company approve or the Board approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the Company shall otherwise occur.

7.15. "***Involuntary Termination Without Cause***" means Executive's dismissal or discharge by the Company for reasons other than Cause and other than as a result of death or disability; provided however, that for purposes of a Covered Termination, Involuntary Termination Without Cause shall include Executive's dismissal or discharge by the Company for reasons of Permanent Disability.

7.16. "***Monthly Base Salary***" means 1/12th of Executive's annual base salary (excluding incentive pay, premium pay, commissions, overtime, bonuses and other forms of variable compensation) as in effect on the date of a Covered Termination or a Change in Control Termination, as applicable.

7.17. "***Permanent Disability***" means total and permanent disability as defined in Code Section 22(e)(3).

7.18. ***"Prior Employment Agreement***" means that certain Executive Employment Agreement, dated August 6, 2015, by and between the Company and Executive, as amended by Amendment No. 1 to Executive Employment Agreement between the Company and Executive dated November 8, 2017.

7.19. "***Pro-Rata Bonus***" means 1/12th of the greater of (i) the average Target Performance Bonus paid to Executive for the three (3) years preceding the date of the Covered Termination or the Change in Control Termination, as applicable, (or such lesser number of years during which the Executive has been employed by the Company), or (ii) annual target performance cash bonus, as in effect on the date of a Covered Termination or a Change in Control Termination, as applicable.

7.20. "***Resignation for Good Reason***" means Executive's resignation from all employee positions Executive then holds with the Company within ninety (90) days following any of the following events taken without Executive's consent, provided Executive has given the Company written notice of such event within thirty (30) days after the first occurrence of such event and the Company has not cured such event within thirty (30) days thereafter:

a) A material decrease in Executive's Annual Base Salary, other than in connection with a decrease in compensation for all comparable executives of the Company;

b) Executive's duties or responsibilities are materially diminished (not simply a change in title); provided, that Executive shall not be deemed to have a "***Resignation for Good Reason***" if the Company survives as a separate legal entity or business unit following the Change in Control and Executive holds materially the same position in such legal entity or business unit as Executive held before the Change in Control;

c) A relocation of Executive's principal place of work outside of a fifty (50) mile radius of its current location; or

d) The Company's material breach of this Agreement.

7.21. "***Termination Date***" means the effective date of the Change in Control Termination, the Covered Termination, Executive's resignation (whether Resignation for Good Reason or otherwise) or a termination for Cause, as applicable.

ARTICLE 8

GENERAL PROVISIONS

8.1. Employment Status. This Agreement does not constitute a contract of employment or impose upon Executive any obligation to remain as an employee, or impose on the Company any obligation (i) to retain Executive as an employee, (ii) to change the status of Executive as an at-will employee or (iii) to change the Company's policies regarding termination of employment.

8.2. Notices. Any notices provided hereunder must be in writing, and such notices or any other written communication shall be deemed effective upon the earlier of personal delivery (including personal delivery by facsimile or email transmission (to a facsimile number or email address designated in advance by the receiving party)) or the third day after mailing by first class mail, to the Company at its primary office location and to Executive at Executive's address as listed in the Company's payroll records. Any payments made by the Company to Executive under the terms of this Agreement shall be delivered to Executive either in person or at the address as listed in the Company's payroll records.

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

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

8.5. Complete Agreement. This Agreement, including **Exhibit A**, **Exhibit B**, **Exhibit C**, the Confidential Information and Inventions Assignment Agreement and the Indemnification Agreement constitute the entire agreement between Executive and the Company and is the complete, final and exclusive embodiment of their agreement with regard to this subject matter, wholly superseding all written and oral agreements with respect to payments and benefits to Executive in the event of employment termination. It is entered into without reliance on any promise or representation other than those expressly contained herein.

8.6. Amendment or Termination of Agreement; Continuation of Agreement. This Agreement may be changed or terminated only upon the mutual written consent of the Company and Executive. The written consent of the Company to a change or termination of this Agreement must be signed by an executive officer of the Company (other than Executive) after such change or termination has been approved by the Board. Unless so terminated, this Agreement shall continue in effect for as long as Executive continues to be employed by the Company or by any surviving entity following any Change in Control. In other words, if, following a Change in Control, Executive continues to be employed by the surviving entity without a Change in Control Termination and the surviving entity then undergoes a Change in Control, following which Executive is terminated by the subsequent surviving entity in a Change in Control Termination, then Executive shall receive the benefits described in Article 4 hereof.

8.7. Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

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

8.9. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, and the Company, and any surviving entity resulting from a Change in Control and upon any other person who is a successor by merger, acquisition, consolidation or otherwise to the business formerly carried on by the Company, and their respective successors, assigns, heirs, executors and administrators, without regard to whether or not such person actively assumes any rights or duties hereunder; provided, however, that Executive may not assign any duties hereunder and may not assign any rights hereunder without the written consent of the Company, which consent shall not be withheld unreasonably.

8.10. Choice of Law. Because of the Company's and Executive's interests in ensuring that disputes regarding this Agreement are resolved on a uniform basis, the parties agree that all questions concerning the construction, validity and interpretation of this Agreement will be governed by the law of the State of California, without regard for any conflict of law principles. Further, the parties consent to the jurisdiction of the state and federal courts of the State of California for all purposes in connection with this Agreement. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which Executive or the Company may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute.

8.11. Arbitration. To ensure the rapid and economical resolution of any disputes that may arise under or relate to this Agreement or Executive's employment relationship, Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the performance, enforcement, execution, or interpretation of this Agreement, Executive's employment with the Company, or the termination of Executive's employment (collectively, "***Claims***"), shall be resolved to the fullest extent permitted by law, by final, binding, and (to the extent permitted by law) confidential arbitration before a single arbitrator in the state where Executive is employed. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Section 1 *et seq.*, as amended, and shall be administered by the Judicial Arbitration & Mediation Services, Inc. ("***JAMS***"), in accordance with its then-current Employment Arbitration Rules & Procedures (the "JAMS Rules"). The JAMS Rules are available online at http://www.jamsadr.com/rules-employment-arbitration/. The parties or their representatives may also call JAMS at 800.352.5267 if they have questions about the arbitration process. If the JAMS Rules are inconsistent with the terms of this Agreement, the terms of this Agreement shall govern. Notwithstanding the foregoing, this provision shall exclude Claims that by law are not subject to arbitration. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of all Claims and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The Company shall pay all JAMS fees in excess of the amount of filing and other court-related fees Executive would have been required to pay if the Claims were asserted in a court of law. EXECUTIVE AND THE COMPANY UNDERSTAND AND FULLY AGREE THAT BY ENTERING INTO THIS AGREEMENT, BOTH EXECUTIVE AND THE COMPANY ARE GIVING UP THE CONSTITUTIONAL RIGHT TO HAVE A TRIAL BY JURY, AND ARE GIVING UP THE NORMAL RIGHTS OF APPEAL FOLLOWING THE RENDERING OF A DECISION, EXCEPT AS THE FEDERAL ARBITRATION ACT AND APPLICABLE FEDERAL LAW ALLOW FOR JUDICIAL REVIEW OF ARBITRATION PROCEEDINGS. Nothing in this Agreement shall prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or final orders in such arbitrations may be entered and enforced as judgments or orders in the federal and state courts of any competent jurisdiction in compliance with Section 8.11 of this Agreement.

8.12. Construction of Agreement. In the event of a conflict between the text of this Agreement and any summary, description or other information regarding this Agreement, the text of this Agreement shall control.

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date written above.

KEZAR LIFE SCIENCES, INC.

By: /s/ John Fowler
Name: John F. Fowler
Title: Chief Executive Officer

EXECUTIVE

By: /s/ Christopher Kirk
Name: Christopher J. Kirk

Exhibit A:	Release (Individual Termination – Age 40 or Older)
Exhibit B:	Release (Individual and Group Termination – Under Age 40)
Exhibit C:	Release (Group Termination – Age 40 or Older)
Exhibit D:	Confidential Information and Inventions Assignment Agreement

EXHIBIT A

RELEASE

(INDIVIDUAL TERMINATION – AGE 40 OR OLDER)

Certain capitalized terms used in this Release are defined in the Amended and Restated Executive Employment Agreement (the "***Agreement***") which I have executed and of which this Release is a part.

I hereby confirm my obligations under the Confidential Information and Inventions Assignment Agreement (or other comparable agreement that I have signed, if any).

Except as otherwise set forth in this Release, in consideration for the payments and benefits set forth in the Agreement, I hereby release, acquit and forever discharge the Company, its parents and subsidiaries, and their officers, directors, agents, servants, employees, shareholders, successors, assigns and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys' fees, damages, indemnities and obligations of every kind and nature, in law, equity or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed (other than any claim for indemnification I may have as a result of any third party action against me based on my employment with the Company), arising out of or in any way related to agreements, events, acts or conduct at any time prior to the date I execute this Release, including, but not limited to: all such claims and demands directly or indirectly arising out of or in any way connected with my employment with the Company or the termination of that employment, including, but not limited to, claims of intentional and negligent infliction of emotional distress, any and all tort claims for personal injury, claims or demands related to salary, bonuses, commissions, stock, stock options, or any other ownership interests in the Company, vacation pay, fringe benefits, expense reimbursements, severance pay, or any other form of compensation; and claims pursuant to any federal, state or local law or cause of action including, but not limited to, the federal Civil Rights Act of 1964, as amended, the federal Age Discrimination in Employment Act of 1967, as amended ("***ADEA***"), the federal Employee Retirement Income Security Act of 1974, as amended, the federal Americans with Disabilities Act of 1990, the California Fair Employment and Housing Act, as amended, the New York City Human Rights Law, as amended, the Massachusetts Fair Employment Practices Law, as amended, the South Carolina Human Affairs Law, as amended, tort law, contract law, wrongful discharge, discrimination, fraud, defamation, emotional distress, and breach of the implied covenant of good faith and fair dealing; provided, however, that nothing in this paragraph shall be construed in any way to (1) release the Company from its obligation to indemnify me pursuant to the Company's indemnification obligation pursuant to written agreement or applicable law; (2) release any claim by me against the Company relating to the validity or enforceability of this release or the Agreement; (3) release any claim that cannot be waived by private agreement as a matter of law; or (4) prohibit me from exercising any non-waivable right to file a charge with the United States Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board ("NLRB"), or any other federal, state or local government agency (provided, however, that I shall not be entitled to recover any monetary damages or to obtain non-monetary relief if the agency were to pursue any claims relating to my employment with the Company).

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA. I also acknowledge that the consideration given under the Agreement for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (A) my waiver and release do not apply to any rights or claims that may arise on or after the date I

execute this Release; (B) I have the right to consult with an attorney prior to executing this Release; (C) I have twenty-one (21) days to consider this Release (although I may choose to voluntarily execute this Release earlier); (D) I have seven (7) days following my execution of this Release to revoke the Release by providing a written notice of revocation to the Company's Chief Executive Officer; and (E) this Release shall not be effective until the date upon which the revocation period has expired, which shall be the eighth (8th) day after I execute this Release (provided that I do not revoke it).

I hereby represent that I have been paid all compensation owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, pursuant to the federal Family and Medical Leave Act, the California Family Rights Act, any Company policy or applicable law, and I have not suffered any on-the-job injury or illness for which I have not already filed a workers' compensation claim.

I agree that I will not make any disparaging statements regarding the Company or its officers, directors, shareholders, members, agents or products jointly or severally. The Company agrees not to authorize any communications that would disparage Executive; provided, however, that the foregoing shall not be violated by truthful statements required by legal process. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

EXECUTIVE:

_____

Signature

_____

Printed Name

Date: _____

EXHIBIT B

RELEASE

(INDIVIDUAL AND GROUP TERMINATION – UNDER AGE 40)

Certain capitalized terms used in this Release are defined in the Amended and Restated Executive Employment Agreement (the "***Agreement***") which I have executed and of which this Release is a part.

I hereby confirm my obligations under the Confidential Information and Inventions Assignment Agreement (or other comparable agreement that I have signed, if any).

Except as otherwise set forth in this Release, in consideration for the payments and benefits set forth in the Agreement, I hereby release, acquit and forever discharge the Company, its parents and subsidiaries, and their officers, directors, agents, servants, employees, shareholders, successors, assigns and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys' fees, damages, indemnities and obligations of every kind and nature, in law, equity or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed (other than any claim for indemnification I may have as a result of any third party action against me based on my employment with the Company), arising out of or in any way related to agreements, events, acts or conduct at any time prior to the date I execute this Release, including, but not limited to: all such claims and demands directly or indirectly arising out of or in any way connected with my employment with the Company or the termination of that employment, including, but not limited to, claims of intentional and negligent infliction of emotional distress, any and all tort claims for personal injury, claims or demands related to salary, bonuses, commissions, stock, stock options, or any other ownership interests in the Company, vacation pay, fringe benefits, expense reimbursements, severance pay, or any other form of compensation; and claims pursuant to any federal, state or local law or cause of action including, but not limited to, the federal Civil Rights Act of 1964, as amended, the federal Employee Retirement Income Security Act of 1974, as amended, the federal Americans with Disabilities Act of 1990, the California Fair Employment and Housing Act, as amended, the New York City Human Rights Law, as amended, the Massachusetts Fair Employment Practices Law, as amended, the South Carolina Human Affairs Law, as amended, tort law, contract law, wrongful discharge, discrimination, fraud, defamation, emotional distress, and breach of the implied covenant of good faith and fair dealing; provided, however, that nothing in this paragraph shall be construed in any way to (1) release the Company from its obligation to indemnify me pursuant to the Company's indemnification obligation pursuant to written agreement or applicable law; (2) release any claim by me against the Company relating to the validity or enforceability of this release or the Agreement; (3) release any claim that cannot be waived by private agreement as a matter of law; or (4) prohibit me from exercising any non-waivable right to file a charge with the United States Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board ("NLRB"), or any other federal, state or local government agency (provided, however, that I shall not be entitled to recover any monetary damages or to obtain non-monetary relief if the agency were to pursue any claims relating to my employment with the Company).

I acknowledge that the consideration given under the Agreement for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing that: (A) my waiver and release do not apply to any rights or claims that may arise on or after the date I execute this Release; (B) I have the right to consult with an attorney prior to executing this Release; and (C) I have twenty-one (21) days to consider this Release (although I may choose to voluntarily execute this Release earlier).

