UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from _____ to _____

Commission File Number: 001-38542

Kezar Life Sciences, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**47-3366145**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading symbol**	**Name of each exchange on which registered**
Common Stock, $0.001 par value	KZR	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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

As of November 8, 2023, the registrant had 72,692,963 shares of common stock, $0.001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. In some cases, you can identify these statements by forward-looking words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "could," "should," "would," "potential," "project," "plan," "expect," "seek," "target" or similar expressions, or the negative or plural of these words or expressions. These forward-looking statements include statements concerning the following:

- our plans to develop and commercialize our product candidates;
- the initiation, timing, progress and expected 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 maintain and establish collaborations or strategic relationships or obtain additional funding;
- the timing and likelihood of obtaining regulatory approval of our current and future product candidates;
- the potential milestone and royalty payments under certain of our license agreements;
- 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;
- the scope of protection we are able to establish and maintain for intellectual property rights and the duration of our patent rights covering our product candidates;
- developments or disputes concerning our intellectual property or other proprietary rights;
- the scalability and commercial viability of our manufacturing methods and processes;
- our expectations regarding government and third-party payor coverage and reimbursement;
- our ability to compete in the markets for our product candidates;
- general economic, political, and market conditions and overall fluctuations in the financial markets in the United States and abroad, including as a result of bank failures, public health crisis or geopolitical tensions;
- the impact of government laws and regulations;
- developments relating to our competitors and our industry; and
- other factors that may impact our financial results.

These statements are only current predictions and are subject to known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from those anticipated by the forward-looking statements. We discuss many of these risks in greater detail under the heading "Risk Factors" and elsewhere in this report. You should not rely upon forward-looking statements as predictions of future events.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by law, we are under no duty to update or revise any of the forward-looking statements in this report, whether as a result of new information, future events or otherwise, after the date of this report.

Unless the context otherwise requires, the terms "Kezar," "Kezar Life Sciences," "the Company," "we," "us," "our" and similar references in this Quarterly Report on Form 10-Q refer to Kezar Life Sciences, Inc. and our wholly owned Australian subsidiary, Kezar Life Sciences Australia Pty Ltd.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

KEZAR LIFE SCIENCES, INC.

Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	September 30, 2023 (Unaudited)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 26,498	$ 40,456
Marketable securities	191,707	236,105
Accounts receivable	7,000	—
Prepaid expenses	4,376	8,241
Other current assets	935	920
Total current assets	230,516	285,722
Property and equipment, net	4,403	3,431
Operating lease right-of-use asset	8,072	9,741
Other assets	6,335	674
Total assets	$ 249,326	$ 299,568
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,120	$ 2,479
Accrued and other current liabilities	10,657	5,953
Operating lease liabilities, current	2,895	2,565
Total current liabilities	16,672	10,997
Operating lease liabilities, noncurrent	6,650	8,865
Long-term debt	10,010	9,834
Total liabilities	33,332	29,696
Stockholders' equity:		
Common stock, $0.001 par value, 250,000,000 and 125,000,000 shares authorized as of September 30, 2023 (unaudited) and December 31, 2022, respectively; 72,692,963 and 68,493,429 shares issued and outstanding as of September 30, 2023 (unaudited) and December 31, 2022, respectively	73	68
Preferred stock, $0.001 par value, 10,000,000 shares authorized; zero shares issued and outstanding as of September 30, 2023 (unaudited) and December 31, 2022	—	—
Additional paid-in capital	535,111	519,620
Accumulated other comprehensive loss	(687)	(923)
Accumulated deficit	(318,503)	(248,893)
Total stockholders' equity	215,994	269,872
Total liabilities and stockholders' equity	$ 249,326	$ 299,568

See accompanying notes to the unaudited 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Collaboration revenue	$ 7,000	$ —	$ 7,000	$ —
Operating expenses:				
Research and development	23,738	13,860	63,055	36,150
General and administrative	8,789	5,067	20,780	14,978
Total operating expenses	32,527	18,927	83,835	51,128
Loss from operations	(25,527)	(18,927)	(76,835)	(51,128)
Interest income	2,820	1,390	8,376	1,906
Interest expense	(396)	(310)	(1,151)	(836)
Net loss	$ (23,103)	$ (17,847)	$ (69,610)	$ (50,058)
Net loss per common share, basic and diluted	$ (0.32)	$ (0.25)	$ (0.96)	$ (0.76)
Weighted-average shares used to compute net loss per common share, basic and diluted	72,681,645	72,153,952	72,491,870	65,730,202

See accompanying notes to the unaudited condensed consolidated financial statements

KEZAR LIFE SCIENCES, INC.

Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	$ (23,103)	$ (17,847)	$ (69,610)	$ (50,058)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(23)	(51)	(40)	(90)
Unrealized gain (loss) on marketable securities	166	(250)	276	(1,084)
Total other comprehensive income (loss), net of tax	143	(301)	236	(1,174)
Comprehensive loss	$ (22,960)	$ (18,148)	$ (69,374)	$ (51,232)

See accompanying notes to the unaudited condensed consolidated financial statements

KEZAR LIFE SCIENCES, INC.

Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands, except share amounts)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNTS				
Balance as of December 31, 2022	68,493,429	$ 68	$ 519,620	$ (923)	$ (248,893)	$ 269,872
Cashless exercise of pre-funded warrants	2,236,233	2	(2)	—	—	—
Issuance of common stock under equity incentive plans	86,338	1	153	—	—	154
Stock-based compensation expense	—	—	4,263	—	—	4,263
Other comprehensive income	—	—	—	400	—	400
Net loss	—	—	—	—	(22,199)	(22,199)
Balance as of March 31, 2023	70,816,000	$ 71	$ 524,034	$ (523)	$ (271,092)	$ 252,490
Cashless exercise of pre-funded warrants	1,556,643	2	(2)	—	—	—
Issuance of common stock under equity incentive plans	160,171	—	382	—	—	382
Stock-based compensation expense	—	—	4,020	—	—	4,020
Other comprehensive loss	—	—	—	(307)	—	(307)
Net loss	—	—	—	—	(24,308)	(24,308)
Balance as of June 30, 2023	72,532,814	$ 73	$ 528,434	$ (830)	$ (295,400)	$ 232,277
Issuance of common stock under equity incentive plans	160,149	—	43	—	—	43
Stock-based compensation expense	—	—	6,634	—	—	6,634
Other comprehensive income	—	—	—	143	—	143
Net loss	—	—	—	—	(23,103)	(23,103)
Balance as of September 30, 2023	72,692,963	$ 73	$ 535,111	$ (687)	$ (318,503)	$ 215,994

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE LOSS	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNTS				
Balance as of December 31, 2021	56,259,747	$ 56	$ 377,765	$ (291)	$ (180,654)	$ 196,876
Issuance of common stock under the ATM Agreement, net of offering costs of $1,504	3,245,738	4	48,638	—	—	48,642
Issuance of common stock under equity incentive plans	59,174	—	208	—	—	208
Stock-based compensation expense	—	—	3,104	—	—	3,104
Other comprehensive loss	—	—	—	(491)	—	(491)
Net loss	—	—	—	—	(16,024)	(16,024)
Balance as of March 31, 2022	59,564,659	$ 60	$ 429,715	$ (782)	$ (196,678)	$ 232,315
Issuance of common stock under the ATM Agreement, net of offering costs of $2,409	8,665,961	8	77,892	—	—	77,900
Issuance of common stock under equity incentive plans	111,022	—	420	—	—	420
Stock-based compensation expense	—	—	3,298	—	—	3,298
Other comprehensive loss	—	—	—	(382)	—	(382)
Net loss	—	—	—	—	(16,187)	(16,187)
Balance as of June 30, 2022	68,341,642	$ 68	$ 511,325	$ (1,164)	$ (212,865)	$ 297,364
Issuance of common stock under equity incentive plans	30,473	—	185	—	—	185
Stock-based compensation expense	—	—	3,787	—	—	3,787
Other comprehensive loss	—	—	—	(301)	—	(301)
Net loss	—	—	—	—	(17,847)	(17,847)
Balance as of September 30, 2022	68,372,115	$ 68	$ 515,297	$ (1,465)	$ (230,712)	$ 283,188

See accompanying notes to the unaudited condensed consolidated financial statements

KEZAR LIFE SCIENCES, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (69,610)	$ (50,058)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	786	1,306
Stock-based compensation	14,917	10,189
Amortization of premiums and discounts on marketable securities	(5,298)	(45)
Amortization of debt discount and issuance costs and other non-cash interest	176	158
Loss on disposition of fixed assets	3	4
Changes in operating assets and liabilities		
Accounts receivable	(7,000)	—
Prepaid expenses, other current assets and other long-term assets	(1,811)	(5,245)
Accounts payable, accrued and other current liabilities	5,388	1,614
Operating lease assets and liabilities	(216)	(886)
Net cash used in operating activities	(62,665)	(42,963)
Cash flows from investing activities:		
Purchases of property and equipment	(1,809)	(1,235)
Proceeds from sale of equipment	5	—
Purchases of marketable securities	(130,528)	(238,635)
Maturities of marketable securities	180,500	157,139
Net cash provided by (used in) investing activities	48,168	(82,731)
Cash flows from financing activities:		
Proceeds from issuance of common stock and warrants, net of issuance costs	—	126,542
Proceeds from issuance of common stock under equity incentive plans	579	813
Net cash provided by financing activities	579	127,355
Effect of exchange rate changes on cash and cash equivalents	(40)	(90)
Net (decrease) increase in cash and cash equivalents	(13,958)	1,571
Cash and cash equivalents at the beginning of period	40,456	62,882
Cash and cash equivalents at the end of period	$ 26,498	$ 64,453
Supplemental disclosures of noncash investing and financing information:		
Purchases of property and equipment in accounts payable	$ 4	$ 81
Par value of common stock upon cashless exercise of prefunded warrants	$ 4	$ —
Supplemental disclosures		
Cash paid for interest	$ 975	$ 678

See accompanying notes to the unaudited condensed consolidated financial statements

1. Organization and Description of the Business

Description of Business

Kezar Life Sciences, Inc. (the "Company," "we," "us," or "our") was incorporated in the state of Delaware in February 2015 and commenced operations in June 2015. The Company is a clinical-stage biotechnology company discovering and developing breakthrough treatments in immune-mediated and oncologic disorders. 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 product candidates, zetomipzomib (KZR-616) and KZR-261. The Company's ultimate success depends on the outcome of these 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 $318.5 million as of September 30, 2023. 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 such as Everest Collaboration that was entered into on September 20, 2023. 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, cash equivalents and marketable securities will be sufficient to fund the Company's cash requirements for at least 12 months following the issuance of these financial statements.

In December 2021, the Company entered into a Sales Agreement (the "ATM Agreement") with Cowen and Company, LLC ("Cowen"), pursuant to which the Company can offer and sell, from time to time at its sole discretion through Cowen, as its sales agent, shares of its common stock having an aggregate offering price of up to $200.0 million. Any shares of its common stock sold will be issued pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-261774). The Company will pay Cowen a commission up to 3.0% of the gross sales proceeds of any shares of its common stock sold through Cowen under the ATM Agreement and also has provided Cowen with indemnification and contribution rights. As of September 30, 2023, we have sold an aggregate of 11,986,003 shares of our common stock for gross proceeds of approximately $131.7 million at a weighted average purchase price of $10.98 per share pursuant to the ATM Agreement. As of September 30, 2023, approximately $68.3 million remains available under the ATM Agreement. No shares were sold under the ATM Agreement during the three months ended September 30, 2023.

In October 2023, the Company announced a strategic restructuring and reduction of its workforce to prioritize the Company's clinical-stage assets, zetomipzomib and KZR-261, and extend its operating capital.

2. Summary of Significant Accounting Policies

Significant Accounting Policies

The Company's significant accounting policies are disclosed in the audited consolidated financial statements for the year ended December 31, 2022 and the notes thereto, which are included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the U.S. Securities and Exchange Commission ("SEC") on March 14, 2023 (the "Annual Report"), and other than revenue recognition, there have been no material changes during the nine months ended September 30, 2023.

Basis of Presentation and Consolidation

The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and include the Company's accounts and those of its wholly owned Australian subsidiary, Kezar Life Sciences Australia Pty Ltd., which is a proprietary company limited by shares. All intercompany balances and transactions have been eliminated upon consolidation.

The condensed consolidated balance sheet as of December 31, 2022 has been derived from the audited consolidated financial statements at that date but does not include all information and footnotes required by GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements included in the Annual Report.

Unaudited Condensed Consolidated Financial Statements

The accompanying financial information as of September 30, 2023 is unaudited. The interim condensed consolidated financial statements included in this report reflect all adjustments (consisting only of normal recurring adjustments) that our management considers necessary for the fair statement of the results of operations for the interim periods covered and of our financial condition at the date of the interim balance sheet. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. The results for interim periods are not necessarily indicative of the results for the entire year or any other interim period. The accompanying condensed consolidated financial statements and related financial information should be read in conjunction with the audited financial statements and the related notes thereto included in our Annual Report.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make judgments, 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 revenue and expenses during the reporting period. Significant items subject to such judgments, estimates and assumptions include the valuation of marketable securities, determining the fair-value of stock-based compensation, evaluating the progress to completion of external research and development costs, and the Company's revenue recognition policy, particularly, (a) assessing the number of performance obligations; (b) determining the transaction price; (c) allocating the transaction price to the performance obligations in the contract; and (d) determining the pattern over which performance obligations are satisfied. 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.

Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these financial statements, the Company is not aware of any specific event or circumstance that would require the Company to update its judgments, estimates and assumptions or revise the carrying value of its assets or liabilities. These estimates may change as new events occur and additional information is obtained and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Company's condensed consolidated financial statements.

Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. The Company applies the following five-step revenue recognition model in accordance with ASC Topic 606, *Revenue from Contracts with Customers (ASC 606)* in order to determine revenue:

(i) identify the contract with a customer;

(ii) identify the performance obligations in the contract;

(iii) determine the transaction price;

(iv) allocate the transaction price to the performance obligations in the contract; and

(v) recognize revenue when (or as) the Company satisfies a performance obligation.

At contract inception, the Company identifies the goods or services promised within the contract and assesses whether each promised good or service is distinct for the purpose of identifying performance obligations. A good or service that is promised to a customer is distinct if (1) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and (2) the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. In assessing whether a promised good or service is distinct in the context of a collaboration or licensing arrangement, the Company considers factors such as the research, manufacturing and commercialization capabilities of a collaboration partner and the availability of the associated expertise in the general marketplace. The Company also considers the intended benefit of the contract in assessing whether a promised good or service is separately identifiable from other promises in the contract. If a promised good or service is not distinct, an entity is required to combine that good or service with other promised goods or services until it identifies a bundle of goods or services that is distinct. Arrangements that include rights to additional goods or services that are exercisable at a customer's discretion are generally considered options. The Company assesses if these options provide a material right to the customer and, if so, they are considered performance obligations.

The transaction price is then determined and allocated to the identified performance obligations in proportion to their stand-alone selling prices ("SSP") on a relative SSP basis. SSP is determined at contract inception and is not updated to reflect changes between contract inception and when the performance obligations are satisfied. Determining the SSP for performance obligations requires

significant judgment. In developing the SSP for a performance obligation, the Company considers applicable market conditions and relevant entity-specific factors, including factors that were contemplated in negotiating the agreement with the customer and estimated costs.

If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The Company determines the amount of variable consideration by using the expected value method or the most likely amount method. The Company includes the unconstrained amount of estimated variable consideration in the transaction price. The amount included in the transaction price is limited to the amount for which it is probable that a significant reversal of cumulative revenue recognized will not occur. At the end of each subsequent reporting period, the Company re-evaluates the estimated variable consideration included in the transaction price and any related constraint, and if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis in the period of adjustment.

If an arrangement includes development and regulatory milestone payments, the Company evaluates whether the milestones are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the Company's control or the licensee's control, such as regulatory approvals, are generally not considered probable of being achieved until those approvals are received.

For arrangements with licenses of intellectual property that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Company recognizes royalty revenue and sales-based milestones at the later of (i) when the related sales occur, or (ii) when the performance obligation to which the royalty has been allocated has been satisfied.

In determining the transaction price, the Company adjusts consideration for the effects of the time value of money if the timing of payments provides the Company with a significant benefit of financing. The Company does not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the licensees and the transfer of the promised goods or services to the licensees will be one year or less.

The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) each performance obligation is satisfied, either at a point in time or over time. If over time, recognition is based on the use of either an output or an input method, such that the method used best depicts the transfer of control to the customer.

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the costs are expected to be recovered. As a practical expedient, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that it otherwise would have recognized is one year or less.

Recent Accounting Pronouncements

Reference Rate Reform. In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides temporary optional expedients and exceptions to accounting guidance on contract modifications and hedge accounting to ease entities' financial reporting burdens as the market transitions from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. This guidance generally allows for contract modifications solely related to the replacement of the reference rate to be accounted for as a continuation of the existing contract instead of as an extinguishment of the contract, without triggering certain accounting impacts that could be required associated with an extinguishment of the contract. In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848): Scope, to expand the scope of this guidance to include derivatives. In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848, which extends the period of time entities can utilize the reference rate reform relief guidance under ASU 2020-04 from December 31, 2022 to December 31, 2024. As discussed in note 7 of the condensed consolidated financial statements, in June 2023 our loan agreement was amended and effective July 1, 2023, the interest base transitioned from LIBOR to Secured Overnight Financing Rate ("SOFR"). We applied the above guidance when accounting for this change (as discussed further in note 7), and adoption of this guidance did not have a material impact on our financial statements. As of September 30, 2023, we have no debt instruments that use LIBOR as a reference rate, and this guidance is not expected to have a material impact on our financial statements in the future.

There have been no other recent accounting pronouncements, changes in accounting pronouncements or recently adopted accounting guidance that are expected to have a material impact on the Company's condensed consolidated financial statements upon adoption.

3. Fair Value Measurements

Financial assets and liabilities are recorded at fair value. The carrying amount of certain financial instruments, including cash, cash equivalents, accounts receivable, other current assets, accounts payable and accrued liabilities, approximate fair value due to their

relatively short maturities. Assets and liabilities recorded at fair value on a recurring basis in the condensed consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

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 determines the fair value of Level 1 assets using quoted prices in active markets for identical assets. The Company reviews trading activity and pricing for Level 2 investments as of each measurement date. Level 2 inputs, which are obtained from various third-party data providers, represent quoted prices for similar assets in active markets and were derived from observable market data, or, if not directly observable, were derived from or corroborated by other observable market data.

In certain cases, where there is limited activity or less transparency around inputs to valuation, securities are classified as Level 3 within the valuation hierarchy. The Company did not have any assets or liabilities measured using Level 3 inputs as of September 30, 2023 or December 31, 2022.

The following table summarizes the Company's financial assets measured at fair value on a recurring basis and classified under the appropriate level of the fair value hierarchy as described above (in thousands):

	September 30, 2023			
	Total	Level 1	Level 2	Level 3
Financial Assets:				
Cash equivalents:				
U.S. Treasury money market funds	$ 25,724	$ 25,724	$ —	$ —
Marketable securities:				
U.S. Treasury securities	46,768	46,768	—	—
Commercial paper	48,629	—	48,629	—
U.S. agency bonds	96,310	—	96,310	—
Total	$ 217,431	$ 72,492	$ 144,939	$ —

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Financial Assets:				
Cash equivalents:				
U.S. Treasury money market funds	$ 38,745	$ 38,745	$ —	$ —
Marketable securities:				
U.S. Treasury securities	40,141	40,141	—	—
Commercial paper	117,478	—	117,478	—
Corporate debt securities	1,978	—	1,978	—
U.S. agency bonds	76,508	—	76,508	—
Total	$ 274,850	$ 78,886	$ 195,964	$ —

4. Available-for-Sale Securities

The following table is a summary of available-for-sale securities recorded in cash and cash equivalents or marketable securities in the Company's condensed consolidated balance sheets (in thousands):

	September 30, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
U.S. Treasury money market funds	$ 25,724	$ —	$ —	$ 25,724
Marketable securities:				
U.S. Treasury securities	46,923	1	(156)	46,768
Commercial paper	48,706	1	(78)	48,629
U.S. agency bonds	96,481	—	(171)	96,310
Total available-for-sale securities	$ 217,834	$ 2	$ (405)	$ 217,431
Cash				774
Total cash, cash equivalent and marketable securities				$ 218,205

	December 31, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
U.S. Treasury money market funds	$ 38,745	$ —	$ —	$ 38,745
Marketable securities:				
U.S. Treasury securities	40,340	—	(199)	40,141
Commercial paper	117,855	2	(379)	117,478
Corporate debt securities	1,978	—	—	1,978
U.S. agency bonds	76,610	56	(158)	76,508
Total available-for-sale securities	$ 275,528	$ 58	$ (736)	$ 274,850
Cash				1,711
Total cash, cash equivalent and marketable securities				$ 276,561

The Company has not recognized an allowance for credit losses on any securities in an unrealized loss position as of September 30, 2023 and December 31, 2022.

The following table displays additional information regarding gross unrealized losses and fair value by major security type for available-for-sale securities in an unrealized loss position as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023			
	Less than 12 consecutive months		12 months or greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	$ 16,089	$ (102)	$ 25,455	$ (54)
Commercial paper	33,635	(78)	—	—
U.S. agency bonds	96,309	(171)	—	—
Total	$ 146,033	$ (351)	$ 25,455	$ (54)

	December 31, 2022			
	Less than 12 consecutive months		12 months or greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	$ 33,782	$ (196)	$ 6,359	$ (3)
Commercial paper	112,706	(379)	—	—
Corporate debt securities	1,978	—	—	—
U.S. agency bonds	33,942	(147)	5,490	(11)
Total	$ 182,408	$ (722)	$ 11,849	$ (14)

The Company believes that the individual unrealized losses represent temporary declines primarily resulting from interest rate changes. The Company currently does not intend to sell these securities prior to maturity and does not consider these investments to be

other-than-temporarily impaired as of September 30, 2023. There were no sales of available-for-sale securities in any of the periods presented.

As of September 30, 2023, the amortized cost and estimated fair value of the Company's available-for-sale securities by contractual maturity are shown below (in thousands):

Available-for-sale securities maturing in:	Amortized Cost	Estimated Fair Value
One year or less	$ 187,100	$ 186,752
One to two years	30,734	30,679
Total available-for-sale securities	$ 217,834	$ 217,431

5. Balance Sheet Components

Prepaid Expenses

Prepaid expenses consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Advance for clinical-related costs, current	$ 2,233	$ 6,760
Licenses, dues and subscriptions	591	376
Insurance	1,065	741
Others	487	364
Total prepaid expenses	$ 4,376	$ 8,241

Property and Equipment, Net

Property and equipment consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Leasehold improvements	$ 3,551	$ 3,366
Furniture, laboratory and office equipment	5,639	4,423
Computer equipment	353	244
Total property and equipment	9,543	8,033
Less accumulated depreciation and amortization	(5,140)	(4,602)
Property and equipment, net	$ 4,403	$ 3,431

Depreciation expense was $0.3 million and $0.8 million for each of the three and nine months ended September 30, 2023, respectively, compared to $0.3 million and $0.8 million for the three and nine months ended September 30, 2022, respectively.

Other Assets

Other assts consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Advance for clinical related costs, non-current	$ 5,503	$ —
Deposits for operating lease	674	674
Others	158	—
Total other assets	$ 6,335	$ 674

Accrued and Other Current Liabilities

Accrued liabilities consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Accrued clinical costs	$ 5,524	$ 1,007
Accrued preclinical and research costs	1,758	1,368
Accrued employee-related costs	2,908	3,260
Accrued professional services	407	53
Other	60	265
Total accrued liabilities	$ 10,657	$ 5,953

6. Lease

In November 2022, the Company entered into an amendment to the lease agreement for its corporate headquarters in South San Francisco, California, which expanded the leased premises in the same building as its corporate headquarters and extended the lease term of the original premises to be coterminous with the expansion premises to July 31, 2026. The transaction was treated as a lease modification as of the effective date and resulted in the recognition of approximately $8.0 million in new lease liabilities and right-of-use ("ROU") assets.

Information related to the Company's ROU asset and related lease liabilities were as follows (in thousands):

	Three months ended September 30, 2023	Nine months ended September 30, 2023
Cash paid for operating lease liabilities	$ 649	$ 1,885
Operating lease costs	866	2,598
Variable lease costs	380	1,115

Maturities of lease liabilities as of September 30, 2023 were as follows:	
Less than 12 months	$ 3,859
13 - 24 months	3,991
25 - 36 months	3,437
Total undiscounted lease payments	11,287
Less: imputed interest	(1,742)
Total lease liabilities	$ 9,545

Operating lease liabilities, current	2,895
Operating lease liabilities, noncurrent	6,650
Total operating lease liabilities	9,545

7. Long-Term Debt

In November 2021, the Company entered into a loan agreement (the "Loan Agreement") with Oxford Finance, LLC ("Oxford Finance"), which provided the Company up to $50.0 million in borrowing capacity across five potential tranches (each a "Term Loan," and collectively "Term Loans"). The initial tranche of $10.0 million was funded at the closing of the Loan Agreement. The remaining tranches were dependent on achieving certain clinical trial milestones. The Company declined these remaining tranches in borrowing capacity available to it under the Loan Agreement. The loan facility is secured by all assets except intellectual property, which is subject to a negative pledge, and will mature on November 1, 2026. There are no warrants or financial covenants associated with the Loan Agreement.

Until June 30, 2023, the Term Loans bore interest at a floating per annum rate (based on the actual number of days elapsed divided by a year of 360 days) equal to the sum of (a) the greater of (i) 30-day U.S. LIBOR rate reported in the Wall Street Journal on the last business day of the month that immediately precedes the month in which the interest will accrue and (ii) 0.08%, plus (b) 7.87%. The Company is required to make monthly interest-only payments prior to the amortization date of January 1, 2025, subject to a potential one-year extension upon satisfaction of certain conditions. A LIBOR transition event occurred effective July 1, 2023 and Oxford Finance subsequently replaced the LIBOR rate with the 1-month CME term SOFR plus 0.1%. The rate change did not require contract remeasurement at the effective date of the change or a reassessment of any previous accounting determinations pertaining to the facility. The rate change did not have a material impact on the Company's financial statements.

All unpaid principal and accrued and unpaid interest with respect to each Term Loan is due and payable in full on November 1, 2026 (the "Maturity Date"). The Company has the option to prepay the outstanding balance prior to maturity, subject to a prepayment fee of 1.0% to 2.0% depending upon when the prepayment occurs. Upon repayment of the Term Loans, the Company is required to make a final payment fee to the lenders equal to 6.5% of the original principal amount of the Term Loans funded which will be accrued by charges to interest expense over the term of the loans using the effective interest method.

The Loan Agreement also includes subjective acceleration clauses which permit the lenders to accelerate the Maturity Date under certain circumstances, including, but not limited to, material adverse effects on a Company's financial status or otherwise. As of September 30, 2023, the Company is in compliance with all covenants in the Loan Agreement.

Interest expense was $0.4 million and $1.2 million for the three and nine months ended September 30, 2023, respectively, compared to $0.3 million and $0.8 million for the three and nine months ended September 30, 2022, respectively. The initial effective interest rate on the Term Loans, including the amortization of the debt discount and issuance costs, and accretion of the final payment, was 11%. The components of the long-term debt balance are as follows:

	September 30, 2023	December 31, 2022
Principal loan balance	$ 10,000	$ 10,000
Unamortized debt discount and issuance costs	(268)	(342)
Cumulative accretion of final fee	278	176
Long-term debt, net	$ 10,010	$ 9,834

As of September 30, 2023, the estimated future principal payments due were as follows:

Years Ending December 31,	
2023	$ —
2024	—
2025	5,217
2026	4,783
Total	$ 10,000

8. Pre-Funded Warrants

In connection with the Company's previous underwritten public offerings, the Company issued pre-funded warrants to purchase an aggregate of 3,793,706 shares of the Company's common stock. Each pre-funded warrant entitled the holder to purchase shares of common stock at an exercise price of $0.001 per share and expired 20 years from the date of issuance. These warrants were recorded as a component of stockholders' equity within additional paid-in capital. In January 2023, warrant holders exercised 2,236,553 shares of outstanding pre-funded warrants at an exercise price of $0.001 per share. In April 2023, warrant holders exercised the remaining 1,557,153 shares of outstanding pre-funded warrants. As of September 30, 2023, there were no pre-funded warrants outstanding.

9. Stock-Based Compensation

Stock Incentive Plans

2022 Inducement Plan

In April 2022, the Company adopted the Kezar Life Sciences, Inc. 2022 Inducement Plan (the "Inducement Plan"), which is a non-stockholder approved stock plan adopted pursuant to the "inducement exception" provided under Nasdaq Listing Rule 5635(c)(4), for the award of nonstatutory stock options ("NSOs"), restricted stock units ("RSUs") and other equity awards as permitted by the Inducement Plan (collectively, "Inducement Awards") to persons not previously an employee or director of the Company, or following a bona fide period of non-employment, as an inducement material to such persons entering into employment with the Company ("Eligible Recipients"). Under the Inducement Plan, the Company may grant up to 3,000,000 shares of Common Stock in the form of Inducement Awards to Eligible Recipients in compliance with the requirements of Nasdaq Listing Rule 5635(c)(4). Awards must be approved by either a majority of the Company's independent directors or the Company's independent compensation committee. Consultants and directors are not eligible to received grants under the Inducement Plan.

As of September 30, 2023, options to purchase 1,337,500 shares of common stock were outstanding, and 1,662,500 shares were available for future issuance under the Inducement Plan.

2018 Equity Incentive Plan

In June 2018, the Company's board of directors adopted and its stockholders approved the 2018 Equity Incentive Plan (the "2018 Plan"), which became effective as of June 20, 2018, at which point no further grants could be made under the 2015 Equity Incentive Plan (the "2015 Plan") described below. Under the 2018 Plan, the Company may grant incentive stock options ("ISOs"), NSOs, stock appreciation rights, restricted stock awards, RSUs and other stock-based awards. As of September 30, 2023, options to purchase 10,606,553 shares of common stock and 304,546 RSUs were outstanding, and 1,122,652 shares were available for future issuance under the 2018 Plan.