I hereby represent that I have been paid all compensation owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, pursuant to the federal Family and Medical Leave Act, the California Family Rights Act, any Company policy or applicable law, and I have not suffered any on-the-job injury or illness for which I have not already filed a workers' compensation claim.

I agree that I will not make any disparaging statements regarding the Company or its officers, directors, shareholders, members, agents or products jointly or severally. The Company agrees not to authorize any communications that would disparage Executive; provided, however, that the foregoing shall not be violated by truthful statements required by legal process. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

EXECUTIVE:

Signature

Printed Name

Date:

EXHIBIT C

RELEASE

(GROUP TERMINATION – AGE 40 OR OLDER)

Certain capitalized terms used in this Release are defined in the Amended and Restated Executive Employment Agreement (the "***Agreement***") which I have executed and of which this Release is a part.

I hereby confirm my obligations under the Confidential Information and Inventions Assignment Agreement (or other comparable agreement that I have signed, if any).

Except as otherwise set forth in this Release, in consideration for the payments and benefits set forth in the Agreement, I hereby release, acquit and forever discharge the Company, its parents and subsidiaries, and their officers, directors, agents, servants, employees, shareholders, successors, assigns and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys' fees, damages, indemnities and obligations of every kind and nature, in law, equity or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed (other than any claim for indemnification I may have as a result of any third party action against me based on my employment with the Company), arising out of or in any way related to agreements, events, acts or conduct at any time prior to the date I execute this Release, including, but not limited to: all such claims and demands directly or indirectly arising out of or in any way connected with my employment with the Company or the termination of that employment, including, but not limited to, claims of intentional and negligent infliction of emotional distress, any and all tort claims for personal injury, claims or demands related to salary, bonuses, commissions, stock, stock options, or any other ownership interests in the Company, vacation pay, fringe benefits, expense reimbursements, severance pay, or any other form of compensation; and claims pursuant to any federal, state or local law or cause of action including, but not limited to, the federal Civil Rights Act of 1964, as amended, the federal Age Discrimination in Employment Act of 1967, as amended ("***ADEA***"), the federal Employee Retirement Income Security Act of 1974, as amended, the federal Americans with Disabilities Act of 1990, the California Fair Employment and Housing Act, as amended, the New York City Human Rights Law, as amended, the Massachusetts Fair Employment Practices Law, as amended, the South Carolina Human Affairs Law, as amended, tort law, contract law, wrongful discharge, discrimination, fraud, defamation, emotional distress, and breach of the implied covenant of good faith and fair dealing; provided, however, that nothing in this paragraph shall be construed in any way to (1) release the Company from its obligation to indemnify me pursuant to the Company's indemnification obligation pursuant to written agreement or applicable law; (2) release any claim by me against the Company relating to the validity or enforceability of this release or the Agreement; (3) release any claim that cannot be waived by private agreement as a matter of law; or (4) prohibit me from exercising any non-waivable right to file a charge with the United States Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board ("NLRB"), or any other federal, state or local government agency (provided, however, that I shall not be entitled to recover any monetary damages or to obtain non-monetary relief if the agency were to pursue any claims relating to my employment with the Company).

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA. I also acknowledge that the consideration given under the Agreement for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that:

(A) my waiver and release do not apply to any rights or claims that may arise on or after the date I execute this Release; (B) I have the right to consult with an attorney prior to executing this Release; (C) I have forty-five (45) days to consider this Release (although I may choose to voluntarily execute this Release earlier); (D) I have seven (7) days following my execution of this Release to revoke the Release by providing a written notice of revocation to the Company's Chief Executive Officer; (E) this Release shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day (8th) after I execute this Release; and (F) I have received with this Release the required written disclosure for a "group termination" under the ADEA, including a detailed list of the job titles and ages of all employees who were terminated in this group termination and the ages of all employees of the Company in the same job classification or organizational unit who were not terminated.

I hereby represent that I have been paid all compensation owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, pursuant to the federal Family and Medical Leave Act, the California Family Rights Act, any Company policy or applicable law, and I have not suffered any on-the-job injury or illness for which I have not already filed a workers' compensation claim.

I agree that I will not engage in any conduct that is injurious to the reputation of the Company or its parents, subsidiaries and affiliates, including but not limited to disparagement of the Company, its officers, Board members, employees and shareholders. The Company agrees not to authorize any communications that would disparage Executive; provided, however, that the foregoing shall not be violated by truthful statements required by legal process. The foregoing shall not be violated by a statement made in a deposition, trial or administrative proceeding in response to legal process; by any statement made to a government agency; or whenever I make any statement to a court, administrative tribunal or government agency as required by law.

EXECUTIVE:

_____

Signature

_____

Printed Name

Date: _____

Exhibit 10.11

EXECUTION COPY

***** = INDICATES MATERIAL THAT WAS OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT WAS REQUESTED. ALL SUCH OMITTED MATERIAL WAS FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 406 PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.**

EXCLUSIVE LICENSE AGREEMENT

by and between

ONYX THERAPEUTICS, INC.

and

KEZAR LIFE SCIENCES, INC.

Dated as of June 11, 2015

TABLE OF CONTENTS

*** = INDICATES MATERIAL THAT WAS OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT WAS REQUESTED. ALL SUCH OMITTED MATERIAL WAS FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 406 PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

Exhibit List

*** = INDICATES MATERIAL THAT WAS OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT WAS REQUESTED. ALL SUCH OMITTED MATERIAL WAS FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 406 PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

EXCLUSIVE LICENSE AGREEMENT

This EXCLUSIVE LICENSE AGREEMENT (this "**Agreement**") is entered into as of June 11, 2015 (the "**Effective Date**") by and between ONYX THERAPEUTICS, INC., a Delaware corporation having an address at 249 E. Grand Avenue, South San Francisco, CA 94080 ("**ONYX**"), and KEZAR LIFE SCIENCES, INC., a Delaware corporation having an address at 391 Carl Street, San Francisco, CA 94117 ("**KEZAR**"). KEZAR and ONYX are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**".

RECITALS

WHEREAS, ONYX possesses certain rights to patents and other intellectual property related to Products (as hereinafter defined);

WHEREAS, KEZAR desires to license from ONYX such intellectual property rights, and to commercially develop, manufacture, use and distribute Products based upon the same throughout the world, and ONYX desires to grant such a license to KEZAR in accordance with the terms and conditions of this Agreement; and

WHEREAS, concurrently with the execution and delivery of this Agreement, the Parties are entering into a stock purchase agreement with the other investors named therein, dated as of the date of this Agreement, providing for the issuance to ONYX of Series A Preferred Stock of KEZAR.

NOW THEREFORE, in consideration of the premises and the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE 1. DEFINITIONS

All references to particular Exhibits, Articles or Sections shall mean the Exhibits to, and Articles and Sections of, this Agreement, unless otherwise specified. For the purposes of this Agreement and the Exhibits hereto, the following words and phrases shall have the following meanings:

Section 1.1 "**Abandoned Patent Right**" shall have the meaning set forth in Section 4.2 (ONYX Step-In Right).

Section 1.2 "**Agreement**" shall have the meaning set forth in the Preamble.

Section 1.3 "**Affiliate**" means, with respect to any Person, any other Person which controls, is controlled by or is under common control with such Person, for as long as such control exists. For purposes of this Section, "control" shall mean the direct or indirect ownership of more than fifty percent (50%) of the voting or economic interest of a Person, or the power, whether pursuant to contract, ownership of securities or otherwise, to direct the management and policies of a Person. For clarity, once a Person ceases to be an Affiliate of a Party, then, without any further action, such Person shall cease to have any rights, including license and sublicense rights, under this Agreement by reason of being an Affiliate of such Party.

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Section 1.4 "**Arbitrator**" shall have the meaning set forth in Section 4.6 (c) (Patent Term Extensions and Filings for Regulatory Exclusivity Periods).

Section 1.5 "**Audited Party**" shall have the meaning set forth in Section 3.6 (Records and Audits).

Section 1.6 "**Commercially Reasonable Efforts**" means, with respect to a Party, those efforts and resources commensurate with those efforts commonly used in the pharmaceutical industry by a company of comparable size in connection with the development or commercialization of pharmaceutical products that are of similar status, including, with respect to commercial potential, the proprietary position of the product, the regulatory status and approval process, the probable profitability of the applicable product, and other relevant factors such as technical, legal, scientific or medical factors. In determining the level of efforts constituting "**Commercially Reasonable Efforts**," the following shall not be taken into account: (a) any other pharmaceutical product KEZAR is then researching, developing or commercializing, alone or with one or more collaborators, or (b) any payment required to be made to ONYX hereunder.

Section 1.7 "**Confidential Information**" shall have the meaning set forth in Section 8.1.1 (Confidential Information).

Section 1.8 "**Control**" or "**Controlled**" means, with respect to any Know-How, material, Patent Right, or other intellectual property right, the possession (whether by ownership or license) by a Party or its Affiliate of the ability to grant to the other Party a license or access as provided herein to such Know-How, material, Patent Right, or other intellectual property right, without violating the terms of any agreement or other arrangement with any Third Party, or being obligated to pay any royalties or other consideration therefor, in existence as of the time such Party or its Affiliates would first be required hereunder to grant the other Party such license or access; ***provided, however,*** that if (a) ONYX would Control any Know-How, material, Patent Right, or other intellectual property right *but for* an obligation to pay royalties or other consideration in connection with a grant to Kezar of such Know-How, material, Patent Right, or other intellectual property right and (b) KEZAR agrees in writing to reimburse ONYX for all such royalties or other consideration, then such Know-How, material, Patent Right, or other intellectual property right shall be deemed Controlled by ONYX.

Section 1.9 "**Cover**" means (a) with respect to Know-How, such Know-How was used in the Exploitation of the product, and (b) with respect to a Patent Right, a Valid Claim would (absent a license thereunder or ownership thereof) be Infringed by the Exploitation of the product; ***provided, however,*** that in determining whether a Valid Claim that is a claim of a pending application would be Infringed, it shall be treated as if issued as then currently being prosecuted. Cognates of the word "**Cover**" shall have correlative meanings.

Section 1.10 "**Defending Party**" shall have the meaning set forth in Section 4.4 (Defense of Third Party Claims).

Section 1.11 "**Designated Investment Document Terms**" means:

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Section 1.12 "**Disclosing Party**" shall have the meaning set forth in Section 8.1.1 (Confidential Information).

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Section 1.13 "**Effective Date**" shall have the meaning set forth in the Preamble.

Section 1.14 "**EMA**" means the European Medicines Agency or any successor entity thereto.

Section 1.15 "**Enforcing Party**" shall have the meaning set forth in Section 4.3.3 (Cooperation with Respect to Enforcement).

Section 1.16 "**Excluded Field**" means any and all uses related to the diagnosis and/or treatment in humans of cancerous or Pre-Cancerous diseases and/or conditions, including those related to hematological diseases and/or conditions.

Section 1.17 "**Exclusivity Period**" shall have the meaning set forth in Section 2.3 (Right of First Negotiation).

Section 1.18 "**Executive Officers**" means (a) with respect to KEZAR, the Chief Executive Officer of KEZAR, or any other person that such officer designates from time to time, and (b) with respect to ONYX, the Vice President of Intellectual Property Law of Amgen Inc., or any other person that such officer designates from time to time.

Section 1.19 "**Exploit**" means to research, develop, make, have made, use, market, offer for sale, sell, import, export or otherwise exploit, or transfer possession of or title in, a product. Cognates of the word "**Exploit**" shall have correlative meanings.

Section 1.20 "**FDA**" means the United States Food and Drug Administration or any successor entity thereto.

Section 1.21 "**First Commercial Sale**" means, with respect to any Royalty-Bearing Product in any country, the first sale for end use or consumption of such Royalty-Bearing Product in such country after Marketing Approval has been granted in such country.

Section 1.22 "**FTE Rate**" means $*** per hour.

Section 1.23 "**GAAP**" means the current generally accepted accounting principles in the United States as established by the Financial Accounting Standards Board or any successor entity or other entity generally recognized as having the right to establish such principles in the United States, in each case consistently applied.

Section 1.24 "**Governmental Authority**" means any court, agency, department, authority or other instrumentality of any national, state, county, city or other political subdivision.

Section 1.25 "**Infringe**" or "**Infringement**" means any infringement of a Patent Right, including, without limitation, direct infringement, contributory infringement or any inducement to infringe.

Section 1.26 "**Initiation**" means, with respect to a clinical trial, the first dosing in the first patient in such clinical trial.

Section 1.27 "**Investment Documents**" means ***.

Section 1.28 "**Issuing Party**" shall have the meaning set forth in Section 8.2.2 (Review).

Section 1.29 "**KEZAR**" shall have the meaning set forth in the Preamble.

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Section 1.30 "**KEZAR Indemnified Parties**" shall have the meaning set forth in Section 7.1.1 (By ONYX).

Section 1.31 "**Kirk Agreements**" shall have the meaning set forth in Section 6.5(a) (Non-Solicitation, Etc.).

Section 1.32 "**Know-How**" means techniques, technology, trade secrets, inventions (whether patentable or not), methods, know-how, data and results (including pharmacological, toxicological and clinical data and results), analytical and quality control data and results, regulatory documents, and other information, compositions of matter, cells, cell lines, assays, animal models and other physical, biological, or chemical material.

Section 1.33 "**Law**" means, individually and collectively, any and all laws, ordinances, rules, directives, administrative circulars and regulations of any kind whatsoever of any Governmental Authority within the applicable jurisdiction.

Section 1.34 "**Licensed Field**" means any and all uses except for uses in the Excluded Field.

Section 1.35 "**Licensed Know-How**" means all Know-How that both (a) is Controlled by ONYX and (b) was actually used by ONYX in its research, development and manufacturing of the Product prior to the Effective Date, including the Know-How set forth on Exhibit A. For clarity, Licensed Know-How includes any intellectual property rights under any Patent Rights Controlled by ONYX as of the Effective Date to the extent that the foregoing remain Know-How and are not included in Licensed Patents.

Section 1.36 "**Licensed Materials**" means those certain materials set forth on Table 1 of Exhibit A.

Section 1.37 "**Licensed Patents**" means the Patent Rights set forth on Exhibit B.

Section 1.38 "**Major Market Country**" means any of the United States of America, Japan, the United Kingdom, France, Italy, Germany and Spain.