Initially, subject to adjustment as provided in the 2018 Plan, the aggregate number of shares of the Company's common stock authorized for issuance pursuant to stock awards under the 2018 Plan was 4,000,000 shares, which is the sum of (i) 1,600,692 shares plus (ii) the number of shares reserved and available for issuance under the 2015 Plan at the time the 2018 Plan became effective and (iii) the number of shares subject to stock options or other stock awards granted under the 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 the Company's common stock reserved for issuance under the 2018 Plan automatically increases 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 capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by the Company's board of directors prior to such increase.

The maximum number of shares that may be issued upon the exercise of ISOs under the 2018 Plan is 12,500,000 shares.

2015 Equity Incentive Plan

The Company's 2015 Plan provided for the granting of ISOs and NSOs to employees, directors and consultants at the discretion of its board of directors. The 2015 Plan was terminated as to future awards in June 2018, although it continues to govern the terms of options that remain outstanding under the 2015 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.

Options granted under the 2015 Plan expire no later than 10 years from the date of grant. Options granted under the 2015 Plan vest over periods determined by the Company's board of directors, generally over four years. The 2015 Plan allows for early exercise of certain options prior to vesting. Upon termination of employment, the unvested shares are subject to repurchase at the original exercise price. As of September 30, 2023, options to purchase 1,387,858 shares of common stock were outstanding under the 2015 Plan.

2018 Employee Stock Purchase Plan

In June 2018, the Company's board of directors adopted and its stockholders approved the 2018 Employee Stock Purchase Plan (the "ESPP"), which became effective as of June 20, 2018. The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the U.S. Internal Revenue Code of 1986, as amended. The number of shares of common stock initially reserved for issuance under the ESPP was 200,000 shares. The ESPP provides for an annual increase on January 1 of each year, beginning on January 1, 2019 and continuing through and including January 1, 2028, equal to the lesser of (i) 1% of the shares of common stock outstanding on the last day of the prior fiscal year or (ii) 375,000 shares, or a lesser number of shares determined by the Company's board of directors prior to such increase. In December 2022, the Company's board of directors acted such that there was no increase of the number of shares of common stock reserved for issuance under the ESPP as of January 1, 2023. As of September 30, 2023, 503,836 shares of common stock had been issued under the ESPP and 829,388 shares remained available for future issuance under the ESPP.

The price per share of common stock to be paid by an ESPP participant on the applicable purchase date of an offering period shall be equal to 85% of the lesser of the fair market value of a share of common stock on (i) the applicable offering date or (ii) the applicable purchase date. The Company's board of directors authorized an initial six-month offering period beginning on November 16, 2018 and ending on May 15, 2019. The Company's board of directors has subsequently authorized additional six-month offering periods, with the most recent offering period beginning on May 16, 2023.

Option Repricing

On July 24, 2023, the Compensation Committee of the Company's board of directors approved a stock option repricing (the "Option Repricing") in which the exercise price of certain outstanding options to purchase shares of the Company's common stock under the 2018 Plan was reduced to $2.28 per share, the closing price of the Common Stock on July 24, 2023. Outstanding options that were granted under the 2015 Plan and the Inducement Plan were not included in the Option Repricing. The Option Repricing included options granted pursuant to the 2018 Plan that were held by, among others, members of the Company's board of the directors (other than options granted in June 2023) and the Company's named executive officers and principal financial officer.

As a result of the Option Repricing, 9,904,755 shares of vested and unvested stock options outstanding as of July 24, 2023, with original exercise prices ranging from $2.44 to $22.85 per share, were repriced to $2.28 per share. The total incremental fair value to be recognized as a result of the repricing was approximately $4.7 million. The incremental fair value attributable to the vested option shares, totaling approximately $2.3 million, was recognized as stock-based compensation expense during the three months ended September 30, 2023. The remaining incremental fair value attributable to the unvested option shares will be amortized over the remaining requisite service periods, which range from the date of the Option Repricing through the end of 2026.

Stock Option Activity

The following table summarizes activity under the Company's stock option plans and related information (in thousands, except share and per share amounts):

	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	9,684,810	$ 8.12	7.6	$ 15,407
Options granted	4,788,994	$ 5.35		
Options exercised	(155,871)	$ 1.65		$ 376
Options cancelled/forfeited	(986,022)	$ 8.16		
Outstanding as of September 30, 2023	13,331,911	$ 2.76	7.3	$ 48
Vested and exercisable as of September 30, 2023	6,614,659	$ 2.65	6.3	$ 48

The weighted average grant date fair value of options granted during the three and nine months ended September 30, 2023 was $1.72 and $4.03 per share, respectively. The aggregate intrinsic values of exercised stock options during the three and nine months ended September 30, 2023 were $0.1 million and $0.4 million, 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.

Restricted Stock Units Activity

During the nine months ended September 30, 2023, the Company granted RSUs to certain employees pursuant to the 2018 Plan. One-third of each RSU grant will vest annually following the vesting commencement dates, over a vesting period of three years. RSUs are awards that entitle the holder to receive freely tradable shares of the Company's common stock upon vesting and are not forfeitable once fully vested. The valuations for these RSUs were based on the closing prices of the Company's common stock on the grant dates and recognized as stock-based compensation expenses over the respective vesting terms.

	Number of RSUs Outstanding	Weighted Average Grant-Date Fair Price
Outstanding as of December 31, 2022	434,790	$ 9.80
RSUs granted	81,619	$ 6.84
RSUs vested	(125,188)	$ 9.88
RSUs forfeited	(86,675)	$ 9.20
Outstanding as of September 30, 2023	304,546	$ 9.14

Stock-Based Compensation Expense

Total stock-based compensation expense recognized by function was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Research and development	$ 3,140	$ 1,836	$ 7,421	$ 4,754
General and administrative	3,494	1,951	7,496	5,435
Total stock-based compensation expense	$ 6,634	$ 3,787	$ 14,917	$ 10,189

As of September 30, 2023, the unrecognized stock-based compensation cost related to outstanding unvested stock options and RSUs that are expected to vest was $37.5 million with an estimated weighted average amortization period of 2.6 years.

The fair value of the stock options granted is calculated using the Black-Scholes option-pricing model with the following range of assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Expected term (years)	6.1	6.0	5.5 - 6.1	5.3 - 6.0
Expected volatility	87.6 - 88.0%	88.1 - 88.5%	87.6 - 88.3%	84.3 - 88.5%
Risk-free interest rate	4.1 - 4.2%	3.0 - 3.7%	3.5 - 4.3%	1.6 - 3.7%
Expected dividend yield	—	—	—	—

The expected term of options granted represents the period of time that options granted are expected to be outstanding and was determined by calculating the midpoint between the date of vesting and the contractual life of each option. The expected term of the ESPP rights is equal to the six-month look-back period. Volatility is based on the weighted average of the historical volatility of the Company's stock price and that of a peer group of public companies over the expected term. The peer group was selected on the basis of operational and economic similarity with the Company’s principal business operations. The risk-free interest rate for the expected term of the options is based on the U.S. Treasury yield curve with a maturity equal to the expected term in effect at the time of grant. The Company has not paid, and does not anticipate paying, cash dividends on its shares of common stock; therefore, the expected dividend yield is zero.

10. Everest Collaboration

On September 20, 2023, the Company entered into a Collaboration and License Agreement (the “Everest License Agreement”) with Everest Medicines II (HK) Limited (“Everest”) pursuant to which, among other things, the Company granted to Everest an exclusive license to develop and commercialize one or more products containing the Company’s proprietary compound, zetomipzomib (the “Products”), in the licensed field in the Greater China region (Mainland China, Taiwan, Hong Kong and Macau), South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines (the “Territory”). The licensed field includes all uses other than the diagnosis or treatment in humans of cancerous or pre-cancerous diseases or conditions. Everest Medicines Limited is also a party to the Everest License Agreement solely for limited purposes, including to guarantee the performance by Everest of its obligations under the Everest License Agreement.

Under the terms of the Everest License Agreement, the Company received one-time, irrecoverable, non-refundable and non-creditable upfront payment of $7.0 million in October 2023, certain variable payments for manufacturing supply services, and is entitled to receive milestone payments upon achievement of certain development, regulatory and commercial milestone events, for total potential milestone payments of up to $125.5 million. In addition, Everest will pay to the Company tiered royalties on the net sales of the Products in the Territory during the term of the Everest License Agreement ranging from the single digit to the low-teens, subject to certain reductions for patent expiration, generic competition and payments for licenses to third party patents.

The term of the Everest License Agreement will continue on a market-by-market basis until expiration of the relevant royalty term of the Products, unless terminated earlier. Everest has the right to terminate the Everest License Agreement for convenience following completion, suspension or termination of the PALIZADE clinical trial. The Company may terminate the Everest License Agreement if Everest challenges the Company’s patents or fails to perform any development or commercialization activities for a continuous period of more than twelve (12) months, subject to certain exceptions. In addition, either party may terminate the Everest License Agreement for the other party’s uncured breach or insolvency, and the Everest License Agreement will automatically terminate in the event of termination of the Company’s exclusive license agreement with Onyx Therapeutics, Inc.

Under the terms of the Everest License Agreement, at the election of Everest, the Company may manufacture and provide clinical supply to Everest to use in development and commercialization in the Territory at the fully burdened manufacturing cost plus specified margins, as defined within the Everest License Agreement. Certain of these provisions were determined to be options to acquire additional goods or services at a price that approximates the stand-alone selling price for that good or service and therefore do not represent material rights, or separate performance obligations, within the context of the Everest License Agreement. The Company evaluated the Everest License Agreement and determined it was within the scope of ASC 606. The transaction price was determined to consist of the upfront payment of $7.0 million.

License of Intellectual Property. The license to the Company's intellectual property and associated know-how represents a distinct performance obligation. The license and associated know-how was transferred to Everest in the third quarter of 2023 to satisfy this performance obligation. The Company allocated the full transaction price to the license of the Company's intellectual property and accordingly recognized collaboration revenue of $7.0 million for the three and nine months ended September 30, 2023.

Milestone Payments. The potential development, regulatory and commercial milestone payments are paid upon achievement of certain milestones as defined in the Everest License Agreement. It was determined that their achievement is highly dependent on factors outside of the Company's control. These payments have been fully constrained until the Company concludes that achievement of the milestone is probable and that recognition of revenue related to the milestone will not result in a significant reversal in amounts recognized in future periods and, as such, have been excluded from the transaction price. At the end of each subsequent reporting period, the Company will re-evaluate the probability of achievement of each milestone and any related constraint and, if necessary, adjust its estimate of the overall transaction price. As of September 30, 2023, the Company has not recognized any revenue associated with development, regulatory and commercial milestones.

Royalties. Any consideration related to royalties will be recognized if and when the related sales occur, as they were determined to relate predominantly to the license granted to Everest and, therefore, have also been excluded from the transaction price. No royalty revenue was recognized as of September 30, 2023.

As of September 30, 2023, the Company had a receivable of $7.0 million, representing the billed amount related to the upfront payment in September 2023, that the Company had unconditional right to receive under the Everest License Agreement.

11. Income Taxes

No provision for income taxes was recorded for the three and nine months ended September 30, 2023 and 2022, respectively. 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.

Effective January 1, 2022, under the Tax Cuts and Jobs Act, for tax purposes the Company is required to capitalize and subsequently amortize all R&D expenditures over five years for research activities conducted in the U.S. and over fifteen years for research activities conducted outside of the U.S. Given the significant loss and credit carryforwards in the U.S., the Company does not anticipate having a change in valuation allowance assertion.

In March 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law. The CARES Act included several tax changes as part of its economic package. These changes principally related to expanded net operating loss carryback periods, increases to interest deductibility limitations, and accelerated alternative minimum tax refunds. The CARES Act enacted the Employee Retention Credit ("ERC") to incentivize companies to retain employees, which was subsequently modified by extension of the CARES Act. Under the provisions of the CARES Act and its subsequent extension, the Company was eligible for ERCs, subject to certain criteria. During the nine months ended September 30, 2023, the Company received refunds of approximately $1.4 million related to ERCs that offset the related payroll expenses in the respective operating costs and expenses line item in the condensed consolidated statements of operations.

In December 2015, the Protecting Americans from Tax Hikes Act of 2015 (the "PATH Act") was signed into law, which created several new research and development ("R&D") tax credit provisions, including allowing qualified small businesses to utilize the R&D credit against the employer's portion of payroll tax up to a maximum of $250,000 per year. The Company qualified as a small business under the PATH Act for 2016 through 2020. During the nine months ended September 30, 2022, the Company utilized $79,000 of R&D tax credits as a reduction of payroll expenses to offset its payroll tax liabilities. All R&D tax credits have been fully utilized as of December 31, 2022.

12. 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net loss	$ (23,103)	$ (17,847)	$ (69,610)	$ (50,058)
Denominator:				
Weighted-average shares of common stock outstanding	72,681,645	72,153,952	72,491,870	65,730,202
Net loss per share, basic and diluted	$ (0.32)	$ (0.25)	$ (0.96)	$ (0.76)

Basic net loss per common share is calculated by dividing net loss by the weighted-average number of shares of common stock and pre-funded warrants outstanding during the period, without consideration of common share equivalents. Diluted net loss per common share is computed by dividing net loss by the weighted-average number of shares of common stock, pre-funded warrants and common share equivalents outstanding for the period. The pre-funded warrants are included in the computation of basic and diluted net loss per common share as the exercise price is negligible and the pre-funded warrants were fully vested and exercisable. Common share equivalents are only included in the calculation of diluted net loss per common share when their effect is dilutive.

Potential dilutive securities, which include, vested and unvested options to purchase common stock and RSUs subject to future vesting have been excluded from the computation of diluted net loss per share as the effect is antidilutive. Therefore, the denominator used to calculate both basic and diluted net loss per common share is the same in all periods presented.

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 and Nine Months Ended September 30,	
	2023	2022
Stock options to purchase common stock	13,331,911	9,552,954
Restricted stock units subject to future vesting	304,546	438,415
Total	13,636,457	9,991,369

13. Related Party Transactions

In connection with the resignation of Christopher Kirk, Ph.D. from his role as President and Chief Scientific Officer of the Company, the Company and Dr. Kirk entered into an Advisor Agreement, effective as of April 22, 2023 (the “Advisor Agreement”), pursuant to which Dr. Kirk provided scientific and strategic advisory services as a consultant to the Company (the “Services”). The Services were provided at a rate of $41,050 per month, and the Company reimbursed Dr. Kirk for the cost of premiums for continued COBRA coverage through the termination date of the Advisor Agreement, discussed in the Note 14 Subsequent Events below.

Pursuant to the Advisor Agreement, the Company recognized approximately $127,000 and $223,000 of compensation expense during the three and nine months ended September 30, 2023, respectively, of which $42,000 was recorded in accrued liabilities as of September 30, 2023.

14. Subsequent Events

Workforce Reduction

In October 2023, the Company announced a strategic restructuring and workforce reduction (the “Workforce Reduction”) to prioritize the Company’s clinical-stage assets and extend its cash runway. All employees affected by the Workforce Reduction were eligible to receive, among other things, severance payments and the continuation of group health insurance coverage for a specified time period post-termination.

The Company expects the severance-related charge associated with the Workforce Reduction to be approximately $2.9 million to $3.2 million, of which $0.8 million represented severance and COBRA costs relate to an officer’s employment contract, which were recorded as accrued liabilities as of September 30, 2023 because they related to a contractual post-employment benefit that was

probable and estimable. The severance-related charge, which is expected to represent cash expenditures incurred in connection with the Workforce Reduction, are subject to a number of assumptions, and the actual results may materially differ. The Company expects that the majority of the severance-related charges will be incurred in the fourth quarter of 2023. The Company is assessing other potential charges or cash expenditures not currently contemplated due to events that may occur as a result of, or associated with, the Workforce Reduction, including potential impairment charges due to the pausing of the Company's research and drug discovery activities.

Management Changes

On September 30, 2023, John Fowler, the Company's Chief Executive Officer, notified the board of directors of his resignation, effective November 7, 2023 (the "Transition Date"). Mr. Fowler will continue to serve as a member of the board of directors following the Transition Date. Christopher Kirk, Ph.D. was appointed as the Company's Chief Executive Officer, effective as of the Transition Date. In connection with this transition, Mr. Fowler entered into a separation and consulting agreement with the Company (the "Fowler Agreement"), pursuant to which Mr. Fowler will provide transition services to the Company for a period of 12 months following the Transition Date. Pursuant to the Fowler Agreement, Mr. Fowler will be paid a consulting fee of $5,000 per month, and his outstanding equity awards will continue to vest in accordance with their terms so long as Mr. Fowler provides continuous service to the Company, including as a member of the board of directors. In addition, Mr. Fowler agreed to waive participation in the Company's Non-Employee Director Compensation Policy for the term of the consulting period.

On October 2, 2023, Dr. Kirk entered into an executive employment agreement with the Company as Chief Executive Officer (the "Kirk Agreement"), pursuant to which, beginning on the Transition Date, Dr. Kirk will receive an annual base salary of $600,000 with an annual target bonus of 55% of his annual base salary. Dr. Kirk will also receive a sign-on bonus of $75,000 and an option to purchase 875,000 shares of common stock pursuant to the Company's 2018 Equity Incentive Plan. The stock option vests in equal monthly installments over a four-year period, subject to Dr. Kirk's continuous service to the Company through each vesting date. Additionally, Dr. Kirk is entitled to certain severance benefits pursuant to the Kirk Agreement. Effective on the Transition Date, the Advisor Agreement with Dr. Kirk was immediately terminated.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following management's discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and related notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and with our audited consolidated financial statements and related notes thereto for the year ended December 31, 2022 included in our Annual Report on Form 10-K, as filed with the U.S. Securities and Exchange Commission, or the SEC, on March 14, 2023, or the Annual Report.

Overview

We are a clinical-stage biotechnology company, discovering and developing novel small molecule therapeutics to treat unmet needs in immune-mediated diseases and cancer. We believe therapies that inhibit multiple drivers of disease by targeting fundamental upstream control processes within the cell have the potential for profound therapeutic benefit in a number of difficult-to-treat diseases. To that end, we are advancing two drug development programs that harness different regulators of cellular function: the first targets the immunoproteasome which is responsible for protein degradation in cells of the immune system and drives many key aspects of immune cell function, and the second targets the Sec61 translocon, which is located on the endoplasmic reticulum and represents the beginning of the protein secretion pathway. Targeting these fundamental regulators of cellular function offers an attractive approach to treating many diseases.

Our lead product candidate, zetomipzomib, is a first-in-class selective immunoproteasome inhibitor that has successfully completed Phase 1a testing in healthy volunteers, a Phase 1b trial in patients with systemic lupus erythematosus, or SLE, and a Phase 2a trial in patients with lupus nephritis, or LN. In the first half of 2023, we initiated PALIZADE, a global, placebo-controlled, double-blind Phase 2b clinical trial evaluating zetomipzomib in patients with LN. Target enrollment is 279 patients, who will be randomly assigned (1:1:1) to receive 30 mg of zetomipzomib, 60 mg of zetomipzomib or placebo subcutaneously once weekly for 52 weeks, in addition to standard background therapy. Background therapy can, but will not be mandated to, include standard induction therapy. We are also continuing to explore development opportunities for zetomipzomib in patients with SLE, a chronic inflammatory disease.

In addition, we are leveraging the broad therapeutic potential of zetomipzomib in other severe autoimmune diseases of high unmet medical need. Our PORTOLA trial is a placebo-controlled, double-blind Phase 2a clinical trial evaluating zetomipzomib in patients with autoimmune hepatitis, or AIH, a rare, chronic disease in which the immune system attacks the liver and causes inflammation and tissue damage. Target enrollment is 24 patients, who will be randomly assigned (2:1) to receive either zetomipzomib or placebo in addition to background corticosteroid therapy for 24 weeks and includes a protocol-mandated steroid taper by Week 14.

Based on clinical data generated to date with zetomipzomib, we believe that zetomipzomib has the potential to address multiple chronic immune-mediated diseases. We believe that the immunoproteasome is a validated target for the treatment of a wide variety of immune-mediated diseases given its ability to regulate multiple drivers of the inflammatory disease process. Many inflammatory disorders are currently treated one cytokine or cell type at a time, but the immunoproteasome affects a broad spectrum of immune regulators. We have seen encouraging clinical activity and biomarker data in the SLE and LN patients who received zetomipzomib in the MISSION trial. The safety and tolerability profiles of zetomipzomib has been favorable and consistent with the needs for a long-term therapy. We intend to identify additional immune-mediated disease indications where a proof of principle exists to further develop zetomipzomib.

Our oncology product candidate, KZR-261, is being studied in an open-label Phase 1 clinical trial designed to evaluate safety and tolerability, pharmacokinetics and pharmacodynamics, as well to explore preliminary anti-tumor activity. This study is being conducted in two parts: dose escalation in patients with locally advanced or metastatic solid malignancies, and dose expansion in patients with selected tumor types. As of November 2023, the dose escalation portion of the study is enrolling Cohort 8 (60 mg/m2). KZR-261 is the first clinical candidate from our novel research platform targeting the Sec61 translocon and the protein secretion pathway for the discovery and development of small molecule therapeutics for oncology and autoimmune indications. KZR-261 has demonstrated broad anti-tumor activity in preclinical models of both solid and hematologic malignancies by targeting multiple pathways driving tumor growth and survival.

We believe this discovery platform has the potential to yield additional small molecule product candidates with the ability to inhibit multiple pathways as a single agent, as well as compounds designed to selectively inhibit a single secreted or transmembrane protein of interest. For example, in November 2022, we presented promising preclinical data on KZR-540, an orally bioavailable small molecule that selectively blocks PD-1 expression via inhibition of the Sec61 translocon. If successfully developed and approved, small molecules generated from our protein secretion program could serve as 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. In October 2023, we announced that we have paused preclinical research and discovery activities and are exploring strategic alternatives for our protein secretion platform and related preclinical programs.

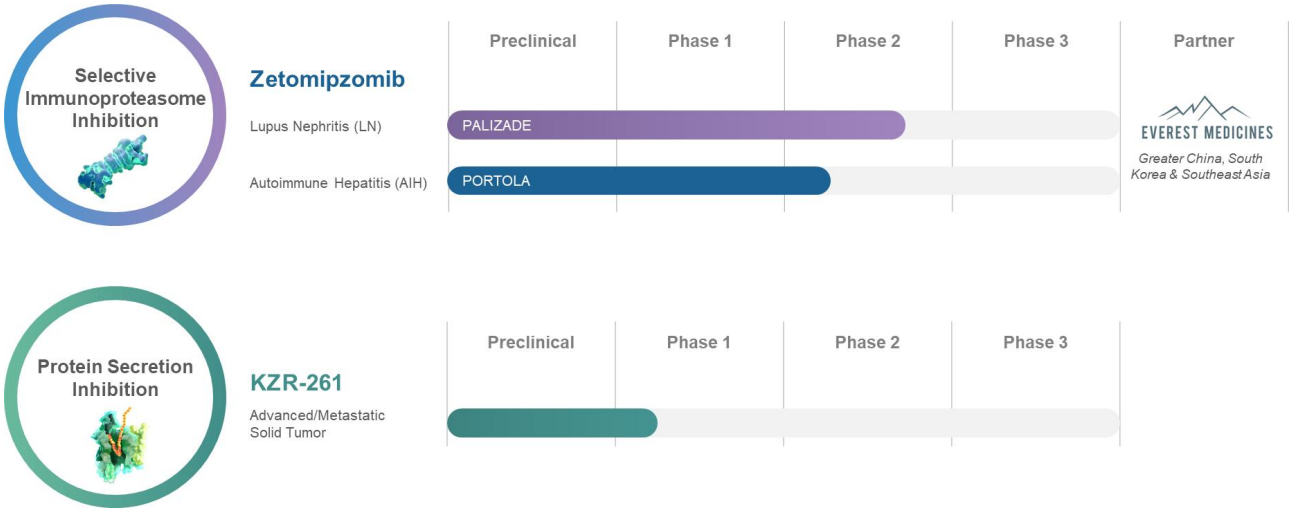
Since the commencement of our operations, we have devoted substantially all of our resources to performing research and development activities in support of our product development efforts, hiring personnel, raising capital to support and expand such activities and providing general and administrative 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, public offerings of common stock and pre-funded warrants to purchase common stock and debt. 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. We have incurred significant operating losses since our inception. Our net losses were $68.2 million and $69.6 million for the year ended December 31, 2022 and the nine months ended September 30, 2023, respectively, and we expect to continue to incur significant losses for the foreseeable future. As of September 30, 2023, we had an accumulated deficit of $318.5 million. We anticipate that a substantial portion of our capital resources and efforts in the foreseeable future will be focused on 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 zetomipzomib and KZR-261;
- seek to develop additional product candidates, including preclinical studies and clinical trials for such product candidates;
- maintain, protect and expand our portfolio of intellectual property rights, including patents and trade secrets;
- seek marketing approvals for zetomipzomib and KZR-261, as well as any future product candidates that successfully complete clinical trials;
- 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;
- implement operational, financial, management and compliance systems; and
- attract, hire and retain additional administrative, clinical, regulatory and scientific personnel.

Our Pipeline

The following table sets forth the status and initial focus of our product candidates and protein secretion program:



Recent Events

Collaboration and License Agreement

On September 20, 2023, we entered into a collaboration and license agreement (the "Everest License Agreement"), pursuant to which, among other things, we granted to Everest an exclusive license to develop and commercialize one or more products containing our proprietary compound, zetomipzomib, in the licensed field in the Greater China region (Mainland China, Taiwan, Hong Kong and Macau), South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines (the "Territory"). The licensed field includes all uses other than the diagnosis or treatment in humans of cancerous or pre-cancerous diseases or conditions. Everest Medicines Limited is also a party to the Everest License Agreement solely for limited purposes, including to guarantee the performance by Everest of its obligations under the Everest License Agreement.

Under the terms of the Everest License Agreement, we received from Everest an initial upfront payment of $7.0 million in October 2023 and are entitled to receive from Everest milestone payments upon achievement of certain development, regulatory and commercial milestone events, for total potential milestone payments of up to $125.5 million. In addition, Everest will pay us tiered royalties on the net sales in the Territory during the term of the Everest License Agreement ranging from the single digit to the low-teens, subject to certain reductions for patent expiration, generic competition and payments for licenses to third party patents.

October 2023 Restructuring

In October 2023, we announced a strategic restructuring and workforce reduction (the "Workforce Reduction") to prioritize our clinical-stage assets and extend our cash runway, reducing our workforce by approximately 41%. All employees affected by the Workforce Reduction were eligible to receive, among other things, severance payments and the continuation of group health insurance coverage for a specified time period post-termination.

We anticipate the severance-related charge associated with the Workforce Reduction to be approximately $2.9 million to $3.2 million, of which $0.8 million represented severance and COBRA costs relate to an officer's employment contract, which were recorded as accrued liabilities as of September 30, 2023 because they related to a contractual post-employment benefit that was probable and estimable. The severance-related charge, which is expected to represent cash expenditures in connection with the Workforce Reduction, is subject to a number of assumptions and actual results may differ materially. We expect that the majority of the severance-related charges will be incurred in the fourth quarter of 2023. We are assessing other potential charges or cash expenditures not currently contemplated due to events that may occur as a result of, or associated with, the Workforce Reduction, including potential impairment charges due to the pausing of our research and drug discovery activities.

Financial Operations Overview

Collaboration Revenue

We have no products approved for commercial sales and, to date, have not generated any revenue from the sale of products, and we do not expect to generate any revenue from the sale of products in the near future.

Our revenue to date has been generated from the upfront payment pursuant to our collaboration with Everest under the Everest License Agreement. Collaboration revenue consists of revenue received from upfront, milestone and contingent payments received from the strategic partner. We recognize collaboration revenue when the performance obligation is satisfied.

In addition to receiving an upfront payment, we may also be entitled to milestones and other contingent payments upon achieving predefined objectives. If a milestone is considered probable of being reached, and if it is probable that a significant revenue reversal would not occur, the associated milestone amount would also be included in the transaction price.

We expect that any collaboration revenue we generate from our current collaboration and license agreement, and from any future collaboration partners, will fluctuate as a result of the timing and amount of upfront, milestones and other collaboration agreement payments and other factors.

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 facility-related costs and 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Research and development expenses by program:				
Zetomipzomib	$ 15.2	$ 8.2	$ 39.3	$ 20.9
KZR-261	4.2	3.1	11.9	8.1
Protein Secretion	4.3	2.6	11.9	7.2
Total research and development expenses	$ 23.7	$ 13.9	$ 63.1	$ 36.2

We expect our research and development expenses to increase substantially for the foreseeable future as our product candidates 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 expenses for outside professional services, including legal, human resource, information technology and audit services. Personnel costs consist of salaries, benefits and stock-based compensation. We will incur additional expenses as we 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, cash equivalents and marketable securities.

Interest Expense

Our interest expense is related to our debt facility. A portion of the interest expense is non-cash expense relating to the accretion of the final payment fees and amortization of debt discount and debt issuance costs associated with our Loan Agreement with Oxford Finance.

July 2023 Option Repricing

On July 24, 2023, the Compensation Committee of the Company's Board of Directors approved a stock option repricing (the "Option Repricing") in which the exercise price of certain outstanding options to purchase shares of the Company's common stock under the 2018 Plan was reduced to $2.28 per share, the closing price of the Common Stock on July 24, 2023. As a result of the Option Repricing, 9,904,755 vested and unvested stock options outstanding as of July 24, 2023 granted under the 2018 Plan with original exercise prices ranging from $2.44 to $22.85, were repriced. The total incremental fair value to be recognized as a result of the repricing was approximately $4.7 million. The incremental fair value attributable to the vested option shares, totaling approximately $2.3 million, was recognized as non-cash stock-based compensation expense during the three months ended September 30, 2023. The

remaining incremental fair value attributable to the unvested option shares will be amortized over the remaining requisite service period, which is largely through the end of 2026.

Results of Operations

Comparison of the Three Months Ended September 30, 2023 and 2022

(dollars in millions)	Three Months Ended September 30, 2023	2022	$ Change
Collaboration revenue	$ 7.0	$ —	$ 7.0
Operating expenses:			
Research and development	23.7	13.9	9.8
General and administrative	8.8	5.1	3.7
Total operating expenses	32.5	19.0	13.5
Loss from operations	(25.5)	(19.0)	(6.5)
Interest income	2.8	1.4	1.4
Interest expense	(0.4)	(0.3)	(0.1)
Net loss	$ (23.1)	$ (17.9)	$ (5.2)

Collaboration Revenue

Collaboration revenue increased by $7.0 million for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 due to the upfront payment under the Everest License Agreement.