Section 1.39 "**Major Pharmaceutical Company**" means any pharmaceutical or biotechnology company whose (a) (i) securities are traded on a securities exchange that has registered with the U.S. Securities and Exchange Commission under Section 6 of the Securities Exchange Act of 1934, as amended, and (ii) market capitalization exceeds ***, or (b) annual sales exceed ***.

Section 1.40 "**Marketing Approval**" means all approvals, licenses, registrations or authorizations of the Regulatory Authority in a country, necessary for the manufacture, use, storage, import, marketing and sale of a Royalty-Bearing Product in such country.

Section 1.41 "**Milestone Events**" shall have the meaning set forth in Section 3.1 (Milestone Payment).

Section 1.42 "**Milestone Payments**" shall have the meaning set forth in Section 3.1 (Milestone Payment).

Section 1.43 "**Negotiation Notice**" shall have the meaning set forth in Section 2.3 (Right of First Negotiation).

Section 1.44 "**Net Sales**" means, with respect to any Royalty-Bearing Product, the gross sales price of such Royalty-Bearing Product sold by KEZAR, its Affiliates or Sublicensee(s) (the "**Selling Party**") to Third Parties, less:

(a) non-recoverable sales taxes, excise taxes, use taxes, VAT and duties paid by the Selling Party in relation to Royalty-Bearing Product(s) and any other equivalent governmental charges imposed upon the importation, use or sale of Royalty-Bearing Product(s) (excluding taxes when assessed on income derived from sales);

(b) credits and allowances (actually allowed or paid) for defective or returned Royalty-Bearing Product(s), including allowances for spoiled, damaged, out-dated, rejected, returned, withdrawn or recalled Royalty-Bearing Product(s);

(c) governmental and other rebates, refunds, and chargebacks (or equivalents thereof) granted to managed health care organizations, pharmacy benefit managers (or equivalents thereof), federal, state, provincial, local and other governments, their agencies and purchasers and reimbursers or to trade customers, in each case with respect to such Royalty-Bearing Product;

(d) reasonable fees paid to wholesalers, distributors, selling agents (excluding any sales representatives of a Selling Party), group purchasing organizations, Third Party payors, other contractees and managed care entities, in each case with respect to such Royalty-Bearing Product;

(e) reasonable transportation charges relating to Royalty-Bearing Product(s), including handling charges and insurance premiums relating thereto to the extent included as a separate entry on the invoice for such product ***;

(f) retroactive price reductions actually granted to the Third Party applicable to sales of such product;

(g) trade, cash, prompt payment and/or quantity discounts, actually allowed and taken directly by the Third Party, and mandated discounts; and

(h) that portion of the annual fee on prescription drug manufacturers imposed by the Patient Protection and Affordable Care Act, Pub. L. No. 111-148 (as amended), that KEZAR, its Affiliates, or its or their Sublicensees, as applicable, allocate to sales of Royalty-Bearing Products in accordance with their respective standard policies and procedures consistently applied across their respective products.

Net Sales will be determined from books and records maintained in accordance with GAAP, consistently applied throughout the organization and across all products of the entity whose sales of Royalty-Bearing Products are giving rise to Net Sales.

Net Sales shall also include, with respect to any Royalty-Bearing Product sold or otherwise disposed of for any consideration other than an exclusively monetary consideration on bona fide arm's length terms, an amount equal to the average sales price for such Royalty-Bearing Product having the same dosage form and strength during the applicable reporting period in the country where such sale or other disposal occurred when such Royalty-Bearing Product is sold alone and not with other products, or if such Royalty-Bearing Product is not sold alone in such country during the applicable reporting period, then an amount equal to the average sales price during the applicable reporting period generally achieved for such Royalty-Bearing Product having the same dosage form and strength in the rest of the Territory, in each case in lieu of any other consideration received for such sale or disposition. For the

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avoidance of doubt, sales of a Royalty-Bearing Product for use in conducting clinical trials of such Royalty-Bearing Product in a country in order to obtain approval of a Regulatory Authority of such Royalty-Bearing Product in such country shall be excluded from Net Sales calculations for all purposes. Also, notwithstanding anything to the contrary above, sales of a Royalty-Bearing Product for any compassionate use or named patient sales shall be excluded from Net Sales calculations.

Where a Royalty-Bearing Product is sold in combination with other pharmaceutical products, diagnostic products, or active ingredients (collectively, "**Combination Components**") the Net Sales applicable to such transaction shall be calculated by multiplying the total Net Sales of such combined product by the fraction A/(A+B), where A is the actual price of the Royalty-Bearing Product in the same dosage amount or quantities in the applicable country during the applicable quarter if sold separately, and B is the sum of the actual prices of all Combination Components with which the Royalty-Bearing Product is combined, in the same dosage amount or quantities in the applicable country during the applicable quarter if sold separately. If A or B cannot be determined because values for the Royalty-Bearing Product or Combination Components with which the Royalty-Bearing Product is combined are not available separately in a particular country, then ONYX and KEZAR shall discuss an appropriate allocation for the fair market value of the Royalty-Bearing Product and Combination Components with which the Royalty-Bearing Product is combined to mutually determine Net Sales for the relevant transactions based on an equitable method of determining the same that takes into account, in the Territory, variations in potency, the relative contribution of each therapeutically active ingredient or other component, and the relative value to the end user of each therapeutically active ingredient or other component.

Sales of Royalty-Bearing Product(s) between or among KEZAR and its Affiliates or Sublicensees shall be excluded from the computation of Net Sales and no payments shall be payable on such sales except where such Affiliates or Sublicensees are end users.

Section 1.45 "**ONYX**" shall have the meaning set forth in the Preamble.

Section 1.46 "**ONYX Indemnified Parties**" shall have the meaning set forth in Section 7.1.2 (By KEZAR).

Section 1.47 "**Out-License**" shall have the meaning set forth in Section 2.3 (Right of First Negotiation).

Section 1.48 "**Party**" and "**Parties**" shall have the meaning set forth in the Preamble.

Section 1.49 "**Patent Rights**" means any provisional and non-provisional patents and patent applications, together with all additions, divisions, continuations, continuations-in-part, substitutions, and reissues claiming priority thereto, as well as any re-examinations, extensions, registrations, patent term extensions, supplemental protection certificates, renewals and the like with respect to any of the foregoing and all foreign counterparts thereof.

Section 1.50 "**Person**" means any corporation, limited or general partnership, limited liability company, joint venture, trust, unincorporated association, governmental body, authority, bureau or agency, any other entity or body, or an individual.

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Section 1.51 "**Phase 2 Clinical Trial**" means any human clinical trial of a Royalty-Bearing Product conducted mainly to test the effectiveness of chemical or biologic agents or other types of interventions for purposes of identifying the appropriate dose for a Phase 3 Clinical Trial for a particular indication or indications that would satisfy the requirements of 21 CFR § 312.21(b) or its non-United States equivalents. A Phase 2/3 Clinical Trial shall be deemed to be a Phase 2 Clinical Trial with respect to the portion of that clinical trial that is regarded as its Phase 2 component, in accordance with the applicable protocol.

Section 1.52 "**Phase 2b Clinical Trial**" means the first human clinical trial of a Royalty-Bearing Product conducted mainly to determine whether to conduct a Phase 3 Clinical Trial.

Section 1.53 "**Phase 3 Clinical Trial**" means any human clinical trial of a Royalty-Bearing Product designed to: (a) establish that such Royalty-Bearing Product is safe and efficacious for its intended use; (b) define warnings, precautions and adverse reactions that are associated with the Royalty-Bearing Product in the dosage range to be prescribed; and (c) support regulatory approval of such Royalty-Bearing Product, that would satisfy the requirements of 21 CFR § 312.21(c) or its non-United States equivalents. A Phase 2/3 Clinical Trial shall be deemed to be a Phase 3 Clinical Trial with respect to the portion of that clinical trial that is regarded as its Phase 3 component, in accordance with the applicable protocol.

Section 1.54 "**Pre-Cancerous**" means a disease or condition ***. Without limiting the preceding definition, examples of Pre-Cancerous diseases or conditions are ***. For clarity, the following diseases or conditions shall not be regarded as Pre-Cancerous for purposes of this Agreement: inflammatory diseases or disorders, including acute and chronic autoimmune disorders, acute and chronic inflammation resulting from an infectious disease, acute and chronic inflammation resulting from allogeneic transplantation, injury or drug toxicity, allergies, and organ specific disorders associated with inflammation (e.g., atherosclerosis).

Section 1.55 "**Product**" means any pharmaceutical product that (a) contains a Specified Compound, (b) is not known or reasonably believed by KEZAR or its Affiliates or their respective officers, directors or employees, at the time that pre-clinical development is initiated, to be effective for cancerous or Pre-Cancerous diseases and/or conditions, including those related to hematological diseases and/or conditions, and (c) has a sub-structure set forth on Exhibit D.

Section 1.56 "**Receiving Party**" shall have the meaning set forth in Section 8.1.1 (Confidential Information).

Section 1.57 "**Regulatory Authority**" means any Governmental Authority or other authority responsible for granting Marketing Approvals for Royalty-Bearing Products, including the FDA, EMA and any corresponding national or regional regulatory authorities.

Section 1.58 "**Regulatory Exclusivity**" means, with respect to a Royalty-Bearing Product, any exclusive marketing rights or data exclusivity rights conferred by the applicable Regulatory Authority with respect to such Royalty-Bearing Product other than a Patent Right.

Section 1.59 "**Regulatory Filing**" means any filing with any Governmental Authority with respect to the research, development, manufacture, distribution, pricing, reimbursement, marketing or sale of a Royalty-Bearing Product.

Section 1.60 "**Release**" shall have the meaning set forth in Section 8.2.2 (Review).

Section 1.61 "**Restricted Period**" means the period beginning on *** and ending at ***.

Section 1.62 "**Retained Patent Rights**" shall have the meaning set forth in 4.3.2 (Retained Patent Rights).

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Section 1.63 "**Reviewing Party**" shall have the meaning set forth in Section 8.2.2 (Review).

Section 1.64 "**Royalty-Bearing Product**" means any pharmaceutical product that contains a Specified Compound.

Section 1.65 "**Royalty Term**" shall have the meaning set forth in Section 3.2.1 (Royalty Rate; Royalty Term).

Section 1.66 "**Sale Transaction**" shall have the meaning set forth in Section 10.8 (Successors and Assigns).

Section 1.67 "**Service Provider**" means any third party contractor providing services to KEZAR in connection with a Royalty-Bearing Product (including any contract manufacturer, contract research organization or contract laboratory service provider).

Section 1.68 "**Specified Compound**" means any compound that is selective for immunoproteasome.

Section 1.69 "**Specified Patent Rights**" means any Patent Rights within the Licensed Patents that are part of the patent families described on Exhibit B ***

Section 1.70 "**Sublicensee(s)**" shall mean any Third Party to which a Party has granted a sublicense under this Agreement.

Section 1.71 "**Summary**" shall have the meaning set forth in Section 2.3 (Right of First Negotiation).

Section 1.72 "**Term**" shall have the meaning set forth in Section 9.1 (Term).

Section 1.73 "**Territory**" means the entire world.

Section 1.74 "**Third Party**" means a Person other than (a) ONYX or any of its Affiliates and (b) KEZAR or any of its Affiliates.

Section 1.75 "**Transaction Notice**" shall have the meaning set forth in Section 2.3 (Right of First Negotiation).

Section 1.76 "**Valid Claim**" means a claim of any issued and unexpired patent or patent application within the Licensed Patents that has not been held invalid or unenforceable by a final decision of a court or governmental agency of competent jurisdiction, which decision can no longer be appealed or was not appealed within the time allowed; ***provided, however,*** that if a claim of a pending patent application within the Licensed Patents shall not have issued within *** years after the earliest filing date from which such claim takes priority, such claim shall not constitute a Valid Claim for the purposes of this Agreement.

Section 1.77 "**VAT**" shall have the meaning set forth in Section 3.7.3 (VAT).

ARTICLE 2. LICENSE GRANT

Section 2.1 Grant. Subject to the terms and conditions of this Agreement, ONYX hereby grants, and hereby causes any of its Affiliates to grant, to KEZAR (a) an exclusive (even as to ONYX and its Affiliates), royalty-bearing, sublicenseable (but subject to, and only in accordance with, Section 2.2 (Sublicenses)), license under the Licensed Patents, and (b) a non-exclusive, royalty-bearing, sublicenseable (but subject to, and only in accordance with, Section 2.2 (Sublicenses)) license under the

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Licensed Know-How, in each case, to Exploit Product(s) in the Licensed Field in the Territory during the Term. Notwithstanding the foregoing, the Licensed Know-How shall be sublicenseable only in connection with the rights of KEZAR with respect to Products and not with respect to any other products or services. Notwithstanding the foregoing, ONYX and/or its Affiliates retain the right to Exploit Specified Compounds that are not Products.

Section 2.2 Sublicenses.

2.2.1 Sublicenses Generally. Subject to compliance by KEZAR with its obligations under Sections 2.2.2 (Restricted Period) and 2.3 (Right of First Negotiation), the licenses granted under Section 2.1 (Grant) may be sublicensed, in full or in part, by KEZAR by a written agreement to its Affiliates or Third Parties (with the right to sublicense through multiple tiers), ***provided, however***, that as a condition precedent to and requirement of any such sublicense: (a) any such permitted sublicense shall be consistent with and subject to the terms and conditions of this Agreement, and (b) KEZAR will continue to be responsible for full performance of KEZAR's obligations under the Agreement and will be responsible for all actions of such Sublicensee as if such Sublicensee were KEZAR hereunder.

2.2.2 Restricted Period. Notwithstanding the provisions of Section 2.2.1 (Sublicenses Generally), during the Restricted Period, KEZAR shall ***.

Section 2.3 Right of First Negotiation. If, ***, KEZAR seeks to grant a license or a similar transfer of rights, whether or not under the Licensed Patents or Licensed Know-How, to a Third Party for development and/or commercialization of any Royalty-Bearing Product (collectively, an "**Out-License**"), then KEZAR will notify ONYX in advance in writing and provide a non-confidential summary of the Royalty-Bearing Product that is the subject of the proposed license, as well as the intended scope (i.e., field and territory) of the Out-License (a "**Transaction Notice**"). If ONYX has a good faith interest in evaluating such Out-License for the purpose of itself entering into an agreement with respect to the Out-License, then ONYX will notify KEZAR within *** days of its receipt of the Transaction Notice setting forth that Onyx has a good faith interest in obtaining a license to the Royalty-Bearing Product that is the subject of the Out-License (a "**Negotiation Notice**"). Promptly after KEZAR's receipt of a Negotiation Notice, KEZAR will provide ONYX with a confidential summary of the Royalty-Bearing Product (each, a "**Summary**"), including material clinical and preclinical data (as well as such other information that ONYX may reasonably request), which Summary shall be deemed to be Confidential Information of KEZAR under this Agreement. For *** days following ONYX's receipt of a Summary (the "**Exclusivity Period**"), ONYX will have an exclusive right to negotiate in good faith an exclusive, royalty-bearing license to such Royalty-Bearing Product from KEZAR within the scope of the transaction described in the Transaction Notice. If ONYX (a) does not deliver a Negotiation Notice to KEZAR within the applicable *** day period, (b) does not deliver to KEZAR a written proposal for the terms of an Out-License to ONYX during the Exclusivity Period, or (c) declines in writing the Out-License after review of the Summary, then ONYX shall be deemed to have waived its rights under this Section 2.3 (Right of First Negotiation) with respect to such Royalty-Bearing Product (but solely to the extent materially consistent with the Transaction Notice). Notwithstanding the preceding sentence to the contrary, if ONYX and KEZAR do not mutually agree on the terms of an Out-License to ONYX within the Exclusivity Period, KEZAR will be free to negotiate an Out-License for such Royalty-Bearing Product with any Third Party, subject to the terms of Section 2.2.1 (Sublicenses Generally), for a period

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of *** (and at the end of such *** period, ONYX's right to exclusively negotiate an Out-License shall automatically be reinstated); ***provided***, ***however***, that KEZAR shall not be entitled to subsequently grant development or commercialization rights to a Third Party on financial and commercial terms materially less favorable, in the aggregate, to KEZAR than those last offered by ONYX or with a materially broader scope than as set forth in the Transaction Notice. For the sake of clarity, an Out-License shall not include the grant of a license to a Service Provider or to a Third Party distributor selling finished Royalty-Bearing Product purchased from KEZAR.

Section 2.4 Transfer of Licensed Know-How and Licensed Materials. ONYX shall transfer to KEZAR the Licensed Know-How and Licensed Materials listed on Exhibit A in accordance with the protocols listed on Exhibit A. Thereafter, to the extent reasonably requested by KEZAR in connection with its Exploitation of a Product, ONYX shall provide reasonable consulting support to KEZAR as specified in Exhibit A at KEZAR's expense (including ONYX's employee's time at the FTE Rate). KEZAR acknowledges that the Licensed Materials transferred by ONYX to KEZAR under this Agreement are experimental in nature and may have unknown characteristics and therefore agrees to use prudence and reasonable care in the use, handling, storage, transportation and disposition and containment of any such Licensed Materials. Accordingly, no such Licensed Materials shall be used in any human application, including any clinical trial.

Section 2.5 No Other Rights. KEZAR acknowledges that the rights and licenses granted under this Article 2 (License Grant) and elsewhere in this Agreement are limited to the scope expressly granted. Accordingly, except for the rights expressly granted under this Agreement, no right, title, or interest of any nature whatsoever is granted whether by implication, estoppel, reliance, or otherwise, by ONYX to KEZAR. All rights that are not specifically granted herein are reserved to ONYX. Without limiting the foregoing, KEZAR hereby acknowledges that ONYX retains the right to Exploit, and authorize (by license or otherwise) Third Parties to Exploit, any product other than a Product even if such product is Covered by a claim within the Licensed Patents.

Section 2.6 Limited Exploitation Rights. Without limiting the provisions of Section 2.5 (No Other Rights), KEZAR agrees (on behalf of itself and its Affiliates), and shall cause each of its Sublicensees to agree as a condition to the grant of a sublicense, not to Exploit any Licensed Know-How or Licensed Patents for any products other than Products.

Section 2.7 Distracting Activities. Following the Effective Date and at all times during the Term, KEZAR shall not, by itself or through its Affiliates or Third Parties, and shall not assist any Person in any efforts to, research, develop, manufacture or commercialize any proteasome inhibitors or immunoproteasome inhibitors for the diagnosis and/or treatment in humans of cancerous or Pre-Cancerous diseases and/or conditions, including those related to hematological diseases and/or conditions. Notwithstanding anything herein to the contrary, the restrictions set forth in this Section 2.7 (Distracting Activities) shall not apply to ***, ***provided, however***, that ***, and ***

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ARTICLE 3. FEES, ROYALTIES, & PAYMENTS

Section 3.1 Milestone Payment.

3.1.1 KEZAR shall pay to ONYX certain milestone payments ("**Milestone Payments**") following the first occurrence of certain milestone events, as set forth in Section 3.1.2 (the "**Milestone Events**"). KEZAR shall pay to ONYX the applicable Milestone Payment within *** days after the first occurrence of an applicable Milestone Event. For clarity, (a) each Milestone Payment is payable only once, (b) no Milestone Payment shall be payable for subsequent or repeated achievements of such Milestone Event with respect to one or more of the same or different Royalty-Bearing Products, and (c) no more than $172,500,000 shall be payable to ONYX under this Section 3.1. Each of the Milestone Payments shall be non-refundable and non-creditable. In the event that a Milestone Event relating to clinical development is achieved and payment with respect to the previous Milestone Event(s) has not been made by KEZAR, then KEZAR shall pay ONYX all such unpaid payments with respect to such previous Milestone Event(s) at the same time that the Milestone Payment for the later Milestone Event is paid.

3.1.2 The Milestone Events and Milestone Payments to be made pursuant to Section 3.1.1 shall be as follows:

Milestone Event	Milestone Payment
***	***
***	***
***	***
***	***
***	***
***	***
***	***
***	***
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Section 3.2 Royalties.

3.2.1 Royalty Rate; Royalty Term. KEZAR shall pay to ONYX the tiered royalties set forth in Section 3.2.2 on annual Net Sales of each Royalty-Bearing Product sold by a Selling Party during the applicable Royalty Term. Royalties will be payable on a quarterly basis and any such payments shall be made within *** days after the end of the calendar quarter during which the applicable Net Sales occurred. KEZAR's obligation to pay royalties with respect to a Royalty-Bearing Product in a particular country shall commence upon the First Commercial Sale of such Royalty-Bearing Product in such country and shall expire on a country-by-country and Royalty-Bearing Product-by-Royalty-Bearing Product basis on the later of (a) the date on which the Exploitation of a Royalty-Bearing Product is no longer Covered by a Valid Claim of a Licensed Patent in such country, (b) the loss of Regulatory Exclusivity for the Royalty-Bearing Product in such country, or (c) the tenth (10th) anniversary of the First Commercial Sale of the Royalty-Bearing Product in such country (the "**Royalty Term**").

3.2.2 Royalty Tiers. The royalty rates payable under Section 3.2.1 shall be calculated on a Royalty-Bearing Product-by-Royalty Bearing Product basis as follows:

(a) *** on the portion of annual Net Sales for a Royalty-Bearing Product less than ***;

(b) *** on the portion of annual Net Sales for a Royalty-Bearing Product between *** and ***, inclusive; and

(c) *** on the portion of annual Net Sales for a Royalty-Bearing Product greater than ***.

For the avoidance of doubt, if a Royalty-Bearing Product is covered by more than one Licensed Patent, the above royalty shall be paid only once.

3.2.3 No Valid Claim. On a country-by-country and Royalty-Bearing Product-by-Royalty-Bearing Product basis, in the event that the Exploitation of a Royalty-Bearing Product is not Covered by a Valid Claim of a Licensed Patent in such country, then the royalty rate set forth in Section 3.2.2 (Royalty Tiers) with respect to Net Sales for such Royalty-Bearing Product in such country shall be reduced by ***, effective as of the date such Royalty-Bearing Product is no longer Covered by a Valid Claim of a Licensed Patent in such country.

3.2.4 Third-Party Intellectual Property. In the event that a Third Party Controls intellectual property relating to Royalty-Bearing Products that is necessary for the Exploitation of a Royalty-Bearing Product, then KEZAR shall have the right (but not the obligation) to obtain such license to such Third Party intellectual property. In such an event, *** of the royalties that KEZAR actually pays to such Third Party for the Exploitation of such Royalty-Bearing Product in a country during a calendar quarter may be credited against royalties otherwise payable by KEZAR to ONYX under Section 3.2.1 (Royalty Rate; Royalty Term) for such Royalty-Bearing Product in such country in such calendar quarter.

3.2.5 Maximum Reduction. The maximum aggregate reduction in the royalty rate otherwise payable by KEZAR to ONYX under Section 3.2.1 (Royalty Rate; Royalty Term) with respect to any Royalty-Bearing Product in any country during a given calendar quarter during the applicable Royalty Term pursuant to Sections 3.2.3 (No Valid Claim) and 3.2.4 (Third-Party Intellectual Property) shall be ***.

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3.2.6 Mutual Convenience of the Parties. The royalty and other payment obligations set forth hereunder have been agreed to by the Parties for the purpose of reflecting and advancing their mutual convenience, including the ease of calculating and paying royalties and other amounts to ONYX. KEZAR hereby stipulates to the fairness and reasonableness of such royalty and other payments obligations and covenants not to allege or assert, nor to allow any of its Affiliates or Sublicensees, as applicable, to allege or assert, nor further to cause or support any other Third Parties to allege or assert, that any such royalty or other payments obligations are unenforceable or illegal in any way.

Section 3.3 Method of Payment. Unless otherwise agreed by the Parties, all payments due from KEZAR to ONYX under this Agreement shall be paid in U.S. Dollars by wire transfer or electronic funds transfer of immediately available funds to the following account:

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After the First Commercial Sale of the first Royalty-Bearing Product and until expiration of the last Royalty Term, KEZAR shall prepare and deliver to ONYX royalty reports of the sale of Royalty-Bearing Products by the Selling Parties for each calendar quarter within *** days of the end of each such calendar quarter specifying on a Royalty-Bearing Product-by-Royalty-Bearing Product and country-by-country basis: (a) total gross amounts for each Royalty-Bearing Product sold or otherwise disposed of by a Selling Party; (b) amounts deducted by category in accordance with Section 1.44 ("Net Sales") from gross amounts to calculate Net Sales; (c) Net Sales; and (d) royalties payable.

Section 3.4 Currency Conversion. In the case of sales outside the United States, payments received by a Selling Party will be expressed in the U.S. Dollar equivalent calculated on a quarterly basis in the currency of the country of sale and converted to their U.S. Dollar equivalent using the average rate of exchange over the applicable calendar quarter to which the sales relate, in accordance with GAAP and the then current standard methods of KEZAR or the other applicable Selling Party, to the extent reasonable and consistently applied; ***provided, however,*** that if, at such time, KEZAR or such other Selling Party does not use a rate for converting into U.S. Dollar equivalents that is maintained in accordance with GAAP, then KEZAR or such other Selling Party shall use a rate of exchange which corresponds to the rate of exchange for such currency reported in *The Wall Street Journal*, Internet U.S. Edition at www.wsj.com, as of the last day of the applicable reporting period (or, if unavailable on such date, the first date thereafter on which such rate is available). KEZAR will (a) inform ONYX as to the specific exchange rate translation methodology used for a particular country or countries and (b) cause any other Selling Party to comply with the terms of this Section 3.4.

Section 3.5 Late Payments. In the event that any payment due hereunder is not made when due, the payment shall accrue interest beginning on the day following the due date thereof, calculated at the annual rate of the sum of (a) *** plus (b) the prime interest rate quoted by *The Wall Street Journal*, Internet U.S. Edition at www.wsj.com on the date said payment is due, the interest being compounded on the last day of each calendar quarter; ***provided, however,*** that in no event shall said annual interest rate exceed the maximum rate permitted by Law. Each such payment when made shall be accompanied by all interest so accrued. Said interest and the payment and acceptance thereof shall not negate or waive the right of any Party to seek any other remedy, legal or equitable, to which it may be entitled because of the delinquency of any payment including, but not limited to termination of this Agreement as set forth in Article 9 (Term & Termination).

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Section 3.6 Records and Audits. KEZAR will keep complete and accurate records of the underlying revenue and expense data relating to the calculations of Net Sales generated in the then current calendar year and payments required under this Agreement, and during the preceding *** calendar years. ONYX will have the right, once annually at its own expense, to have a nationally recognized, independent, certified public accounting firm, selected by it and subject to KEZAR's prior written consent (which shall not be unreasonably withheld, conditioned or delayed), review any such records of KEZAR and its Affiliates and Sublicensees (the "**Audited Party**") in the location(s) where such records are maintained by the Audited Party upon reasonable written notice (which shall be no less than *** days' prior written notice) and during regular business hours and under obligations of strict confidence, for the sole purpose of verifying the basis and accuracy of payments made under Section 3.2 (Royalties) within the *** month period preceding the date of the request for review. No calendar year will be subject to audit under this Section 3.6 (Records and Audits) more than once. KEZAR will receive a copy of each such report concurrently with receipt by ONYX. Should such inspection lead to the discovery of a discrepancy to ONYX's detriment, KEZAR will, within *** days after receipt of such report from the accounting firm, pay any undisputed amount of the discrepancy together with interest at the rate set forth in Section 3.5 (Late Payments). ONYX will pay the full cost of the review unless the underpayment of amounts due to ONYX is greater than *** of the amount due for the entire period being examined (provided, that the *** underpayment is equivalent to *** or more), in which case KEZAR will pay the cost charged by such accounting firm for such review. Should the audit lead to the discovery of a discrepancy to KEZAR's detriment, KEZAR may credit the amount of the discrepancy, without interest, against future payments payable to ONYX under this Agreement, and if there are no such payments payable, then ONYX shall pay to KEZAR the amount of the discrepancy, without interest, within *** days of ONYX's receipt of the report.

Section 3.7 Taxes.

3.7.1 Sales Tax. KEZAR is responsible for the payment of any state or local, sales or use, or similar fees or taxes arising as a result of the transfer of Licensed Materials by ONYX to KEZAR pursuant to Section 2.4 (Transfer of Licensed Know-How and Licensed Materials), and KEZAR will remit such fees or taxes to ONYX, as the collection agent, upon invoice.