Research and Development Expenses

Research and development expenses increased by $9.8 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The increase was due to an increase of $5.3 million in clinical expenses primarily related to increased activities for the PALIZADE trial, an increase of $1.6 million in personnel expenses, an increase of $1.3 million in stock-based compensation primarily from the Option Repricing, an increase of $0.8 million in facility-related expense due to the increase rent from additional lease space, an increase of $0.5 million in consulting expenses and an increase of $0.2 million in manufacturing expenses related to the timing of drug manufacturing runs.

General and Administrative Expenses

General and administrative expenses increased by $3.7 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The increase was due to an increase of $1.6 million in legal and professional service costs largely in connection with the Everest License Agreement, an increase of $1.5 million in stock-based compensation primarily from the Option Repricing, an increase of $0.4 million in personnel expenses due to an increase in headcount and an increase of $0.2 million in facility-related expense.

Interest Income

Interest income increased by $1.4 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The increase was primarily due to an increase in interest rates.

Interest Expense

Interest expense increased by $0.1 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The interest expense was composed of the contractual coupon interest expense, the amortization of the debt discount and issuance costs and the accretion of the final payment fee associated with the Loan Agreement entered into in November 2021.

Comparison of the Nine Months Ended September 30, 2023 and 2022

(dollars in millions)	Nine Months Ended September 30, 2023	2022	$ Change
Collaboration revenue	$ 7.0	$ —	$ 7.0
Operating expenses:			
Research and development	63.1	36.2	26.9
General and administrative	20.8	15.0	5.8
Total operating expenses	83.9	51.2	32.7
Loss from operations	(76.9)	(51.2)	(25.7)
Interest income	8.4	1.9	6.5
Interest expense	(1.1)	(0.8)	(0.3)
Net loss	$ (69.6)	$ (50.1)	$ (19.5)

Collaboration Revenue

Collaboration revenue increased by $7.0 million for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 due to the upfront payment under the Everest License Agreement.

Research and Development Expenses

Research and development expenses increased by $26.9 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The increase was due to an increase of $12.7 million in clinical expenses primarily related to increased activities for the PALIZADE trial, an increase of $4.2 million in personnel and recruiting expenses, an increase of $2.8 million in facility-related expense due to the increase rent from additional lease space, an increase of $2.7 million in stock-based compensation, an increase of $1.9 million in research and preclinical activities related to protein secretion, an increase of $1.9 million in manufacturing expenses and an increase of $0.6 million in consulting expenses.

General and Administrative Expenses

General and administrative expenses increased by $5.8 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The increase was due to an increase of $2.1 million in stock-based compensation, an increase of $2.0 million in legal and other professional services, an increase of $1.2 million in personnel and recruiting expenses due to an increase in headcount and salaries, and an increase of $0.4 million in facility-related expense.

Interest Income

Interest income increased by $6.5 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The increase was due to an increase in interest rates.

Interest Expense

Interest expense increased by $0.3 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The interest expense was composed of the contractual coupon interest expense, the amortization of the debt discount and issuance costs and the accretion of the final payment fee associated with the Loan Agreement entered into in November 2021.

Liquidity and Capital Resources

Overview

As of September 30, 2023, we had $218.2 million in cash, cash equivalents and marketable securities. As of September 30, 2023, our cash equivalents and marketable securities had an average maturity of approximately five months and the longest maturity was 19 months.

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 $69.6 million for the nine months ended September 30, 2023, and we had an accumulated deficit of $318.5 million as of September 30, 2023.

We believe that our cash, cash equivalents and marketable securities as of September 30, 2023 will be sufficient to meet our projected operating requirements through at least the next 12 months from the date these 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.

At-the-Market Offering Program

In December 2021, we entered into a Sales Agreement, or the ATM Agreement, with Cowen and Company, LLC, or Cowen, pursuant to which we can offer and sell, from time to time at our sole discretion, through Cowen, as our sales agent, shares of common stock having an aggregate offering price of up to $200.0 million. Any shares of common stock sold will be issued pursuant to our shelf registration statement on Form S-3 (File No. 333-261774). We will pay Cowen a commission up to 3.0% of the gross sales proceeds of any shares of common stock sold through Cowen under the ATM Agreement and also have provided Cowen with indemnification and contribution rights. As of September 30, 2023, we have sold an aggregate of 11,986,003 shares of our common stock for gross proceeds of approximately $131.7 million at a weighted average purchase price of $10.98 per share pursuant to the ATM Agreement. As of September 30, 2023, approximately $68.3 million remains available under the ATM Agreement. No shares were sold under the ATM Agreement during the three months ended September 30, 2023.

Debt Facility

In November 2021, we entered into the Loan Agreement with Oxford Finance, which provides up to $50.0 million in borrowing capacity across five potential tranches. The initial tranche of $10.0 million was funded at the closing of the Loan Agreement. The remaining tranches were dependent on achieving certain clinical trial milestones. As of September 30, 2023, we declined these tranches in borrowing capacity available to us under the Loan Agreement.

Until June 30, 2023, the Loan Agreement bore interest at a floating per annum rate (based on the actual number of days elapsed divided by a year of 360 days) equal to the sum of (a) the greater of (i) the 30-day U.S. LIBOR rate reported in The Wall Street Journal on the last business day of the month that immediately precedes the month in which the interest will accrue and (ii) 0.08%, plus (b) 7.87%. We are required to make monthly interest-only payments prior to the amortization date of January 1, 2025, subject to a potential one-year extension upon satisfaction of certain conditions. The loan facility is secured by all assets except intellectual property, which is subject to a negative pledge, and will mature on November 1, 2026. There are no warrants or financial covenants associated with the Loan Agreement. A LIBOR transition event occurred effective July 1, 2023 and Oxford Finance revised the Loan Agreement to replace the LIBOR rate with the 1-month CME term SOFR plus 0.1%. The rate change did not require contract remeasurement at the effective date of the change or a reassessment of any previous accounting determinations pertaining to the facility. The rate change did not have a material impact on the Company's financial statements.

Funding Requirements

We believe that our available cash, cash equivalents and short-term investments are sufficient to fund existing and planned cash requirements for the next 12 months. Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, third-party clinical research and development services, clinical costs, legal and other regulatory expenses and general overhead costs. We have based our estimates on assumptions that may prove to be incorrect, and we could use our capital resources sooner than we currently expect.

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 zetomipzomib, KZR-261 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.

Our material cash requirements as of September 30, 2023 primarily relate to the maturities of principal obligations under our Term Loan and operating leases for office space and equipment. As of September 30, 2023, we have $3.9 million payable within 12 months. Refer to Notes 6 and 7 to our condensed consolidated financial statements for additional information. In addition, pursuant to our exclusive license agreement with Onyx Therapeutics, Inc., or the Onyx License Agreement, we expect to recognize and pay a $5.0 million milestone payment in the fourth quarter of 2023 for the initiation of the PALIZADE trial.

Our expected material cash requirements do 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 Onyx License Agreement. 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. We also have no material non-cancellable purchase commitments with service providers, as we have generally contracted on a cancellable, purchase order basis.

We will require additional financing to fund working capital and pay our obligations. We may pursue financing opportunities through a combination of equity offerings, debt financings and additional funding from license and collaboration agreements. Except for any obligations of Everest to reimburse us for research and development expenses or to make milestone or royalty payments under the Everest License Agreement, we have no committed external sources of funding. 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. 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:

	Nine Months Ended September 30,	
	2023	2022
(dollars in millions)	(unaudited)	
Net cash used in operating activities	$ (62.7)	$ (43.0)
Net cash provided by (used in) investing activities	$ 48.2	$ (82.7)
Net cash provided by financing activities	$ 0.6	$ 127.4

Cash Flows from Operating Activities

During the nine months ended September 30, 2023, cash used in operating activities was $62.7 million, which consisted of a net loss of $69.6 million and a net change of $3.6 million in our net operating assets and liabilities, adjusted by non-cash charges of $10.6 million. The non-cash charges consisted of $14.9 million for stock-based compensation expense, $0.8 million for depreciation and amortization, and $0.2 million of non-cash interest expense, offset by $5.3 million of amortization of premium and discounts on marketable securities. The change in our net operating assets and liabilities was primarily due to an increase of $7.0 million in accounts receivable, an increase of $1.8 million in prepaid and other current assets driven by the start-up clinical activities related to the PALIZADE trial, and a decrease of $0.2 million in operating lease asset and liabilities, offset by an increase of $5.4 million in accounts payable and accrued liabilities due to increased clinical expenditures.

During the nine months ended September 30, 2022, cash used in operating activities was $43.0 million, which consisted of a net loss of $50.1 million and a net change of $4.5 million in our net operating assets and liabilities, adjusted by non-cash charges of $11.6 million. The non-cash charges consisted of $10.2 million for stock-based compensation expense, $1.3 million for depreciation and amortization and $0.1 million of non-cash interest expense. The change in our net operating assets and liabilities was primarily due to an increase of $5.2 million in prepaid and other current assets, an increase of $1.6 million in accounts payable and accrued liabilities and a decrease of $0.9 million in operating lease liabilities.

Cash Flows from Investing Activities

Net cash provided by investing activities was $48.2 million for the nine months ended September 30, 2023, primarily relating to the maturities of marketable securities exceeding purchases of such marketable securities. Payments for the purchases of property and equipment were $1.8 million during the nine months ended September 30, 2023.

Net cash used in investing activities was $82.7 million for the nine months ended September 30, 2022, primarily relating to the purchases of marketable securities exceeding maturities of such marketable securities. Payments for the purchases of property and equipment were $1.2 million during the nine months ended September 30, 2022.

Cash Flows from Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2023 was $0.6 million, primarily from the issuance of common stock pursuant to our employee equity plans.

Net cash provided by financing activities for the nine months ended September 30, 2022 was $127.4 million, primarily relating to the net proceeds received from sales of common stock under the ATM Agreement and $0.8 million from the issuance of common stock pursuant to our employee equity plans.

Critical Accounting Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our condensed 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 judgments, 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 collaboration revenue and 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, and collaboration revenue recognition that are not readily apparent from other sources. For revenue recognition, judgment includes (a) assessing the number of performance obligations; (b) determining the transaction price; (c) allocating the transaction price to the performance obligations in the contract; and (d) determining the pattern over which performance obligations are satisfied. Actual results may differ from these estimates under different assumptions or conditions.

Other than collaboration revenue recognition, there have been no other material changes to our critical accounting judgments and estimates from those described under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report.

Status as an Emerging Growth Company and a Smaller Reporting Company

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we expect to cease being an "emerging growth company" on December 31, 2023. 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, until December 31, 2023, 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, as an "emerging growth company," 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) or (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 until December 31, 2023 or until we no longer meet the requirements of being an emerging growth company, whichever is earlier.

We are also a smaller reporting company as defined in the Securities Exchange Act of 1934, as amended, or the Exchange Act. We may continue to be a smaller reporting company even after we are no longer an emerging growth company. We may take advantage of certain of the scaled disclosures available to smaller reporting companies and will be able to take advantage of these scaled disclosures for so long as (i) our voting and non-voting common stock held by nonaffiliates is less than $250.0 million measured on the last

business day of our second fiscal quarter or (ii) our annual revenue is less than $100.0 million during the most recently completed fiscal year and our voting and non-voting common stock held by non-affiliates is less than $700.0 million measured on the last business day of our second fiscal quarter.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The primary objectives of our investment activities are to ensure liquidity and to preserve capital. The market risk inherent in our financial instruments and in our financial position reflects the potential losses arising from adverse changes in interest rates and concentration of credit risk. We had cash, cash equivalents and marketable securities of $218.2 million as of September 30, 2023, which consisted of bank deposits, highly liquid U.S. Treasury money market funds, U.S. Treasury securities, commercial paper and U.S. agency bonds. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. As of September 30, 2023, our cash equivalents and marketable securities had an average maturity of approximately 5 months and the longest maturity was 19 months. Due to the short-term duration and the lower risk profile of our cash equivalents and marketable securities, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our cash equivalents and marketable securities. We have the ability to hold our cash equivalents and marketable securities until maturity, and we therefore do not expect a change in market interest rates to affect our operating results or cash flows to any significant degree.

Our investment portfolio consists of investment grade securities diversified amongst security types, industries, and issuers. We maintain cash, cash equivalents, and investments with multiple financial institutions that we believe are financially sound and have minimal credit risk exposure, although at times our balances may exceed the applicable insurance coverage limits. We monitor and manage the overall counterparty credit risk exposure of our cash balances to individual financial institutions on an ongoing basis. All our securities are held in custody by a recognized financial institution. Our policy limits the amount of credit exposure to a maximum of 10% to any one issuer, except for the U.S. Treasury, Federal Agencies, or Government Money Market Funds, and we believe no significant concentration risk exists with respect to these investments.

Approximately $0.7 million of our cash balance was located in Australia as of September 30, 2023. 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.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. Based upon the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting.

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. 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.

Item 1A. Risk Factors.

An investment in shares of our common stock involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information appearing elsewhere in this Quarterly Report on Form 10-Q, including our financial statements and related notes hereto, before deciding to invest in our common stock. The occurrence of any of the following risks could have a material adverse effect on our business, financial condition, results of operations and future growth prospects or cause our actual results to differ materially from those contained in forward-looking statements we have made in this report and those we may make from time to time. In these circumstances, the market price of our common stock could decline, and you may lose all or part of your investment. We cannot assure you that any of the events discussed below will not occur.

Summary of Selected Risks Associated with our Business

Our business is subject to numerous risks and uncertainties, including those discussed at length in the section titled "Risk Factors." These risks include, among others, the following:

- 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.
- We have a limited operating history and have never generated 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 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.
- Raising additional capital may cause dilution to our stockholders, restrict our operations or require us to relinquish proprietary rights.
- Our future success is substantially dependent on the successful clinical development, regulatory approval and commercialization of zetomipzomib and KZR-261, as well as any future product candidates.
- We may explore strategic collaborations, which would require us to relinquish important rights to and control over the development and commercialization of our product candidates to any future collaborators.
- Success in preclinical studies or earlier clinical trials may not be indicative of future clinical trial results, and we cannot assure you that any clinical trials will lead to results sufficient for the necessary regulatory approvals.
- Clinical trials are very expensive, time consuming and difficult to design and implement.
- 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.
- We may encounter substantial delays or difficulties in enrolling and retaining patients in our clinical trials.
- The manufacture of our product candidates is complex and uncertain, and until we develop a validated manufacturing process, we may encounter difficulties in supplying our planned and future clinical trials. If we encounter such difficulties, or fail to meet quality standards, our ability to meet clinical timelines and expand our development strategy could be impacted.
- 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.
- 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.