3.7.2 Withholding. In the event that any Law requires KEZAR to withhold taxes with respect to any payment to be made by KEZAR pursuant to this Agreement, KEZAR will notify ONYX of such withholding requirement prior to making the payment to ONYX and provide such assistance to ONYX, including the provision of such standard documentation as may be required by a tax authority, as may be reasonably necessary in ONYX's efforts to claim an exemption from or reduction of such taxes. KEZAR will, in accordance with such Law withhold taxes from the amount due, remit such taxes to the appropriate tax authority, and furnish ONYX with proof of payment of such taxes within *** days following the payment. If taxes are paid to a tax authority, KEZAR shall provide reasonable assistance to ONYX to obtain a refund of taxes withheld, or obtain a credit with respect to taxes paid.

3.7.3 VAT. All payments due to ONYX from KEZAR pursuant to this Agreement shall be paid exclusive of any value-added tax ("**VAT**") (which, if applicable, shall be payable by KEZAR upon receipt of a valid VAT invoice). If ONYX determines that it is required to report any such tax, KEZAR shall promptly provide ONYX with applicable receipts and other documentation necessary or appropriate for such report. For clarity, this Section 3.7.3 (VAT) is not intended to limit KEZAR's right to deduct value-added taxes in determining Net Sales.

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ARTICLE 4. PATENT PROSECUTION, MAINTENANCE, & INFRINGEMENT

Section 4.1 Prosecution and Maintenance. KEZAR shall have the first right to file, prosecute and maintain all Patent Rights specified under Licensed Patents at KEZAR's sole expense using outside counsel reasonably acceptable to ONYX. KEZAR will use Commercially Reasonable Efforts to prepare, file, prosecute, defend and maintain all Patent Rights specified under Licensed Patents; ***provided, however,*** that KEZAR does not represent or warrant that any patent will issue or be granted based on patent applications contained in the Licensed Patents. ONYX shall reasonably cooperate with KEZAR's reasonable requests for data, affidavits, and other information and assistance to support prosecution and maintenance of the Patent Rights in the Licensed Patents; ***provided, however,*** that KEZAR shall reimburse ONYX for its reasonable, documented out-of-pocket expenses with respect to such cooperation (including ONYX's employee's time at the FTE Rate), within thirty (30) days of receiving a written invoice therefor. KEZAR shall keep ONYX reasonably informed, in person or by telephone or e-mail, regarding the status of such prosecution and maintenance activities, and shall promptly upon receipt of request from Onyx, forward to ONYX copies of any material office actions, communications, and correspondence relating to the Licensed Patents. ONYX shall have the right to comment on and to discuss material prosecution and maintenance activities with KEZAR, and KEZAR shall in good faith consider incorporating any reasonable comments provided by Onyx in connection therewith.

Section 4.2 ONYX Step-In Right. Notwithstanding the foregoing, if KEZAR declines to file, prosecute or maintain any Patent Rights, elects to allow any Patent Rights to lapse in any country, or elects to abandon any Patent Rights (in each case to the extent contained in the Licensed Patents) before all appeals within the respective patent office have been exhausted (each, an "**Abandoned Patent Right**"), then:

(a) KEZAR shall provide ONYX with reasonable notice of such decision so as to permit ONYX to decide whether to file, prosecute or maintain such Abandoned Patent Rights and to take any necessary action (which notice shall, in any event, be given no later than *** days prior to the final (i.e., unextendable) deadline for any action that may be taken with respect to such Abandoned Patent Right with the U.S. Patent & Trademark Office or any foreign patent office).

(b) ONYX may assume control, at ONYX's expense, of the filing, prosecution and/or maintenance of such Abandoned Patent Rights.

(c) ONYX shall have the right to transfer the responsibility for such filing, prosecution and maintenance of such Abandoned Patent Rights to patent counsel (outside or internal) selected by ONYX.

(d) KEZAR shall assist and cooperate with ONYX's reasonable requests to support prosecution and maintenance of such Abandoned Patent Rights.

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(e) In the event a patent issues with respect to any such Abandoned Patent Rights, ONYX shall provide reasonable notice to KEZAR thereof and such Abandoned Patent Right shall be excluded from the license granted by ONYX to KEZAR under Section 2.1 (Grant), unless KEZAR (i) reimburses ONYX for its internal and external costs and expenses related to the prosecution and maintenance of such Abandoned Patent Right within *** days of issuance of any such patent and (ii) assumes, in writing, the responsibility for the continued prosecution and maintenance of such Patent Rights in accordance with the provisions of Section 4.1 (Prosecution and Maintenance). Additionally, in the event (x) a patent issues with respect to any Abandoned Patent Rights and (y) KEZAR does not elect to reimburse ONYX pursuant to clause (i) of this Section 4.2(e) and assume prosecution and maintenance of such Patent Rights pursuant to clause (ii) of this Section 4.2(e), then ONYX shall be permitted to pursue any product, including a Specified Compound in the Licensed Field, that is covered by any such Abandoned Patent Right.

Section 4.3 Enforcement.

4.3.1 Specified Patent Rights.

(a) Each Party will notify the other promptly in writing when any Infringement of a Licensed Patent by a Third Party is uncovered or reasonably suspected. KEZAR shall have the first right to enforce all patent claims within the Specified Patent Rights.

(b) KEZAR may, at its own expense, institute suit against any such infringer or alleged infringer of the Specified Patent Rights and control, defend and settle such suit in a manner consistent with the terms and provisions hereof and recover any damages, awards or settlements resulting therefrom, subject to Section 4.5 (Recovery), and KEZAR shall keep ONYX reasonably informed as to the status of any such litigation. ONYX shall reasonably cooperate in any such litigation at KEZAR's expense.

(c) KEZAR shall not enter into any settlement of any claim described in this Section 4.3.1 (Specified Patent Rights) that admits to the invalidity or unenforceability of the Specified Patent Rights, incurs any financial liability on the part of ONYX or requires an admission of liability, wrongdoing or fault on the part of ONYX without ONYX's prior written consent.

(d) If KEZAR elects not to exercise its enforcement rights under Sections 4.3.1(a) and (b), then KEZAR shall so notify ONYX in writing within *** days of receiving notice that an Infringement of a Specified Patent Right exists (or such shorter period as may be necessary to prevent exhaustion of a statute of limitations (or laches) applicable to such Infringement), and ONYX may, in its sole judgment, and at its own expense, take steps to enforce any such patent and control, settle, and defend such suit in a manner consistent with the terms and provisions hereof, and recover any damages, awards or settlements resulting therefrom, subject to Section 4.5 (Recovery). KEZAR shall reasonably cooperate

in any such litigation at ONYX's expense. ONYX shall not enter into any settlement of any claim described in this Section 4.3.1 (Specified Patent Rights) that admits to the invalidity or unenforceability of the Specified Patent Rights, incurs any financial liability on the part of KEZAR or requires an admission of liability, wrongdoing or fault on the part of KEZAR without KEZAR's prior written consent.

4.3.2 Retained Patent Rights.

(a) ONYX shall have the first right to enforce all patent claims within Patent Rights specified under Licensed Patents other than the Specified Patent Rights (the "**Retained Patent Rights**").

(b) ONYX may, at its own expense, institute suit against any such infringer or alleged infringer of the Retained Patent Rights and control, defend and settle such suit in a manner consistent with the terms and provisions hereof and recover any damages, awards or settlements resulting therefrom, subject to Section 4.5 (Recovery), and ONYX shall keep KEZAR reasonably informed as to the status of any such litigation. KEZAR shall reasonably cooperate in any such litigation at ONYX's expense.

(c) ONYX shall not enter into any settlement of any claim described in this Section 4.3.2 (Retained Patent Rights) that admits to the invalidity or unenforceability of the Retained Patent Rights, incurs any financial liability on the part of KEZAR or requires an admission of liability, wrongdoing or fault on the part of KEZAR without KEZAR's prior written consent.

(d) If ONYX elects not to exercise its enforcement rights under Sections 4.3.2(a) and (b), then ONYX shall so notify KEZAR in writing within *** days of receiving notice that an Infringement of a Retained Patent Right exists (or such shorter period as may be necessary to prevent exhaustion of a statute of limitations (or laches) applicable to such Infringement), and KEZAR may, in its sole judgment, and at its own expense, take steps to enforce any such patent and control, settle, and defend such suit in a manner consistent with the terms and provisions hereof, and recover any damages, awards or settlements resulting therefrom, subject to Section 4.5 (Recovery). ONYX shall reasonably cooperate in any such litigation at KEZAR's expense. KEZAR shall not enter into any settlement of any claim described in this Section 4.3.2 (Retained Patent Rights) that admits to the invalidity or unenforceability of the Specified Patent Rights, incurs any financial liability on the part of ONYX or requires an admission of liability, wrongdoing or fault on the part of ONYX without ONYX's prior written consent.

4.3.3 Cooperation with Respect to Enforcement. Irrespective of which Party controls an action pursuant to this Section 4.3 (Enforcement), the Parties will collaborate in the choice of counsel with respect to such enforcement action and the enforcing Party will consider in good faith the comments of the other Party with respect to strategic decisions and their implementation with respect to

such action. In furtherance of the foregoing, the Party initiating or defending any such enforcement action (the "**Enforcing Party**") shall keep the other Party reasonably informed, in person or by telephone or e-mail, regarding the status and costs of such enforcement action prior to and during any such enforcement, and such other Party shall have the individual right to participate with counsel of its own choice at its own expense.

Section 4.4 Defense of Third Party Claims. If either (a) any Product Exploited by or under authority of KEZAR becomes the subject of a Third Party's claim or assertion of infringement of a patent relating to the manufacture, use, sale, offer for sale or importation of such Product in the Licensed Field in the Territory, or (b) a declaratory judgment action is brought naming either Party as a defendant and alleging invalidity or unenforceability of any of the Licensed Patents, the Party first having notice of the claim or assertion shall promptly notify the other Party, and the Parties shall promptly confer to consider the claim or assertion and the appropriate course of action. Subject to Article 7 (Indemnification), unless the Parties otherwise agree in writing, each Party shall have the right to defend itself against a suit that names it as a defendant (the "**Defending Party**"). If ONYX is named in such legal action but not KEZAR, then KEZAR shall have the right to join, at its own expense, any such legal action and to be represented in such action by its own counsel. Neither Party shall enter into any settlement of any claim described in this Section 4.4 (Defense of Third Party Claims) that admits to the invalidity, narrowing of scope or unenforceability of the Licensed Patents or this Agreement, incurs any financial liability on the part of any other Party or requires an admission of liability, wrongdoing or fault on the part of the other Party without such other Party's prior written consent, not to be unreasonably withheld, conditioned or delayed. In any event, the other Party shall reasonably assist the Defending Party and cooperate in any such litigation at the Defending Party's request and the Defending Party shall reimburse the other Party's reasonable out-of-pocket costs associated therewith.

Section 4.5 Recovery. Except as otherwise provided, the costs and expenses of the Party bringing suit under Section 4.3 (Enforcement) shall be borne by such Party, and any damages, settlements or other monetary awards recovered shall be shared as follows: (i) the amount of such recovery actually received by the Party controlling such action shall first be applied to the out-of-pocket costs of each Party in connection with such action; and then (ii) the remainder of the recovery shall be shared as follows:

(a) ***

(b) ***

Section 4.6 Patent Term Extensions and Filings for Regulatory Exclusivity Periods.

(a) KEZAR will advise ONYX when it is considering to file and of any mandatory deadlines with respect to any patent term extension or supplementary protection certificates or their equivalent for the Licensed Patents.

(b) Parties will mutually agree on (i) which Licensed Patents to list on any patent listings required for any Regulatory Exclusivity for Products or (ii) any patent term extension or supplementary protection certificates or their equivalent for the Licensed Patents.

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(c) In the event of a dispute between the Parties arising under Section 4.6(b), either Party shall have a right to refer such dispute to the respective Executive Officers and such Executive Officers shall attempt in good faith to resolve such dispute. If the Executive Officers are unable to resolve a given dispute within *** days of the matter being referred to them, then ***.

Section 4.7 Patent Marking. KEZAR will mark, and will cause all other Selling Parties to mark, Products with all Licensed Patents in accordance with applicable Law, which marking obligation will continue for as long as (and only for as long as) required under applicable Law.

ARTICLE 5. OBLIGATIONS OF THE PARTIES

Section 5.1 Responsibility. Following the Effective Date and at all times during the Term (except as expressly stated otherwise herein), KEZAR shall be responsible for, and shall bear all costs associated with, the worldwide research, development and commercialization of the Product(s), including regulatory, manufacturing, distribution, marketing and sales activities. Subject to the express written terms of this Agreement, all decisions concerning the development, marketing and sales of Product(s), including the clinical and regulatory strategy, design, sale, price and promotion of Product(s) covered under this Agreement, shall be within the sole discretion of KEZAR.

Section 5.2 Diligence. KEZAR shall (directly and/or through one or more Affiliates and/or Sublicensees) use Commercially Reasonable Efforts to develop and commercialize a Product. The foregoing shall include use of Commercially Reasonable Efforts (directly and/or through one or more Affiliates and/or Sublicensees) with respect to ***.

Section 5.3 Reports. Prior to the payment of all development and regulatory Milestone Payments set forth in Section 3.1.2, on or before March 1 of each year, KEZAR shall submit to ONYX an annual report summarizing in reasonable detail KEZAR's and its Affiliates' and Sublicensee's activities related to the Exploitation of Products during the preceding twelve-month period.

ARTICLE 6. REPRESENTATIONS

Section 6.1 Mutual Warranties. Each of ONYX and KEZAR represent and warrant that:

(a) it is duly organized and validly existing under the Law of the jurisdiction of its incorporation or formation, as applicable, and has full corporate, limited liability company or other power and authority, as applicable, to enter into this Agreement and to carry out the provisions hereof;

(b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the individual executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate, limited liability company or other action, as applicable; and

(c) this Agreement is legally binding upon it and enforceable in accordance with its terms and the execution, delivery and performance of this Agreement by it does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material applicable Law.

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Section 6.2 Additional ONYX Warranties. ONYX warrants to KEZAR that, as of the Effective Date:

(a) ONYX Controls the Licensed Patents and the Licensed Know-How listed on Exhibit A, and is entitled to grant the licenses specified herein. ONYX has not caused any Patent Right included in the Licensed Patents to be subject to any liens or encumbrances and ONYX has not granted to any Third Party any rights or licenses under such Patent Rights or Licensed Know-How that would conflict with the licenses granted to KEZAR hereunder. None of the Licensed Patents or the Licensed Know-How are (i) in-licensed by ONYX, or (ii) require a payment of the nature described by the "proviso" in Section 1.7.

(b) Exhibit B sets forth a complete and accurate list of the Patents Rights that are Controlled by ONYX and its Affiliates, as of the Effective Date, that Cover the Exploitation of Products in the Licensed Field.

(c) To ONYX's knowledge, the Licensed Patents are valid and enforceable and ONYX has complied with its duty to disclose material information to the U.S. Patent and Trademark Office. ONYX has no knowledge of any claim or litigation that has been brought or threatened in writing by any Third Party alleging that the Licensed Patents are invalid or unenforceable.

(d) ONYX has no present knowledge of any settled, pending or threatened in writing claim or lawsuit or legal proceeding of a Third Party against ONYX alleging that the Licensed Patents or the Licensed Know-How misappropriate or Infringe, in part or in whole, the intellectual property or intellectual property rights of such Third Party.

(e) ONYX is not currently Exploiting any Specified Compound in the Licensed Field.

Section 6.3 Disclaimer. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS ARTICLE 6 (REPRESENTATIONS), NEITHER PARTY MAKES ANY REPRESENTATIONS OR EXTENDS ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, QUALITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT, OR VALIDITY OF PATENT CLAIMS. NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED AS A REPRESENTATION MADE OR WARRANTY GIVEN BY EITHER PARTY THAT EITHER PARTY WILL BE SUCCESSFUL IN OBTAINING ANY PATENT RIGHTS, OR THAT ANY PATENTS WILL ISSUE BASED ON A PENDING APPLICATION. WITHOUT LIMITING THE RESPECTIVE RIGHTS AND OBLIGATIONS OF THE PARTIES EXPRESSLY SET FORTH HEREIN, EACH PARTY SPECIFICALLY DISCLAIMS ANY GUARANTEE THAT THE PRODUCTS WILL BE SUCCESSFUL, IN WHOLE OR IN PART.

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Section 6.4 KEZAR Covenants. KEZAR covenants to ONYX that:

(a) it will use Commercially Reasonable Efforts to conduct, and will cause its contractors to conduct, all preclinical and clinical studies for Products and manufacturing of Products, in each case in accordance in all material respects with (i) all applicable Laws of the country in which such clinical studies are conducted, and (ii) the known or published standards of the Regulatory Authority in such country. Neither KEZAR, nor any officer, employee or agent of KEZAR, will knowingly make an untrue statement of a material fact to any Regulatory Authority with respect to Products (whether in any submission to such Regulatory Authority or otherwise), or knowingly fail to disclose a material fact required to be disclosed to any Regulatory Authority with respect to Products;

(b) it will not knowingly employ any personnel or knowingly use a contractor or consultant that has been debarred by the FDA (or subject to a similar sanction of a Regulatory Authority), or that is subject of an FDA debarment investigation or proceeding (or similar proceeding of a Regulatory Authority);

(c) it shall use Commercially Reasonable Efforts to comply in all material respects with all applicable (i) U.S. Laws prohibiting the re-export, directly or indirectly, of certain controlled U.S.-origin items without a license to parties located in certain countries or appearing on certain U.S. Government lists of restricted parties; (ii) U.S. Laws prohibiting participation in non-U.S. boycotts that the United States does not support; and (iii) U.S. Laws prohibiting the sale of products to parties from any country subject to U.S. economic sanctions or who are identified on related U.S. Government lists of restricted parties; and

(d) as of the Effective Date to and through the expiration or termination of this Agreement, (1) it, and, to the best of its knowledge, its owners, directors, officers, employees, or any agent, representative, subcontractor or other Third Party acting for or on its behalf, shall not, directly or indirectly, offer, pay, promise to pay, or authorize such offer, promise or payment, of anything of value, to any Person for the purposes of obtaining or retaining business through any improper advantage in connection with this Agreement, or that would otherwise violate any applicable Laws, rules and regulations concerning or relating to public or commercial bribery or corruption, and (2) that its books, accounts, records and invoices related to this Agreement or related to any work conducted for or on behalf of the other Party are and will be complete and accurate in all material respects. ONYX may request from time to time, but no more than one time in any twelve (12) month period, that KEZAR complete a compliance certification regarding the foregoing.

Section 6.5 Non-Solicitation, Etc..

(a) KEZAR acknowledges and agrees that the terms and conditions of the *** (collectively, the "**Kirk Agreements**"), remain in full force and effect. Unless otherwise agreed in writing by ONYX, during any time when ***, KEZAR shall *** comply with the terms and conditions of the Kirk Agreements.

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(b) Unless otherwise agreed in writing by ONYX, following the Effective Date and at all times during the Restricted Period, KEZAR shall not, and shall cause its Affiliates and Sublicensees not to, recruit, offer employment to, employ, engage as a consultant, lure or entice away, or in any other manner persuade or attempt to persuade to leave the employ of ONYX or any of its Affiliates, any Person who was, or who becomes, an employee of ONYX or any of its Affiliates during such Restricted Period. Notwithstanding the foregoing, the Parties acknowledge and agree that it shall not be a breach of this Section 6.5 (Non-Solicitation, Etc.) for KEZAR, or *** an officer, director or employee of KEZAR, to recruit, offer employment to, employ or engage as a consultant the individuals set forth on Exhibit E; ***provided, however,*** that the foregoing exception shall not apply to ***.

ARTICLE 7. INDEMNIFICATION

Section 7.1 Indemnity.

7.1.1 By ONYX. ONYX agrees to defend KEZAR, its Affiliates and their respective directors, officers, employees and agents (the "**KEZAR Indemnified Parties**") at ONYX's cost and expense, and will indemnify and hold KEZAR and the other KEZAR Indemnified Parties harmless from and against any claims, losses, costs, damages, fees or expenses (including legal fees and expenses) (collectively, "**Losses**") to the extent resulting from any Third Party claim (including product liability claims) arising out of or otherwise relating to (a) the negligence or willful misconduct of ONYX or its Affiliates in connection with its activities under this Agreement, (b) the material breach of this Agreement or the representations, warranties and covenants made hereunder by ONYX, or (c) the Exploitation of any Product in the Excluded Field by or on behalf of ONYX, its Affiliates or their respective sublicensees (including from product liability and intellectual property infringement claims); except, in each case, to the extent such Losses result from clause (a), (b), or (c) of Section 7.1.2 (By KEZAR). In the event of any such claim against the KEZAR Indemnified Parties by a Third Party, the foregoing indemnity obligations shall be conditioned upon (x) KEZAR promptly notifying ONYX in writing of the claim (***provided, however,*** that any failure or delay to notify shall not excuse any obligations of ONYX except to the extent ONYX is actually prejudiced thereby), (y) KEZAR granting ONYX sole management and control, at ONYX's sole expense, of the defense of the claim and its settlement (***provided, however,*** that ONYX shall not settle any such claim without the prior written consent of KEZAR if such settlement does not include a complete release from liability or if such settlement would involve KEZAR undertaking an obligation (including the payment of money by a KEZAR Indemnified Party), would bind or impair a KEZAR Indemnified Party, or includes any admission of wrongdoing or that any intellectual property or proprietary right of KEZAR or this Agreement is invalid, narrowed in scope or unenforceable), and (z) the KEZAR Indemnified Parties reasonably cooperating with ONYX (at ONYX's expense). The KEZAR Indemnified Parties may, at their option and expense, be represented in any such action or proceeding by counsel of their own choosing.

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7.1.2 By KEZAR. KEZAR agrees to defend ONYX, its Affiliates and their respective directors, officers, employees and agents (the "**ONYX Indemnified Parties**") at KEZAR's cost and expense, and will indemnify and hold ONYX and the other ONYX Indemnified Parties harmless from and against any Losses to the extent resulting from any Third Party claim (including product liability claims) arising out of or otherwise relating to (a) the negligence or willful misconduct of KEZAR, its Affiliates, or their respective Sublicensees in connection with its activities under this Agreement, (b) the material breach of this Agreement or the representations, warranties and covenants made hereunder by KEZAR, or (c) the Exploitation of any Product by or on behalf of KEZAR, its Affiliates, or their respective Sublicensees (including from product liability and intellectual property infringement claims); except, in each case, to the extent such Losses result from clause (a), (b) or (c) of Section 7.1.1 (By ONYX). In the event of any such claim against the ONYX Indemnified Parties by a Third Party, the foregoing indemnity obligations shall be conditioned upon (x) ONYX promptly notifying KEZAR in writing of the claim (***provided, however,*** that any failure or delay to notify shall not excuse any obligation of KEZAR except to the extent KEZAR is actually prejudiced thereby), (y) ONYX granting KEZAR shall sole management and control, at KEZAR's sole expense, the defense of the claim and its settlement (***provided, however,*** that KEZAR shall not settle any such claim without the prior written consent of ONYX if such settlement does not include a complete release from liability or if such settlement would involve ONYX undertaking an obligation (including the payment of money by an ONYX Indemnified Party), would bind or impair an ONYX Indemnified Party, or includes any admission of wrongdoing or that any intellectual property or proprietary right of ONYX or this Agreement is invalid, narrowed in scope or unenforceable), and (z) the ONYX Indemnified Parties reasonably cooperating with KEZAR (at KEZAR's expense). The ONYX Indemnified Parties may, at their option and expense, be represented in any such action or proceeding by counsel of their own choosing.

Section 7.2 LIMITATION OF DAMAGES. IN NO EVENT SHALL ANY PARTY BE LIABLE HEREUNDER TO THE ANOTHER PARTY FOR ANY PUNITIVE, INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST REVENUE, LOST PROFITS, OR LOST SAVINGS) HOWEVER CAUSED AND UNDER ANY THEORY, EVEN IF IT HAS NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. THE LIMITATIONS SET FORTH IN THIS SECTION 7.2 (LIMITATION OF DAMAGES) SHALL NOT APPLY WITH RESPECT TO (A) ANY BREACH OF ARTICLE 8 (CONFIDENTIALITY) OR (B) THE INTENTIONAL MISCONDUCT OR GROSS NEGLIGENCE OF A PARTY. NOTHING IN THIS SECTION 7.2 (LIMITATION OF DAMAGES) IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF A PARTY UNDER THIS ARTICLE 7 (INDEMNIFICATION) WITH RESPECT TO ANY DAMAGES PAID BY ANOTHER PARTY TO A THIRD PARTY IN CONNECTION WITH A THIRD-PARTY CLAIM.

Section 7.3 Insurance. ***, KEZAR shall at its own expense procure and maintain during the Term (and for *** years thereafter) clinical trial liability insurance coverage adequate to cover its obligations hereunder and which is/are consistent with normal business practices of prudent pharmaceutical companies of comparable size. Additionally, ***, KEZAR shall at its own expense procure and maintain during the Term (and for *** years thereafter) product liability insurance coverage adequate to cover its obligations hereunder and which is consistent with normal business practices of prudent pharmaceutical companies of comparable size. Each insurance policy required by and procured by KEZAR under this Section 7.3 (Insurance) shall name ONYX as an additional insured. Such insurance shall not be construed to create a limit of KEZAR's liability with respect to its indemnification

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obligations under this Article 7 (Indemnification). KEZAR shall provide ONYX with a certificate of insurance or other evidence of such insurance, upon request. KEZAR shall provide ONYX with written notice at least *** days prior to the cancellation, non-renewal or a material change in such insurance which materially adversely affects the rights of ONYX hereunder, and *** days prior written notice of cancellation for non-payment of premiums. KEZAR's insurance hereunder shall be primary with respect to the obligations for which KEZAR is liable hereunder.

ARTICLE 8. CONFIDENTIALITY

Section 8.1 Confidential Information.

8.1.1 Confidential Information. Each Party ("**Disclosing Party**") may disclose to the other Party ("**Receiving Party**"), and Receiving Party may acquire during the course and conduct of activities under this Agreement, certain proprietary or confidential information of Disclosing Party in connection with this Agreement. The term "**Confidential Information**" will mean (a) all Licensed Know-How, (b) all Licensed Materials, and (c) all ideas and information of any kind, whether in written, oral, graphical, machine-readable or other form, whether or not marked as confidential or proprietary, which are transferred, disclosed or made available by Disclosing Party or at the request of Receiving Party, including any of the foregoing of Third Parties. Without limiting the foregoing, Licensed Know-How will be considered Confidential Information of ONYX, and all financial and business disclosures from KEZAR to ONYX (including, but not limited to, any disclosures related to the Exploitation of Products) will be considered Confidential Information of KEZAR.

8.1.2 Restrictions. During the Term and for *** years thereafter, Receiving Party will keep all Disclosing Party's Confidential Information in confidence with the same degree of care with which Receiving Party holds its own confidential information (but in no event less than a commercially reasonable degree of care). Receiving Party will not use Disclosing Party's Confidential Information except in connection with the performance of its obligations and exercise of its rights under this Agreement. Receiving Party has the right to disclose Disclosing Party's Confidential Information without Disclosing Party's prior written consent, to the extent and only to the extent reasonably necessary, to Receiving Party's Affiliates and their employees, subcontractors, consultants or agents who have a need to know such Confidential Information in order to perform its obligations and exercise its rights under this Agreement and who are required to comply with the restrictions on use and disclosure in this Section 8.1.2 (Restrictions). Receiving Party will use diligent efforts to cause those entities and persons to comply with the restrictions on use and disclosure in this Section 8.1.2 (Restrictions). Receiving Party assumes responsibility for those entities and persons maintaining Disclosing Party's Confidential Information in confidence and using same only for the purposes described herein.

8.1.3 Exceptions. Receiving Party's obligation of nondisclosure and the limitations upon the right to use the Disclosing Party's Confidential Information will not apply to the extent that Receiving Party can demonstrate that the Disclosing Party's Confidential Information: (a) was known to Receiving Party or any of its Affiliates prior to the time of disclosure; (b) is or becomes public knowledge through no fault or omission of

Receiving Party or any of its Affiliates; (c) is obtained by Receiving Party or any of its Affiliates from a Third Party under no obligation of confidentiality to Disclosing Party; or (d) has been independently developed by employees, subcontractors, consultants or agents of Receiving Party or any of its Affiliates without the aid, application or use of Disclosing Party's Confidential Information, as evidenced by contemporaneous written records.