- Even if our 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.
- We face substantial competition, which may result in others developing or commercializing drugs before or more successfully than us.
- We are dependent upon Everest for the further development and commercialization of zetomipzomib in the greater China region, South Korea and certain Southeast Asian countries.
- Our relationships with customers, physicians, and third-party payors may be subject, directly or indirectly, to federal and state healthcare fraud and abuse laws, transparency 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.
- We rely on third parties to manufacture clinical supplies of our product candidates and to conduct, supervise and monitor our clinical trials and preclinical studies. If those third parties perform in an unsatisfactory manner, it may harm our business.
- Licensing of intellectual property is of critical importance to our business and involves complex legal, business and scientific issues. If we breach our exclusive license agreement with Onyx Therapeutics, Inc., we could lose the ability to continue the development and commercialization of zetomipzomib.
- If we are unable to obtain and maintain patent protection for zetomipzomib, KZR-261 or any future product candidate, if the scope of patent protection 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.
- Patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time.
- We are highly dependent on the services of our executive officers, 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.
- If securities or industry analysts do not publish research or reports, or publish unfavorable research or reports, about our business or our market, our stock price and trading volume could decline.
- Unstable market and economic conditions may have serious adverse consequences on our business, financial condition and share price.

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 $68.2 million for the year ended December 31, 2022 and $69.6 million for the nine months ended September 30, 2023. As of September 30, 2023, we had an accumulated deficit of $318.5 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 zetomipzomib, KZR-261 and future product candidates from our protein secretion program;
- seek to discover and develop additional product candidates, including preclinical studies and clinical trials for such product candidates;
- maintain, protect and expand our portfolio of intellectual property rights, including patents, trade secrets and know-how;
- seek marketing approvals for zetomipzomib, KZR-261 and any future product candidates that successfully complete clinical trials;

- 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;
- implement operational, financial, management and compliance systems; and
- attract, hire and retain additional administrative, clinical, regulatory and scientific personnel.

In addition, because of the numerous risks and uncertainties associated with developing pharmaceutical products, we are unable to accurately predict the timing or amount of increased expenses and 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 initiation, enrollment or 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 necessary to obtain marketing approval, we anticipate incurring significant costs associated with launching and commercializing zetomipzomib, KZR-261 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 the 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 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 and our operations to date have been largely focused on raising capital and conducting preclinical and clinical development of zetomipzomib and KZR-261, as well as research and discovery activities of future product candidates under our protein secretion program. 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 of our product candidates. 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 zetomipzomib, KZR-261 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 zetomipzomib, KZR-261 and any future product candidates;
- obtaining regulatory approvals for zetomipzomib, KZR-261 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 and obtaining 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 zetomipzomib, a self-administered dual-chamber system for administering zetomipzomib 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 zetomipzomib, KZR-261 and any future product candidates, if approved;
- obtaining market acceptance, if and when approved, of zetomipzomib, KZR-261 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 comparable foreign 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.

As of September 30, 2023, we had cash, cash equivalents and marketable securities of $218.2 million. We believe that our cash, cash equivalents and marketable securities as of September 30, 2023, and our available borrowing capacity 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, including as a result of the macroeconomic uncertainties and impacts, including as a result of future bank failures or geopolitical tensions such as the Russia-Ukraine or Israel-Hamas wars, 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. If the adverse global economic conditions, including higher inflation rates and changes in interest rates, persist or worsen, we could experience an inability to access additional capital or engage in strategic transactions on terms reasonable to us, or at all.

We do not currently have any commitments for future funding other than reimbursement, milestone and royalty payments we may receive under our Everest License Agreement, and we may not receive any further funds under that agreement. In any event, we will require substantial additional capital to develop a delivery system for zetomipzomib, conduct additional clinical trials, seek regulatory approval and commence commercialization of zetomipzomib, KZR-261 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 zetomipzomib, KZR-261 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, 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. In December 2021, we entered into Sales Agreement, or the ATM Agreement, with Cowen and Company, LLC, for an at-the-market offering program that allows us to sell up to an aggregate of $200 million of our common stock. As of September 30, 2023, approximately $68.3 million remains available under the at-the-market program. 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. For example, our obligations under the Loan Agreement are secured by a security interest in all of our assets, other than our intellectual property which is subject to a negative pledge. In addition, the Loan Agreement contains customary covenants that, subject to specific exceptions, restrict our ability to, among other things, declare dividends or redeem or repurchase equity interests, incur additional liens, make loans and investments, incur additional indebtedness, engage in mergers, acquisitions and asset sales, transact with affiliates, undergo a change in control, add or change business locations, or engage in businesses that are not related to its existing business.

In addition, 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. For example, in September 2023, we entered into a collaboration and license agreement with Everest granting it an exclusive license to develop and commercialize zetomipzomib in the greater China region, South Korea and certain Southeast Asian countries in exchange for an upfront payment and potential milestone and royalty payments.

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.

The terms of the Loan Agreement with Oxford Finance place restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict our ability to operate our business.

In November 2021, we entered into a Loan Agreement with Oxford Finance that provided us with up to $50.0 million of borrowing capacity across five potential tranches. The initial tranche of $10.0 million was funded at the closing of the Loan Agreement. As of September 30, 2023, we declined the remaining tranches in borrowing capacity available to us under the Loan Agreement. Our overall leverage and certain obligations and affirmative and negative covenants contained in the related documentation could adversely affect our financial health and business and future operations by limiting our ability to, among other things, satisfy our obligations under the Loan Agreement, refinance our debt on terms acceptable to us or at all, plan for and adjust to changing business, industry and market conditions, use our available cash flow to fund future acquisitions and make dividend payments, and obtain additional financing for working capital, to fund growth or for general corporate purposes, even when necessary to maintain adequate liquidity.

If we default under the Loan Agreement, Oxford Finance may accelerate all of our repayment obligations and exercise all of their rights and remedies under the Loan Agreement and applicable law, potentially requiring us to renegotiate our agreement on terms less favorable to us. Further, if we are liquidated, the lenders' right to repayment would be senior to the rights of the holders of our common stock to receive any proceeds from the liquidation. Oxford Finance could declare a default upon the occurrence of an event of default, including events that they interpret as a material adverse change as defined in the Loan Agreement, payment defaults or breaches of certain affirmative and negative covenants, thereby requiring us to repay the loan immediately. Any declaration by Oxford Finance of an event of default could significantly harm our business and prospects and could cause the price of our common stock to decline. Additionally, if we raise any additional debt financing, the terms of such additional debt could further restrict our operating and financial flexibility.

We are required and expect to make significant payments in connection with our license agreement with Onyx Therapeutics, Inc., or Onyx, for zetomipzomib.

We acquired rights to zetomipzomib, pursuant to an exclusive 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. 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 zetomipzomib. 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 net operating losses and certain other tax attributes to offset future taxable income may be subject to limitation.

Our net operating loss, or NOL, carryforwards could expire unused and be unavailable to offset future income tax liabilities because of their limited duration or because of restrictions under U.S. tax law. Our NOLs generated in tax years beginning on or prior to December 31, 2017 are permitted to be carried forward for only 20 years under applicable U.S. tax law. Our federal NOLs generated in tax years beginning after December 31, 2017 may be carried forward indefinitely, but the deductibility of such federal NOLs is limited to 80% of current year taxable income. It is uncertain if and to what extent various states will conform to federal law with respect to the limitations on the use of NOLs.

In addition, under Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an "ownership change," its ability to use its pre-change NOL carryforwards and other pre-change

tax attributes (such as research tax credits) to offset its post-change income may be limited. A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points (by value) over their lowest ownership percentage over a rolling three-year period. We may have experienced ownership changes in the past and may experience ownership changes in the future as a result of shifts in our stock ownership (some of which 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.

Consequently, even if we achieve profitability, we may not be able to utilize a material portion of our NOL carryforwards and certain other tax attributes, which could have a material adverse effect on cash flow and results of operations.

Changes in tax laws or regulations could materially adversely affect our company.

The tax regimes to which we are subject or under which we operate are unsettled and may be subject to significant change. The issuance of additional guidance related to existing or future tax laws, or changes to tax laws or regulations proposed or implemented by the current or a future U.S. presidential administration, Congress, or taxing authorities in other jurisdictions, including jurisdictions outside of the United States, could materially affect our tax obligations and effective tax rate. To the extent that such changes have a negative impact on us, our suppliers, manufacturers, or our customers, including as a result of related uncertainty, these changes may adversely impact our business, financial condition, results of operations, and cash flows.

The amount of taxes we pay in different jurisdictions depends on the application of the tax laws of various jurisdictions, including the United States, to our international business activities, tax rates, new or revised tax laws, or interpretations of tax laws and policies, and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions pursuant to our intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest, and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows, and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency. Similarly, a taxing authority could assert that we are subject to tax in a jurisdiction where we believe we have not established a taxable connection, often referred to as a "permanent establishment" under international tax treaties, and such an assertion, if successful, could increase our expected tax liability in one or more jurisdictions.

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 zetomipzomib and KZR-261, as well as 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 and 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. We have not obtained regulatory approval for any product candidate, and it is possible that neither our current product candidates, 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 zetomipzomib or KZR-261 in the United States or abroad until we receive regulatory approval from the FDA or the applicable foreign regulatory authority.

Prior to obtaining approval to commercialize our product candidates 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 clinical trials and preclinical studies can be interpreted in different ways. Even if we believe the clinical data for our product candidates are promising, such data may not be sufficient to support approval by the FDA and comparable foreign regulatory authorities. The FDA may also require us to conduct additional clinical trials or nonclinical studies for our product candidates either prior to or post-approval, or it may object to the design of our clinical trials and other elements of our clinical development programs. In addition, the FDA typically refers applications for novel drugs to an advisory committee comprising 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 product candidates in development, only a small percentage are successfully approved by the FDA or a comparable foreign regulatory authority 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 limited financial and management resources in the development of zetomipzomib and KZR-261. Our business is dependent on our ability to successfully complete development of, obtain regulatory approval for, and, if approved, successfully commercialize zetomipzomib and KZR-261 in a timely manner. Our resource allocation decisions may cause us to fail to capitalize on profitable market opportunities for our product candidates.

Even if we eventually complete clinical testing and receive approval of a new drug application, or NDA, or foreign marketing application for zetomipzomib, KZR-261 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 than 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. In addition, we could also experience delays in the timing of our interactions with regulatory authorities due to absenteeism by governmental employees, inability to conduct planned physical inspections related to regulatory approval, which could delay anticipated approval decisions and otherwise delay or limit our ability to make planned regulatory submissions or obtain new product approvals.

Even if we receive regulatory approval to market any of our product candidates, we cannot assure you that any such product candidate will be successfully commercialized, widely accepted in the marketplace or more effective than other commercially available alternatives. Furthermore, even if we obtain regulatory approval for any of our 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 zetomipzomib, KZR-261 and any future product candidates, we may not be able to generate sufficient revenue to continue our business.

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. The clinical trial process is expensive, time consuming, difficult to design and implement, and subject to uncertainty. We estimate that the successful completion of clinical trials of our product candidates will take several years to complete. 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. We may design the inclusion and exclusion criteria for trial participation too narrowly, which would make it difficult to find and enroll patients for 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. Failure can occur at any stage, and we could encounter problems that cause us to suspend, abandon or repeat clinical trials.

In the first half of 2023, we initiated PALIZADE, a global, placebo-controlled, double-blind Phase 2b clinical trial evaluating zetomipzomib in patients with LN. As an organization, we have not previously conducted a clinical trial to the scale of the PALIZADE trial. We have engaged and intend to use a single contract research organization, or CRO, to manage the PALIZADE trial, and although we will oversee their performance and maintain certain regulatory responsibilities, the ultimate success of initiating, enrolling and completing this trial, and ensuring regulatory and quality compliance across several countries, will depend significantly on the CRO's performance, in addition to several other third-party service providers and clinical trial vendors in the United States and worldwide.

We plan to conduct the PALIZADE trial in several countries where we have not previously engaged with local regulatory authorities nor performed clinical trials. The process and timelines required to obtain approval from foreign regulatory authorities is unpredictable and may depend upon numerous factors and their substantial discretion. The inability to obtain and maintain regulatory approval for the conduct of the PALIZADE trial outside the United States may impact the timelines and completion of the PALIZADE trial.

If the market opportunities for zetomipzomib and KZR-261 are smaller than we believe they are, our business may suffer.

We currently focus our drug development of zetomipzomib on treatments of immune-mediated diseases, including lupus nephritis and autoimmune hepatitis. 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 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. Our Phase 1 trial of KZR-261 is designed to evaluate safety and tolerability, pharmacokinetics and pharmacodynamics, and we have not yet selected the tumor types or patient populations for the next stages of clinical development. The number of eligible patients for either product candidate 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. If the market opportunities for our product candidates are smaller than we estimate, our business and results of operations could be adversely affected.

Due to the significant resources required for clinical development, we are required to make strategic decisions for the development of our product candidates. We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on other opportunities that may be more profitable or for which there may be a greater likelihood of success.

The development of zetomipzomib and KZR-261 requires significant capital investment. Due to the significant resources required for clinical development, we must focus our research and development efforts on specific indications and decide which development opportunities to pursue and advance for each program. Our decisions concerning the allocation of development, management and financial resources may not lead to the development of viable commercial products and may divert resources away from better opportunities. If we do not accurately evaluate the viability, development costs and commercial potential of our product candidates, we may fail to capitalize on profitable market opportunities, forego or delay opportunities to pursue other product candidates or other indications that may later prove to have greater commercial potential than those we choose to pursue, or relinquish valuable rights to product candidates through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidates.

We may explore strategic collaborations, which would require us to relinquish important rights to and control over the development and commercialization of our product candidates to any future collaborators.

Over time, our business strategy may include entering into product development collaborations, including strategic collaborations with major biotechnology or pharmaceutical companies. For example, in September 2023, we entered into a collaboration and license agreement with Everest granting it exclusive license to develop and commercialize zetomipzomib in the greater China region, South Korea and certain Southeast Asian countries in exchange for an upfront payment and potential milestone and royalty payments. We cannot predict what form such a strategic collaboration might take. We face significant competition in seeking appropriate strategic collaborators, and the negotiation process can be complicated and time consuming. Even if we are successful in our efforts to establish new development collaborations, the terms of such collaborations may not be favorable to us. Entering into future collaborations could subject us to a number of risks, including:

- we may be required to relinquish important rights to and control over the development and commercialization of our product candidates;
- 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 or slower 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.

Success in preclinical studies or earlier clinical trials may not be indicative of future clinical trial results, and we cannot assure you that any 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 early 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 trials designed to test efficacy 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. For example, in May 2022, we reported topline data from our PRESIDIO Phase 2 clinical trial of zetomipzomib in patients with dermatomyositis and polymyositis, in which zetomipzomib did not demonstrate significant differentiation from placebo.

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.

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 are developing zetomipzomib to address several autoimmune diseases with high degrees of unmet medical need, including lupus nephritis and autoimmune hepatitis. If the actual number of patients with these disorders is smaller than we anticipate, or if these patients are unwilling to participate in a clinical trial, we may encounter difficulties in enrolling patients in our clinical trials, thereby delaying or preventing development and approval of our 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, our ability to provide zetomipzomib for at-home administration, 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. For example, the impact of public health crises, or geopolitical tensions, such as the Russia-Ukraine or Israel-Hamas wars, may delay or prevent patients from enrolling or from receiving treatment in accordance with the protocol and the required timelines, which could delay our clinical trials, or prevent us from completing our clinical trials at all. Any inability to timely and successfully complete clinical development will increase our costs, slow our development plans and impair our ability to generate revenue from our product candidates. In addition, we may be

reliant on CROs and clinical trial sites to ensure proper and timely conduct of our 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.