8.1.4 Permitted Disclosures. Receiving Party may disclose Disclosing Party's Confidential Information to the extent (and only to the extent) such disclosure is reasonably necessary in the following instances:

(a) in order to comply with applicable law (including any securities law or regulation or the rules of a securities exchange) or with a legal or administrative proceeding, or in connection with prosecuting or defending litigation;

(b) in connection with Marketing Approvals and other regulatory filings and communications, and filing, prosecuting and enforcing Patents in connection with Receiving Party's rights and obligations pursuant to this Agreement; and

(c) in connection with exercising its rights hereunder, to its Affiliates, potential and future collaborators (including Sublicensees where KEZAR is the Receiving Party); permitted acquirers or assignees; and investment bankers, investors and lenders;

provided, however, that (1) with respect to Sections 8.1.4(a) or 8.1.4(b), where reasonably possible, Receiving Party will notify Disclosing Party of Receiving Party's intent to make any disclosure pursuant thereto sufficiently prior to making such disclosure so as to allow Disclosing Party adequate time to take whatever action it may deem appropriate to protect the confidentiality of the information to be disclosed; and (2) with respect to Section 8.1.4(c), each of those named people and entities are required to comply with the restrictions on use and disclosure in Section 8.1.2 (Restrictions) (other than investment bankers, investors and lenders, which must be bound prior to disclosure by commercially reasonable obligations of confidentiality).

Section 8.2 Terms of this Agreement; Publicity.

8.2.1 Restrictions. The Parties agree that the terms of this Agreement will be treated as Confidential Information of both Parties, and thus may be disclosed only as permitted by Section 8.1.4 (Permitted Disclosures). Except as required by Law or as permitted under Section 8.1.4 (Permitted Disclosure), and except for the press release attached hereto as Exhibit C to be issued by KEZAR on or after the Effective Date, each Party agrees not to issue any press release or public statement disclosing information relating to this Agreement or the transactions contemplated hereby or the terms hereof without the prior written consent of the other Party not to be unreasonably withheld, conditioned or delayed (or as such consent may need to be obtained in accordance with Section 8.2.2 (Review)).

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8.2.2 Review. Subject to Section 8.1.4 (Permitted Disclosure), in the event either Party (the "**Issuing Party**") desires to issue a press release or other public statement disclosing information relating to this Agreement or the transactions contemplated hereby or the terms hereof, the Issuing Party will provide the other Party (the "**Reviewing Party**") with a copy of the proposed press release or public statement (the "**Release**"). The Issuing Party will specify with each such Release, taking into account the urgency of the matter being disclosed, a reasonable period of time within which the Receiving Party may provide any comments on such Release (but in no event less than *** business days). If the Reviewing Party provides any comments, the Parties will consult on such Release and work in good faith to prepare a mutually acceptable Release. Either Party may subsequently publicly disclose any information previously contained in any Release, provided that the other Party provided its written consent hereto as stated in 8.2.1 (Restrictions). For the avoidance of doubt (and notwithstanding anything contained in this Agreement to the contrary), KEZAR, in its sole discretion, may make disclosures relating to the development or commercialization of a Product, including the results of research and any clinical trial conducted by KEZAR, Regulatory Filings, Marketing Approvals or any health or safety matter related to a Product.

Section 8.3 Relationship to Kirk Agreements. All "Confidential Information" disclosed or received by or on behalf of *** or *** under either of the Kirk Agreements shall be deemed "Confidential Information" hereunder and shall be subject to the terms and conditions of this Agreement.

Section 8.4 Attorney-Client Privilege. Neither Party is waiving, nor will be deemed to have waived or diminished, any of its attorney work product protections, attorney-client privileges or similar protections and privileges recognized under the applicable Law of any jurisdiction as a result of disclosing information pursuant to this Agreement, or any of its Confidential Information (including Confidential Information related to pending or threatened litigation) to the receiving Party, regardless of whether the disclosing Party has asserted, or is or may be entitled to assert, such privileges and protections. The Parties may become joint defendants in proceedings to which the information covered by such protections and privileges relates and may determine that they share a common legal interest in disclosure between them that is subject to such privileges and protections, and in such event, may enter into a joint defense agreement setting forth, among other things, the foregoing principles but are not obligated to do so.

ARTICLE 9. TERM & TERMINATION

Section 9.1 Term. The term of this Agreement (the "**Term**") shall commence on the Effective Date, and unless terminated earlier as provided in this Article 9 (Term & Termination), shall continue in full force and effect until expiration of the last-to-expire Royalty Term for any Royalty-Bearing Product in the Territory. On a country-by-country basis, the licenses granted to KEZAR by ONYX under this Agreement to Exploit Products shall be fully paid-up, irrevocable and non-exclusive upon the expiration of the Royalty Term in each country with respect to each Royalty-Bearing Product, as the case may be.

Section 9.2 Termination by ONYX.

9.2.1 Breach. If ONYX believes that KEZAR has materially breached its obligations under this Agreement or the Designated Investment Document Terms, then ONYX may deliver notice of such breach to KEZAR specifying the nature of the breach (a "**Default Notice**"). If KEZAR does not dispute that it has committed a material breach of its obligations under this Agreement or the Designated Investment Document Terms and fails to cure such breach within *** days after receipt of the Default

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Notice (or if such breach is not capable of being cured during such *** day period, KEZAR fails to present a mutually agreeable remediation plan for such breach during such *** day period and/or ceases to exert commercially reasonable efforts to pursue the cure as provided in the remediation plan), ONYX may terminate this Agreement upon written notice to KEZAR; ***provided, however***, that to the extent such material breach involves the material undisputed failure by KEZAR to make a payment when due, such breach must be cured within *** days after written notice thereof is given by ONYX to KEZAR. For the avoidance of doubt, *** (a) ***, or (b) ***, in each case, shall *** this Section 9.2.1 (Breach).

9.2.2 Termination for IP Challenge. ONYX will have the right to terminate this Agreement in full upon written notice to KEZAR in the event that KEZAR or any of its Affiliates or Sublicensees directly challenges in a legal or administrative proceeding the patentability, enforceability or validity of any Licensed Patents; ***provided, however***, that ONYX will not have the right to terminate this Agreement under this Section 9.2.2 (Termination for IP Challenge) if KEZAR files a request for re-examination of a Licensed Patent or re-issue of a Licensed Patent to the extent that such actions are reasonably necessary or desirable to ensure adequate protection for Products; ***provided, further***, that ONYX will not have the right to terminate this Agreement under this Section 9.2.2 (Termination for IP Challenge) for any such challenge by any Sublicensee if (a) KEZAR terminates such Sublicense within *** days of ONYX's notice to KEZAR under this Section 9.2.2 (Termination for IP Challenge) or (b) such challenge is dismissed within *** days of ONYX's notice to KEZAR under this Section 9.2.2 (Termination for IP Challenge) and not thereafter continued.

Section 9.3 Termination by KEZAR.

9.3.1 Breach. KEZAR will have the right to terminate this Agreement in full upon delivery of written notice to ONYX in the event of any material breach by ONYX of any terms and conditions of this Agreement, ***provided, however,*** that such termination will not be effective if such breach has been cured within *** days after written notice thereof is given by KEZAR to ONYX specifying the nature of the alleged breach.

9.3.2 Discretionary Termination. KEZAR will have the right to terminate this Agreement in full ninety (90) days after written notice to ONYX thereof. Following any such notice of termination, KEZAR shall have no further obligation pursuant to Section 5.2 (Diligence) to further Exploit any Products, however, KEZAR shall use its reasonable efforts to facilitate a smooth, orderly and prompt transition of any Products Controlled by KEZAR prior to the effective date of termination of this Agreement from KEZAR to ONYX.

Section 9.4 Termination Upon Bankruptcy. Either Party may terminate this Agreement if, at any time, the other Party files in any court or agency pursuant to any statute or regulation of any state, country or jurisdiction, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of that Party or of its assets, or if the other Party proposes a written agreement of composition or extension of its debts, or if the other Party is served with an involuntary petition against it, filed in any insolvency proceeding, and such petition is not dismissed within *** days after the filing thereof, or if the other Party proposes or becomes a Party to any dissolution or liquidation, or if the other Party makes an assignment for the benefit of its creditors.

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Section 9.5 Effects of Termination. Upon termination by either Party under Section 9.2 (Termination by ONYX), Section 9.3 (Termination by KEZAR) or Section 9.4 (Termination Upon Bankruptcy):

(a) KEZAR will responsibly wind-down, in accordance with accepted pharmaceutical industry norms and ethical practices, any on-going clinical studies for which it has responsibility hereunder in which patient dosing has commenced or, if reasonably practicable and not adverse to patient safety and requested by ONYX, KEZAR shall complete such trials and ONYX shall reimburse KEZAR its reasonable, out-of-pocket costs and internal labor costs at the FTE Rate associated therewith. For the purpose of clarity, except as provided for above, KEZAR may wind-down any ongoing clinical trials prior to the date of termination in accordance with accepted pharmaceutical industry norms and ethical practices and KEZAR will be responsible for any costs associated with such wind-down.

(b) Subject to Section 9.5(h) below, a termination of this Agreement will automatically terminate any sublicense granted by KEZAR pursuant to Section 2.1 (Sublicenses) unless ONYX has approved such sublicense in writing, in which case all rights under such sublicense shall be deemed to survive termination as long as Sublicensee complies with its obligations thereunder, and provided that in no event will ONYX be obligated to fulfill any of KEZAR's obligations under such sublicense.

(c) Subject to Section 9.5(h) below, all rights and licenses granted by ONYX to KEZAR in Article 2 (License Grant) will terminate, and KEZAR and its Affiliates, and (subject to Section 9.5(b)) Sublicensees will cease all use of Licensed Know-How and Licensed Patents and all Exploitation of any Products, except to the extent required hereunder.

(d) Upon ONYX's request, all Marketing Approvals and other regulatory filings and communications owned (in whole or in part) or otherwise controlled by KEZAR and its Affiliates, and (subject to Section 9.5(b)) Sublicensees, and all other documents relating to or necessary to further Exploit any Products, as such items exist as of the effective date of such termination (including all documents related to completed and ongoing clinical studies) will be assigned to ONYX to the extent practicable (or, if not so assigned, KEZAR shall make the benefit of the foregoing reasonably available to ONYX), and KEZAR will provide to ONYX one (1) copy of the foregoing and all documents contained in or referenced in any such items, together with the raw and summarized data for any clinical studies (and where reasonably available, electronic copies thereof). All expenses in relation to such assignment will be borne by ONYX. In the event of any failure to obtain assignment, KEZAR hereby consents and grants to ONYX the right to access and reference (without any further action required on the part of KEZAR, whose authorization to file this consent with any Regulatory Authority is hereby granted) any such item.

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(e) KEZAR hereby grants to ONYX and its Affiliates, and ONYX and its Affiliates will (i) automatically have, a worldwide, perpetual and irrevocable exclusive license, with the right to grant sublicenses through multiple tiers, solely for use in Exploiting Products, under Know-How and Patent Rights that are Controlled by KEZAR or any of its Affiliates and Sublicensees prior to termination and that are solely related to Products and which are necessary for Exploiting Products, and (ii) automatically have, a worldwide, perpetual and irrevocable non-exclusive license, with the right to grant sublicenses through multiple tiers, solely for use in Exploiting Products, under Know-How and Patent Rights that are Controlled by KEZAR or any of its Affiliates and (subject to Section 9.5(b)) Sublicensees that are not solely related to Products but that are necessary for Exploiting Products. For the purpose of clarity, such license shall be effective only as of and after the effective date of such termination. Notwithstanding the foregoing, KEZAR shall have the right to transfer any proprietary manufacturing information contained in such Know-How to a reputable, third-party contract manufacturer for provision of the relevant Product(s) to ONYX. Notwithstanding the foregoing, in the event that any of the foregoing Know-How or Patent Rights are not Controlled by KEZAR (or any of its Affiliates and Sublicensees) due to the fact that such party would be obligated to make any payments to a Third Party in connection with the grant of the foregoing licenses, then ONYX shall have the right to assume such payment obligations and should it elect to do so, such Know-How and Patent Rights shall be included in such license grant.

(f) Upon ONYX's request, KEZAR will assign (or, if applicable, will cause its Affiliates or (subject to Section 9.5(b)) Sublicensees to assign) to ONYX all of KEZAR's (and such Affiliates' and Sublicensees') right, title and interest in and to any registered or unregistered trademarks or internet domain names that are specific to a Product worldwide (it being understood that the foregoing will not include any trademarks or internet domain names that contain the corporate or business name(s) of KEZAR).

(g) KEZAR agrees (and shall cause its Affiliates and use reasonable commercial efforts to cause its Sublicensees as a condition of the grant of the applicable Sublicense to so agree) to fully cooperate with ONYX and its designee(s) to facilitate a smooth, orderly and prompt transition of the Exploitation of Products to ONYX and/or its designee(s). Upon request by ONYX, KEZAR shall transfer to ONYX some or all quantities of Products in its possession. If KEZAR is, at the time of such termination of this Agreement, party to any Third Party contracts with respect to a Product, then it shall provide ONYX notice of and (to the extent permitted to do so), copies thereof. KEZAR shall assign to ONYX any such contracts requested by ONYX, to the extent relating to the Product and to the extent it has the right under such contract(s) to do so (and shall use commercially reasonable efforts to obtain any required consents, which efforts shall not require making any payments or incurring any liabilities unless ONYX agrees to reimburse KEZAR therefor (and KEZAR shall inform ONYX of any such

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required payment or liability)). KEZAR shall, at ONYX's cost and expense, (i) provide any cooperation reasonably requested by ONYX to ensure uninterrupted supply of Products (including KEZAR's employees' time at the FTE Rate), and (ii) if KEZAR manufactured a Product at the time of termination, continue to provide for manufacturing of such Product for ONYX, at *** of the fully-burdened manufacturing cost therefore, from the date of notice of such termination until the sooner to occur of such time as ONYX is able, using commercially reasonable efforts to do so, to secure an acceptable alternative commercial manufacturing source from which sufficient quantities of Product may be procured and legally sold in the Territory or *** months from the effective date of termination of this Agreement.

(h) If (i) this Agreement is terminated by either ONYX under Section 9.3.1 (Breach) or by either Party under Section 9.4 (Termination Upon Bankruptcy), (ii) prior to such termination, KEZAR granted a sublicense *in part* (but not in full) of the licenses granted under Section 2.1 (Grant) in accordance with the terms of Section 2.2 (Sublicenses), and (iii) on the effective date of such termination, the applicable Sublicensee is in compliance with the terms of the relevant sublicense agreement, then, notwithstanding anything to the contrary set forth in this Section 9.5 (Effects of Termination), such sublicense shall be deemed to survive termination as long such Sublicensee continues to comply with its obligations thereunder, ***provided*** that, for clarity, ONYX shall have no obligations to such Sublicensee under such sublicense agreement.

Section 9.6 Survival. In addition to the termination consequences set forth in Section 9.5 (Effects of Termination), the following provisions will survive termination or expiration of this Agreement: Articles 1 (Definitions), 7 (Indemnification), 8 (Confidentiality), and 10 (Miscellaneous) and Sections 3.1 (Milestone Payment, with respect to a milestone reached prior to such expiration or termination), 3.2 (Royalties) (with respect to sales made before such expiration or termination), 3.3 through 3.7 (inclusive) (with respect to periods with sales of Products made before such expiration or termination), 4.3 through 4.5 (inclusive) (with respect to any action initiated prior to such expiration or termination), 6.3 (Disclaimer), and this Section 9.6 (Survival). Termination or expiration of this Agreement are neither Party's exclusive remedy and will not relieve the Parties of any liability or obligation which accrued hereunder prior to the effective date of such termination or expiration nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation. All other rights and obligations will terminate upon expiration of this Agreement.

ARTICLE 10. MISCELLANEOUS

Section 10.1 Entire Agreement; Amendment. This Agreement, the Investment Documents and all Exhibits attached hereto or thereto constitute the entire agreement between the Parties as to the subject matter hereof. All prior and contemporaneous negotiations, representations, warranties, agreements, statements, promises and understandings with respect to the subject matter of this Agreement are hereby superseded and merged into, extinguished by and completely expressed by this Agreement. None of the

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Parties shall be bound by or charged with any written or oral agreements, representations, warranties, statements, promises or understandings not specifically set forth in this Agreement. No amendment, supplement or other modification to any provision of this Agreement shall be binding unless in writing and signed by all Parties.

Section 10.2 Section 365(n) of the Bankruptcy Code. All rights and licenses granted under or pursuant to any section of this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101(35A) of the U.S. Bankruptcy Code to the extent permitted thereunder. The Parties shall retain and may fully exercise all of their respective rights and elections under the U.S. Bankruptcy Code. Upon the bankruptcy of any Party, the non-bankrupt Party shall further be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property, and such, if not already in its possession, shall be promptly delivered to the non-bankrupt Party, unless the bankrupt Party elects to continue, and continues, to perform all of its obligations under this Agreement.

Section 10.3 Independent Contractors. The relationship between KEZAR and ONYX created by this Agreement is solely that of independent contractors. This Agreement does not create any agency, distributorship, employee-employer, partnership, joint venture or similar business relationship between the Parties. No such Party is a legal representative of the other Party, and no such Party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other Party for any purpose whatsoever. Each such Party shall use its own discretion and shall have complete and authoritative control over its employees and the details of performing its obligations under this Agreement.

Section 10.4 Governing Law; Jurisdiction. This Agreement and its effect are subject to and shall be construed and enforced in accordance with the laws of the State of California, without regard to its conflicts of laws, except as to any issue which depends upon the validity, scope or enforceability of any Licensed Patent, which issue shall be determined in accordance with the laws of the country in which such patent was issued. Each of the Parties hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of any state court within the State of California (or, if a state court located within the State of California declines to accept jurisdiction over a particular matter, any court of the United States located in the State of California) for any matter arising out of or relating to this Agreement and the transactions contemplated hereby, and agrees not to commence any litigation relating thereto except in such courts. Each of the Parties hereby irrevocably and unconditionally waives any objection to the laying of venue of any matter arising out of this Agreement or the transactions contemplated hereby in any state court within the State of California (or, if a state court located within the State of California declines to accept jurisdiction over a particular matter, any court of the United States located in the State of California) and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such matter brought in any such court has been brought in an inconvenient forum. The Parties agree that a final judgment in any such matter shall be conclusive and may be enforced in other jurisdictions by suits on the judgment or in any other manner provided by law. Any proceeding brought by either Party under this Agreement shall be exclusively conducted in the English language.

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Section 10.5 Notice. Any notice required or permitted to be given by this Agreement shall be in writing, in English. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective if (a) delivered by hand or by overnight courier with tracking capabilities, (b) mailed postage prepaid by first class, registered, or certified mail, or (c) delivered by facsimile followed by delivery via either of the methods set forth in clauses (a) and (b) of this Section 10.5 (Notices), in each case, addressed as set forth below unless changed by notice so given:

If to KEZAR:

Kezar Life Sciences, Inc.
391 Carl Street
San Francisco, CA 94117
Attention: Chief Executive Officer
Telephone: 650-346-3497

with copies (which shall not constitute notice) to:

Asher M. Rubin
Hogan Lovells US LLP
100 International Drive, Suite 2000
Baltimore, MD 21202
Telephone: 410-659-2777
Facsimile: 410-659-2701

If to ONYX:

Onyx Therapeutics, Inc.

c/o Amgen Inc.
One Amgen Center Drive
Thousand Oaks, CA 91320
Attn: Corporate Secretary
Telephone: 805-447-1000
Facsimile: 805-499-4531

Any such notice shall be deemed given on the date received, except any notice received after 5:00 p.m. (in the time zone of the receiving Party) on a Business Day or received on a non-Business Day shall be deemed to have been received on the next Business Day. A Party may add, delete, or change the Person or address to which notices should be sent at any time upon written notice delivered to the Party's notices in accordance with this Section 10.5 (Notices).

Section 10.6 Compliance With Law; Severability. Nothing in this Agreement shall be construed to require the commission of any act contrary to Law. If any one or more provisions of this Agreement is held to be invalid, illegal or unenforceable, the affected provisions of this Agreement shall be curtailed and limited only to the extent necessary to bring it within the applicable legal requirements and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

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Section 10.7 Non-Use of Names. ONYX shall not use the name, trademark, logo, or physical likeness of KEZAR or any of its officers, directors or employees, or any adaptation of any of them, in any advertising, promotional or sales literature, without KEZAR's prior written consent. ONYX shall require its Affiliates to comply with the foregoing. KEZAR shall not use the name, trademark, logo, or physical likeness of ONYX or any of its officers, directors or employees, or any adaptation of any of them, in any advertising, promotional or sales literature, without ONYX's prior written consent. KEZAR shall require its Affiliates and Sublicensees to comply with the foregoing.

Section 10.8 Successors and Assigns. Neither this Agreement nor any of the rights or obligations created herein may be assigned by either Party, in whole or in part, without the prior written consent of the other Party, not to be unreasonably withheld, conditioned or delayed except that either Party shall be free to assign this Agreement (i) to an Affiliate of such Party (for so long as such Affiliate remains an Affiliate) provided that such Party shall remain liable and responsible to the other Party for the performance and observance of all such duties and obligations by such Affiliate, or (ii) in connection with any merger, sale of such Party or sale of all or substantially all of the assets of the Party that relate to this Agreement (a "**Sale Transaction**"), without the prior consent of the non-assigning Party. This Agreement shall bind and inure to the benefit of the successors and permitted assigns of the Parties hereto. Any assignment of this Agreement in contravention of this Section 10.8 (Successors and Assigns) shall be null and void.

Section 10.9 Waivers. A Party's consent to or waiver, express or implied, of any other Party's breach of its obligations hereunder shall not be deemed to be or construed as a consent to or waiver of any other breach of the same or any other obligations of such breaching Party. A Party's failure to complain of any act, or failure to act, by the other Party, to declare the other Party in default, to insist upon the strict performance of any obligation or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof, no matter how long such failure continues, shall not constitute a waiver by such Party of its rights hereunder, of any such breach, or of any other obligation or condition. A Party's consent in any one instance shall not limit or waive the necessity to obtain such Party's consent in any future instance and in any event no consent or waiver shall be effective for any purpose hereunder unless such consent or waiver is in writing and signed by the Party granting such consent or waiver.

Section 10.10 No Third Party Beneficiaries. Nothing in this Agreement shall be construed as giving any Person, other than the Parties hereto and their successors and permitted assigns, any right, remedy or claim under or in respect of this Agreement or any provision hereof, except for the provisions of Article 7 (Indemnification) (with respect to which the persons to which Article 7 (Indemnification) applies shall be Third Party beneficiaries for Article 7 (Indemnification) only in accordance with the terms and conditions of Article 7 (Indemnification)).

Section 10.11 Headings; Exhibits. Article and Section headings used herein are for convenient reference only, and are not a part of this Agreement. All Exhibits are incorporated herein by this reference.

Section 10.12 Interpretation. Except where the context otherwise requires, wherever used, the singular shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders and the word "or" is used in the inclusive sense (and/or). The term "including" as used herein shall mean including, without limiting the generality of any description preceding such term. All references to a "business day" or "business days" in this Agreement means any day other than a day

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which is a Saturday, a Sunday or any day banks are authorized or required to be closed in San Francisco, California. The language in all parts of this Agreement shall be deemed to be the language mutually chosen by the Parties. The Parties and their counsel have cooperated in the drafting and preparation of this Agreement, and this Agreement therefore shall not be construed against any Party by virtue of its role as the drafter thereof.

Section 10.13 Counterparts. This Agreement may be executed in counterparts by a single Party, each of which when taken together shall constitute one and the same agreement, and may be executed through the use of facsimiles or .pdf documents.

{signature page follows}

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

KEZAR LIFE SCIENCES, INC.

By: /s/ John Fowler
Name: John F. Fowler
Title: Chief Executive Officer

ONYX THERAPEUTICS, INC.

By: /s/ Sean Harper
Name: Sean E. Harper
Title: President

By: /s/ David Meline
Name: David W. Meline
Title: Director

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EXHIBIT A

LICENSED KNOW-HOW

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EXHIBIT B

LICENSED PATENTS

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EXHIBIT C

PRESS RELEASE

See attached.

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Kezar Life Sciences Closes $23M Series A Financing

Startup to Spin Out Assets From Amgen Subsidiary Onyx, Focus on Innovative New Treatments for Autoimmune Disorders

SOUTH SAN FRANCISCO, Calif. (June 16, 2015) – Kezar Life Sciences, a company focused on the discovery and development of drugs targeting protein homeostasis for autoimmune disorders, announced the completion of a Series A financing totaling $23 million. Morningside Venture, Cormorant Asset Management, EcoR1 Capital, 9W Capital Management, Omega Funds, Aju IB Investment, and private investors participated in the round. In connection with the financing, Amgen subsidiary Onyx Pharmaceuticals is licensing intellectual property related to its immunoproteasome program to Kezar, and will have a minority equity interest in the company.

The capital raised in the Series A will be used to advance Kezar's lead immunoproteasome inhibitor candidate into Phase 1a and 1b clinical trials, with the goal of demonstrating safety and efficacy in patients with autoimmune disease. Kezar also intends to advance drug discovery programs targeting protein secretion.

"Severe autoimmune disorders represent a major area of unmet medical need. Our pioneering research points to a central role of the immunoproteasome in regulating immune responses and restoring normal immune surveillance," said John Fowler, co-founder and CEO of Kezar. "We are excited to translate nearly a decade's worth of high quality research into new treatments for patients who are in need of effective therapies." Fowler continued, "We are grateful to Amgen for their collaboration and support in forming this company, and excited to be able to welcome aboard former members of the Onyx scientific team with years of experience on this program."

"Exploring novel biological pathways for potential therapeutic intervention is consistent with our commitment to creating better treatment options for patients with serious illness," said Sean E. Harper, M.D., executive vice president of Research and Development at Amgen. "We are pleased to help enable Kezar to pursue this innovative program which began at Proteolix and continued at Onyx."

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In addition to research and development of immunoproteasome inhibitors, Kezar will embark on multiple drug discovery programs targeting protein secretion for the treatment of autoimmunity and cancer. “Protein secretion represents a fundamental process inside of nearly all cells and an untapped area of drug discovery. Our approach allows for the generation of substrate selective inhibitors of secreted and transmembrane proteins,” said Dr. Christopher Kirk, Ph.D, co-founder and CSO of Kezar. “Essentially the target of every monoclonal antibody therapy is amenable to our small molecule drug targeting approach.”

About the Immunoproteasome

Protein degradation is a key process in the function and survival of all mammalian cells and is mediated by the ubiquitously expressed proteasome. Inhibitors of the proteasome, such as VELCADE™ and KYPROLIS™ are currently used to treat multiple myeloma, a plasma cell malignancy. In cells of the immune system, such as T-cells, a unique form of the proteasome, termed the immunoproteasome, is expressed. The immunoproteasome regulates multiple aspects of the immune response and selective inhibitors, such as those under development at Kezar, are well tolerated and highly active in mouse models rheumatoid arthritis, multiple sclerosis, Crohn’s disease, and lupus.

About Kezar Life Sciences

Kezar Life Sciences, a privately held company based in South San Francisco, was founded in 2015 to develop drugs to revolutionize the treatment of autoimmune disorders. Leveraging research begun in 2006 under the direction of co-founder Dr. Kirk at Proteolix and then Onyx Pharmaceuticals, Kezar will advance drugs that selectively target the immunoproteasome for the treatment of autoimmunity. In addition, Kezar will discover and develop drugs that target protein secretion and transmembrane protein expression.

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EXHIBIT D

PRODUCT SUB-STRUCTURES

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EXHIBIT E

PERMITTED INDIVIDUALS

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When the transaction referred to under the heading “Reverse Stock Split” in note 14 of the Notes to the Consolidated Financial Statements has been consummated, we will be in a position to render the following consent.

/s/ KPMG LLP
San Francisco, California

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Kezar Life Sciences, Inc.:

We consent to the use of our report included herein and to the reference to our firm under the heading “Experts” in the prospectus.

San Francisco, California
March 16, 2018, except as to note 14, which is as of , 2018