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 a comparable foreign 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 conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. A failure of one or more clinical trials can occur at any stage of testing. For example, in May 2022, we reported topline data from our PRESIDIO Phase 2 clinical trial of zetomipzomib in patients with dermatomyositis and polymyositis, in which zetomipzomib did not demonstrate significant differentiation from placebo. 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 cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, if at all. Moreover, circumstances may arise that could result in suspending or terminating our ongoing clinical trials. As an example, some patients included in the MISSION Phase 2 clinical trial were located in Ukraine and Russia. The closure of sites, the inability to screen and enroll new patients or any premature discontinuation of treatment by patients already enrolled in our trial could result in the need to enroll additional patients, which would be costly and could delay our anticipated timeline for the completion of the trial. Any inability to timely and successfully complete clinical development will increase our costs, slow our development plans and impair our ability to generate revenue from our product candidates.

We have experienced and may in the future experience numerous unforeseen events that may prevent the timely and successful completion of our clinical trials, or result in the termination of such clinical trials prior to their completion, including:

- failure to recruit suitable patients to participate in a clinical trial, enrollment in these clinical trials may be slower than we anticipate, and participants may drop out during the course of these trials at a higher rate than we anticipate;
- delays in manufacturing, testing, releasing, validating and shipping stable quantities of our product candidates and placebo for our clinical trial sites;
- delays in reaching a consensus with the FDA and foreign regulatory authorities on the design of our clinical trials;
- the number of patients required for clinical trials to produce statistically meaningful data may be larger than we anticipate;
- the costs of clinical trials of our product candidates may be greater than we anticipate, which may be more likely as a result of increased price inflation worldwide;
- occurrence of serious adverse events associated with the product candidate that are viewed to outweigh its potential benefits;
- 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;
- 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, or may otherwise suspend our clinical trials at any time if it appears we are or our collaborators are failing to conduct a trial in accordance with regulatory requirements;
- delays in identifying and recruiting suitable clinical investigators or reaching agreement on acceptable terms with prospective clinical trial sites;
- clinical trials of our product candidates may produce negative or inconclusive results, such as the topline data from our PRESIDIO Phase 2 clinical trial of zetomipzomib in patients with dermatomyositis and polymyositis, in which zetomipzomib did not demonstrate significant differentiation from placebo;
- failure to perform our clinical trials in accordance with current Good Clinical Practice, or cGCP, or regulations required by the FDA or foreign regulatory authorities;
- changes in regulatory requirements and guidance or other unforeseen regulatory developments that require amending or submitting new clinical protocols;
- we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs; or

- business interruptions resulting from geo-political actions, war, terrorism, natural disasters or public health crises.

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. 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.

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 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 held liable for harm causes to patients; or
- experience damage to our reputation.

Further, we, the FDA, comparable foreign regulatory authorities, 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 cGCP, that we are exposing participants to unacceptable health risks, or if the FDA finds deficiencies in our INDs, or the conduct of these trials. Therefore, we cannot predict with any certainty the schedule for commencement and completion of 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.

The manufacture of our product candidates is complex and uncertain, and until we develop a validated manufacturing process, we may encounter difficulties in supplying our planned and future clinical trials. If we encounter such difficulties, or fail to meet quality standards, our ability to meet clinical timelines and expand our development strategy could be impacted.

The processes involved in manufacturing the active drug substance and finished drug product of zetomipzomib and KZR-261 are complex, expensive, highly regulated and subject to multiple risks and uncertainties. As product candidates are developed through early to late-stage clinical trials and then to approval and commercialization, it is common that various aspects of the development program, such as manufacturing methods, are modified along the way to optimize the scale, process and results. Any changes to the manufacturing processes carry the risk that they will not achieve these intended objectives, or that the product candidates may not meet the rigorous quality standards necessary for use in our clinical trials.

We plan to continue manufacturing zetomipzomib and placebo in support of our PALIZADE and PORTOLA trials, to supply Everest under the Everest License Agreement and to support our future development strategies. We believe our existing supply of zetomipzomib will allow us to initiate the PALIZADE trial and PORTOLA trial, and we are continuing manufacturing activities to increase our clinical supply of zetomipzomib for these trials. However, if planned or future manufacturing of zetomipzomib fails to meet the quality standards for use in our clinical trials, or the active drug substance does not meet our quality specifications, it could impact our timelines and limit our development strategy. For example, in the fourth quarter 2022, we conducted a scale up GMP manufacturing run of zetomipzomib that did not meet the quality standards for use in our clinical trials.

In addition, our contract manufacturing organizations, or CMOs, may be unable to successfully increase the manufacturing scale for our product candidates in a timely or cost-effective manner and may experience delays due to limited manufacturing capacity. In addition, quality issues may arise during manufacturing activities. If our CMOs are unable to successfully manufacture our product candidates in sufficient quantity in a timely manner, our planned clinical trials may be delayed or modified and we may also be unable to fulfill our obligations under the Everest License Agreement, giving rise to the ability of Everest to terminate its collaboration or other potential adverse consequences as provided in the Everest License Agreement.

Our product candidates have been involved, and may be involved in the future, in investigator-initiated clinical trials, and we have limited or no control over the conduct of such trials.

Zetomipzomib has been involved in an investigator-initiated clinical trial, and our product candidates may be involved in investigator-initiated clinical trials in the future. Investigator-initiated clinical trials pose similar risks as those set forth elsewhere in this "Risk Factor" section relating to our own internal clinical trials. However, while investigator-initiated clinical trials may provide us with clinical data that can inform our development strategy, we are not the sponsors of such trials, and therefore, we do not control the protocols, administration, quality or conduct of these trials, including follow-up with patients and ongoing data collection. Despite this lack of control, negative results in investigator-initiated clinical trials could have a material adverse effect on our business and prospects and the perception of our product candidates.

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

From time to time, we may publish interim topline or preliminary data from our clinical trials. Interim data from clinical trials 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, particularly from our open-label studies. Preliminary or topline data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. Preliminary or topline data may include, for example, data regarding a small percentage of the patients enrolled in a clinical trial, and such preliminary data should not be viewed as an indication, belief or guarantee that other patients enrolled in such clinical trial will achieve similar results or that the preliminary results from such patients will be maintained. As a result, interim and preliminary data may not be statistically significant and should be viewed with caution until the final data are available. Differences between preliminary or interim data and final data may cause the trading price of our common stock to fluctuate significantly and could significantly harm our business prospects.

Zetomipzomib is being developed as a lyophilized formulation which could adversely affect market acceptance if patients are required to reconstitute zetomipzomib themselves prior to injection.

We are developing zetomipzomib as a lyophilized product candidate, meaning that it will be freeze-dried and must be reconstituted with water prior to patient administration. While lyophilized products are common in the drug industry, this method for administering zetomipzomib could adversely affect market acceptance and make it more difficult to conduct clinical trials of zetomipzomib. In our current trials, zetomipzomib is reconstituted in the hospital pharmacy prior to patient administration. Beginning with our PRESIDIO OLE study, we provided patients with the ability to reconstitute zetomipzomib at home prior to injection.

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, discomforts and other adverse events, 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 zetomipzomib, KZR-261 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 healthcare 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.

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. 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.

We intend to pursue orphan drug designation for zetomipzomib in the treatment of autoimmune hepatitis and any other rare immune-mediated disease indications we pursue for development. Obtaining orphan drug designation in additional indications and other jurisdictions may be difficult, and we may not be successful in doing so. The exclusivity for our orphan drug designations, and for any other designations that we may obtain in the future, 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.

Even if we obtain and maintain approval for our product candidates from the FDA, we may never obtain approval for our 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 zetomipzomib and KZR-261 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 zetomipzomib and KZR-261 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 zetomipzomib, KZR-261 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 our product candidates will be harmed and our business, financial condition, results of operations and prospects could be harmed.

Even if we obtain regulatory approval for any of our product candidates, they will remain subject to ongoing regulatory oversight.

Even if we obtain regulatory approvals for our 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. For example, the FDA strictly regulates the promotional claims that may be made about drug products. In particular, a product may not be promoted for uses that are not approved by the FDA as reflected in the product's approved labeling. Additionally, any regulatory approvals that we receive for our 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 comparable foreign 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 any of our 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 our product candidates and harm our business, financial condition, results of operations and prospects.

The FDA's and comparable foreign regulatory authorities' policies may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may 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.

Even if our 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 our 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 product revenue and may not become profitable. The degree of market acceptance of zetomipzomib, KZR-261 and 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, if we enter into a strategic collaboration regarding any of our product candidates, our rights to receive milestone payments and royalties related to such product candidates will depend on our collaborators' abilities to achieve market acceptance of those product candidates.

We are dependent upon our collaboration with Everest to further develop and commercialize zetomipzomib in the Greater China region, South Korea and select Southeast Asian countries. If we or Everest fail to perform as expected, the potential for us to generate future revenues under the collaboration could be significantly reduced, the development and commercialization of zetomipzomib may be substantially delayed, and our business could be adversely affected.

In September 2023, we entered into the Everest License Agreement granting Everest an exclusive license to develop and commercialize zetomipzomib in the greater China region, South Korea, and select Southeast Asian countries. Under the terms of the Everest License Agreement, we received an initial upfront payment of $7.0 million and are entitled to receive milestone payments upon achievement of certain development, regulatory and commercial milestone events, for total potential milestone payments of up to $125.5 million. In addition, Everest will pay to the Company tiered royalties on the net sales of zetomipzomib in the Territory during the term of the Everest License Agreement ranging from the single digit to the low-teens, subject to certain reductions.

Everest will be responsible for, at its own cost, and is required to use commercially reasonable efforts to, develop and commercialize zetomipzomib in the licensed territory. In addition, we will collaborate with Everest on the PALIZADE trial, where Everest will have primary responsibility for clinical development and regulatory activities in the licensed territory and will reimburse the Company for clinical trial costs incurred in the licensed territory. Everest will also have the opportunity to participate in the Company's future global clinical trials involving zetomipzomib. The Company has agreed supply zetomipzomib to Everest during the term of the

Everest License Agreement, subject to Everest's option to manufacture zetomipzomib for its own use in the licensed territory following completion of the PALIZADE trial.

There can be no assurance that the parties will achieve any of the regulatory, development or sales milestones, or that we will receive any future milestone or royalty payments under the Everest License Agreement. Everest's activities may be influenced by, among other things, the efforts and allocation of resources by Everest, which we cannot control. If Everest does not perform in the manner we expect or fulfill its responsibilities in a timely manner, or at all, the clinical development, manufacturing, regulatory approval, and commercialization efforts related to zetomipzomib could be substantially delayed.

In addition, our collaboration with Everest may be unsuccessful due to other factors, including, without limitation, the following:

- Everest may terminate the agreement for convenience following completion, suspension or termination of the PALIZADE trial;
- Everest may change the focus of its development and commercialization efforts or prioritize other programs more highly and, accordingly, reduce the efforts and resources allocated to zetomipzomib;
- Everest may, within its commercially reasonable discretion, choose not to develop and commercialize zetomipzomib in any part of the licensed territory or for one or more indications, if at all; and
- If Everest is acquired during the term of our collaboration, the acquirer may have competing programs or different strategic priorities that could cause it to reduce its commitment to our collaboration or to terminate the collaboration.

The actions of Everest and any other current or future licensees could adversely affect our business.

We currently exclusively license zetomibzomib to Everest to develop and commercialize zetomipzomib in the greater China region, South Korea and select Southeast Asian countries. It is possible that any clinical trials conducted by Everest or any other current or future licensees in its respective licensed territories could have negative results, which in turn could have a material adverse effect on the development and commercialization of zetomipzomib in the United States and the rest of the world. In addition, we will depend on Everest or any other current or future licensee to comply with all applicable laws relative to the development and commercialization of zetomipzomib in its respective licensed territories. If Everest were to violate, or was alleged to have violated, any laws or regulations during the performance of its obligations to us, it is possible we could suffer financial and reputational harm or other negative outcomes, including possible legal consequences. In addition, in the event of any termination, breach or expiration of the Everest License Agreement, we may be required to devote additional efforts and to incur additional costs associated with pursuing the development and commercialization of zetomipzomib in the greater China region, South Korea and select Southeast Asian countries.

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 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, or may be more successful than we are 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, medical, 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.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell our product candidates, we may not be successful in commercializing such 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 our 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.

If we seek to commercialize our product candidates outside of the United States, a variety of risks associated with international operations could harm our business.

If we seek to commercialize our product candidates outside of the United States, we expect that we will be subject to additional risks 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, war, terrorism, natural disasters and public health epidemics.

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.

Coverage and adequate reimbursement may not be available for zetomipzomib or KZR-261, 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 coverage and 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 third-party 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 third-party 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

third-party 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 zetomipzomib, KZR-261 or any future product candidates that we develop.

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 our product candidates in clinical trials, both within and outside of the United States, 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 as we advance through clinical development and if we are able to 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 may be subject, directly or indirectly, to federal and state healthcare fraud and abuse laws, transparency 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, including 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 healthcare 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, formulary managers and others, on the other hand. 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 federal civil 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 federal civil False Claims Act;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal civil and criminal statutes that prohibit, among other things, a person from knowingly and willfully executing, or attempting to execute, a scheme or artifice to defraud any healthcare benefit program, or making false or fraudulent statements to defraud any healthcare benefit program, regardless of the payor (e.g., public or private);
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and their implementing regulations, which impose certain requirements relating to the privacy, security and transmission of individually identifiable health information on health plans, health care clearinghouses and certain healthcare providers, known as covered entities, and their respective business associates and their subcontractors 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 (defined to include doctors, dentists, optometrists, podiatrists and chiropractors), other healthcare professionals (such as physician assistants and nurse practitioners), 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, marketing expenditures, or drug pricing, 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 regulatory 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.

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, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively 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 now agree to offer 70% 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.

Since its passage, there have been varied executive, judicial and Congressional challenges to certain provisions of the PPACA. In addition, Congress has considered, and may consider in the future, legislation to repeal or repeal and replace all or part of the PPACA. While Congress has not passed any comprehensive repeal legislation, several bills affecting the implementation of certain taxes under the PPACA have been signed into law. On June 17, 2021 the U.S. Supreme Court dismissed a challenge on procedural grounds that argued the PPACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress. Further, prior to the U.S. Supreme Court ruling, President Biden issued an executive order that initiated a special enrollment period for purposes of obtaining health insurance coverage through the PPACA marketplace. The executive order also instructed certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare, including among others, reexamining Medicaid demonstration projects and waiver programs that include work requirements, and policies that create unnecessary barriers to obtaining access to health insurance coverage through Medicaid or the PPACA. It is possible that the PPACA will be subject to judicial or Congressional challenges in the future. It is unclear how any such challenges and the healthcare reform measures of the Biden administration will impact the PPACA and 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, will remain in effect through 2031 unless additional congressional action is taken. Under current legislation, the actual reduction in Medicare payments will vary from 1% in 2022 to up to 4% in the final fiscal year of this sequester. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 into law, which eliminates the statutory Medicaid drug rebate cap, currently set at 100% of a drug's average manufacturer price, for single source and innovator multiple source drugs, beginning January 1, 2024. 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. More recently, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022, or the IRA, into law, which included a number of significant drug pricing reforms, including the establishment of a drug price negotiation program within the U.S. Department of Health and Human Services, or HHS, that would require pharmaceutical manufacturers to charge a negotiated "maximum fair price" for certain selected drugs or pay an excise tax for noncompliance, the establishment of rebate payment requirements on manufacturers under Medicare Parts B and D to penalize price increases that outpace inflation, and a redesign of the Part D benefit, as part of which manufacturers are required to provide discounts on Part D drugs and Part D beneficiaries' annual out-of-pocket spending will be capped at $2,000 beginning in 2025, although the Medicare drug price negotiation program is currently subject to legal challenges. The U.S. Department of Health and Human Services has and will continue to issue and update guidance as these programs are implemented. It is currently unclear how the IRA will be implemented but is likely to have a significant impact on the pharmaceutical industry.

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 introduced a merit-based incentive bonus program for Medicare physicians, also referred to as the Quality Payment Program. At this time, the full impact of the introduction of the Medicare Quality Payment Program on overall physician reimbursement remains unclear.

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. Additionally, based on a recent executive order, the Biden administration expressed its intent to pursue certain policy initiatives to reduce drug prices and

directed HHS to submit a report on how the Center for Medicare and Medicaid Innovation can be further leveraged to test new models for lowering drug costs for Medicare and Medicaid beneficiaries. It is unclear whether these this executive order or similar policy initiatives will be implemented in the future. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

We expect that 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 third-party 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 manufacture clinical and commercial supplies of zetomipzomib, KZR-261 and any future product candidates.

We do not own or operate facilities for drug manufacturing, testing, storage or distribution. We are dependent on third parties to manufacture the clinical supplies of our product candidates. Moreover, under the Everest License Agreement, we have committed to providing Everest with supply of zetomipzomib for the development and commercialization of zetomipzomib in the greater China region, South Korea and certain Southeast Asian countries, which we will have to source from third party manufacturers. Any significant delay in the supply of a product candidate or raw material components for an ongoing clinical trial due to the need to replace a third-party CMO could considerably delay the completion of our clinical trials or cause us to breach our obligations under the Everest License Agreement. We are completely dependent on our CMOs for compliance with cGMP for manufacture of both active drug substances and finished drug products. If our CMOs cannot successfully manufacture active drug substances and finished drug product that conform to our specifications and the strict regulatory requirements of the FDA and comparable foreign regulatory authorities, we will not be able to secure or maintain regulatory approval for our product candidates. In addition, we have no control over the ability of our CMOs 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 timelines and ability to develop, obtain regulatory approval for or market our product candidates, if approved.

The facilities used by our CMOs to manufacture our product candidates must be approved by the FDA pursuant to inspections that will be conducted after we submit an NDA for any of our product candidates. We also expect to rely on third-party manufacturers to supply us with sufficient quantities of our product candidates to be used, if approved, for commercialization.

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 and other inspections by the FDA or comparable foreign 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.

We rely on third parties to conduct, supervise and monitor our clinical trials and preclinical studies, 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 clinical trials. We intend to rely on CROs and clinical trial sites to ensure the proper and timely conduct of our 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. 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. For example, we have engaged and intend to use a single CRO to manage the PALIZADE trial, and although we will oversee their performance and maintain certain regulatory responsibilities, the ultimate success of initiating, enrolling and completing this trial, and ensuring regulatory and quality compliance across several countries, will depend significantly on the CRO's performance.

We and our CROs are required to comply with the good laboratory practices and good clinical practices, or GCP, which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities in the form of International Council for Harmonisation guidelines for any of our product candidates that are in preclinical and clinical development, respectively. The regulatory authorities enforce GCP 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 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 GCP, 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, we may be required to repeat clinical trials, which would delay the regulatory approval process.

Our reliance on third parties to conduct clinical trials results 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. In addition, such parties may:

- have staffing difficulties;
- fail to comply with contractual obligations;
- not devote sufficient time and resources to our clinical trials;
- experience regulatory compliance issues; or
- undergo changes in priorities or become financially distressed.

These factors may materially adversely affect the timelines of 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, the product candidate being developed. As a result, our financial results and commercial prospects would be harmed, our costs could increase, and our ability to generate revenue from the product candidate could be delayed. 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 compete with recruitment of our clinical trials.

If our relationship with any of these CROs terminates, we may be delayed in entering into new arrangements with alternative CROs or unable to do so on commercially reasonable terms. Changing CROs during an ongoing clinical trial involves substantial cost, 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 our product candidates.

Risks Related to 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, we could lose the ability to continue the development and commercialization of zetomipzomib.

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 zetomipzomib, is dependent on 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, to develop, manufacture and commercialize certain types of compounds, including zetomipzomib, that are selective inhibitors of the immunoproteasome for any and all uses, other than those related to the diagnosis or treatment in humans of cancerous or pre-cancerous diseases or conditions, including those related to hematological diseases or conditions.

The licensed compounds, including zetomipzomib, 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 or treatment in humans of cancerous or pre-cancerous diseases or conditions, including those related to hematological diseases or conditions, and also has the rights to transfer these rights to a third-party. If Onyx or its licensee develops and commercializes any of the licensed compounds in cancer or pre-cancerous indications that are commercially interchangeable with our product candidates, including zetomipzomib, sales by Onyx or its licensee of such compounds for cancer and pre-cancerous indications could result in the threat of off-label use 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.

If we are unable to obtain and maintain patent protection for zetomipzomib, KZR-261 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 zetomipzomib, KZR-261 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 research 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 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 certain patents and patent applications relating to zetomipzomib.

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 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 clinical trials or regulatory approvals, the period of time during which we could market our product candidates under patent protection would 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 zetomipzomib, KZR-261 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. 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 the initial filing. 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 until such publication dates have passed. 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 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 zetomipzomib, KZR-261 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. Upon the expiration of patent protection for zetomipzomib, KZR-261 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 our product 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 patents 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 is structurally 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 our patents is not sufficiently broad to impede such competition, or if the breadth, strength or term (including any extensions or adjustments) of protection provided by our patents is successfully challenged, our ability to successfully commercialize our product candidates could be negatively affected, which would harm our business.

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 zetomipzomib and KZR-261, 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.

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 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 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.

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 zetomipzomib, KZR-261 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 zetomipzomib, KZR-261 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 zetomipzomib, KZR-261 or 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 and protein secretion 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 our 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 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 our 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.

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 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.

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 develop and manufacture zetomipzomib and KZR-261, and if we collaborate with third parties for the development of our research programs or product candidates, we must, at times, share trade secrets with them. We may also conduct collaborative research and development programs that may require us to share trade secrets and proprietary know how. We seek to protect our proprietary information by entering into agreements containing confidentiality obligations and ownership provisions relating to intellectual property prior to disclosing proprietary information or beginning research projects with third party collaborators. 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, sharing 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, the unauthorized disclosure or use of our confidential information could have an adverse effect on our business and results of operations.

In addition, these agreements typically restrict the ability of our collaborators, advisors, employees, investigators, 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, advisors, employees, investigators, 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.

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 zetomipzomib, KZR-261 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.

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 prevent us from fully exploiting our product candidates or technologies.

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

We are highly dependent on the services of our executive officers, 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.

Recruiting and retaining 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. Additionally, we do not currently maintain "key person" life insurance on the lives of our executives or any of our employees. 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. If we are unable to continue to attract and retain high-quality personnel, our ability to pursue our growth strategy will be limited.

Further, our Workforce Reduction announced in October 2023 may make retention of our current personnel both more important and more challenging. This Workforce Reduction resulted in the loss of certain longer-term employees, the loss of institutional knowledge and expertise and the reallocation and combination of certain roles and responsibilities across the organization, all of which could adversely affect our operations.

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

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, medical affairs, 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. This could be a particular challenge as a result of the Workforce Reduction announced in October 2023. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

We are subject to stringent and changing obligations related to data privacy and security. Our actual or perceived failure to comply with such obligations could lead to regulatory investigations or actions; litigation; fines and penalties; disruptions of our business operations; reputational harm; and other adverse business consequences.

In the ordinary course of business, we collect, receive, store, process, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit and share personal data and other sensitive information, including proprietary and confidential business data, trade secrets, intellectual property, data we collect about trial participants in connection with clinical trials, and sensitive third-party data. Our data processing activities subject us to numerous data privacy and security obligations, such as various laws, regulations, guidance, industry standards, external and internal privacy and security policies, contracts, and other obligations relating to data privacy and security.

In the United States, federal, state, and local governments have enacted numerous data privacy and security laws, including data breach notification laws, personal data privacy laws, and consumer protection laws. For example, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, imposes specific requirements relating to the privacy, security, and transmission of individually identifiable health information. If we become subject to new data privacy laws, at the state level, the risk of enforcement action against us could increase because we may become subject to additional obligations, and the number of individuals or entities that can initiate actions against us may increase (including individuals, via a private right of action, and state actors). In addition, data privacy and security laws have been proposed at the federal, state, and local levels in recent years, which could further complicate compliance efforts.

Outside the United States, an increasing number of laws, regulations, and industry standards apply to data privacy and security. For example, the European Union's General Data Protection Regulation, or EU GDPR and the United Kingdom's GDPR, or UK GDPR impose strict requirements for processing the personal data of individuals located, respectively within the European Economic Area, or EEA and the United Kingdom, or UK. For example, under the EU GDPR, government regulators may impose temporary or definitive bans on data processing, as well as fines of up to 20 million euros or 4% of annual global revenue, whichever is greater. Further, companies may face private litigation related to processing of personal data brought by classes of data subjects or consumer protection organizations authorized at law to represent their interests. In Canada, the Personal Information Protection and Electronic Documents Act and various related provincial laws, as well as Canada's Anti-Spam Legislation, may apply to our operations.

In addition, we may be unable to transfer personal data from Europe and other jurisdictions to the United States or other countries due to data localization requirements or limitations on cross-border data flows. Although there are various mechanisms that may be used in some cases to lawfully transfer personal data to the United States or other countries, these mechanisms are subject to legal challenges and may not be available to us. An inability or material limitation on our ability to transfer personal data to the United States or other countries could materially impact our business operations. In the ordinary course of business, we may transfer personal data from Europe and other jurisdictions to the United States or other countries. Europe and other jurisdictions have enacted laws requiring data to be localized or limiting the transfer of personal data to other countries. In particular, the EEA and the UK have significantly restricted the transfer of personal data to the United States and other countries whose privacy laws it believes are inadequate. Other jurisdictions may adopt similarly stringent interpretations of their data localization and cross-border data transfer laws. Although there are currently various mechanisms that may be used to transfer personal data from the EEA and UK to the United States in compliance with law, such as the EEA and UK's standard contractual clauses, these mechanisms are subject to legal challenges, and there is no assurance that we can satisfy or rely on these measures to lawfully transfer personal data to the United States. If there is no lawful manner for us to transfer personal data from the EEA, the UK or other jurisdictions to the United States, or if the requirements for a legally-compliant transfer are too onerous, we could face significant adverse consequences, including the interruption or degradation of our operations, the need to relocate part of or all of our business or data processing activities to other jurisdictions at significant expense, increased exposure to regulatory actions, substantial fines and penalties, the inability to transfer data and work with partners, vendors and other third parties, and injunctions against our processing or transferring of personal data necessary to operate our business. Additionally, companies that transfer personal data out of the EEA and UK to other jurisdictions, particularly to the United States, are subject to increased scrutiny from regulators, individual litigants, and activist groups. Some European regulators have ordered certain companies to suspend or permanently cease certain transfers out of Europe for allegedly violating the EU GDPR's cross-border data transfer limitations.

Our obligations related to data privacy and security are quickly changing in an increasingly stringent fashion. These obligations may be subject to differing applications and interpretations, which may be inconsistent or in conflict among jurisdictions. Preparing for and complying with these obligations requires us to devote significant resources (including, without limitation, financial and time-related resources). These obligations may necessitate changes to our information technologies, systems, and practices and to those of any third parties that process personal data on our behalf. Although we endeavor to comply with all applicable data privacy and security obligations, we may at times fail (or be perceived to have failed) to do so. Moreover, despite our efforts, our personnel or third parties upon whom we rely may fail to comply with such obligations which could impact our compliance posture. If we fail, or are perceived to have failed, to address or comply with data privacy and security obligations, we could face significant consequences. These consequences may include, but are not limited to, government enforcement actions (e.g., investigations, fines, penalties, audits, inspections, and similar); litigation (including class-related claims); additional reporting requirements and/or oversight; bans on processing personal data; orders to destroy or not use personal data; and imprisonment of company officials. Any of these events could have a material adverse effect on our reputation, business, or financial condition, including but not limited to: loss of customers; interruptions or stoppages in our business operations (including clinical trials); inability to process personal data or to operate in certain jurisdictions; limited ability to develop or commercialize our products; expenditure of time and resources to defend any claim or inquiry; adverse publicity; or revision or restructuring of our operations.

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

In the ordinary course of our business, we and the third parties upon which we rely may process proprietary, confidential, and sensitive data, including personal data (such as health-related data), intellectual property, and trade secrets. We may rely upon third parties (such as service providers) for our data processing–related activities. We may share or receive sensitive data with or from third parties. We are increasingly dependent on information technology systems and infrastructure, including mobile technologies, to operate our business. Cyberattacks, malicious internet-based activity, and online and offline fraud are prevalent and continue to increase. These threats are becoming increasingly difficult to detect. These threats come from a variety of sources, including traditional computer "hackers," threat actors, personnel (such as through theft or misuse), sophisticated nation states, and nation-state-supported actors. Some actors now engage and are expected to continue to engage in cyber-attacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. Some actors now engage and are expected to continue to engage in cyber-attacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third parties upon which we rely may be vulnerable to a heightened risk of these attacks, including cyber-attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our goods and services. We and the third parties upon which we rely may be subject to a variety of evolving threats, including but not limited to social-engineering attacks (including through phishing attacks), malicious code (such as viruses and worms), malware (including as a result of advanced persistent threat intrusions), denial-of-service attacks (such as credential stuffing), personnel misconduct or error, ransomware attacks, supply-chain attacks, software bugs, server malfunctions, software or hardware failures, loss of data or other information technology assets, adware, telecommunications failures, earthquakes, fires, floods, and other similar threats. Ransomware attacks, including those perpetrated by organized criminal threat actors, nation-states, and nation-state-supported actors, are becoming increasingly prevalent and severe and

can lead to significant interruptions in our operations, loss of data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. Similarly, supply-chain attacks have increased in frequency and severity, and we cannot guarantee that third parties and infrastructure in our supply chain or our third-party partners' supply chains have not been compromised or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our information technology systems or the third-party information technology systems that support us and our services.

Remote work has become more common and has increased risks to our information technology systems and data, as more of our employees utilize network connections, computers and devices outside our premises or network, including working at home, while in transit and in public locations. Future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies. Furthermore, we may discover security issues that were not found during due diligence of such acquired or integrated entities, and it may be difficult to integrate companies into our information technology environment and security program.

Any of the previously identified or similar threats could cause a security incident. A security incident could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to data. A security incident could disrupt our ability (and that of third parties upon whom we rely) to conduct our business. 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. We may expend significant resources or modify our business activities (including our clinical trial activities) in an effort to protect against security incidents. Certain data privacy and security obligations may require us to implement and maintain specific security measures, industry-standard or reasonable security measures to protect our information technology systems and data. While we have implemented security measures designed to protect against security incidents, there can be no assurance that these measures will be effective. Applicable data privacy and security obligations may require us to notify relevant stakeholders of security incidents. Such disclosures are costly, and the disclosures or the failure to comply with such requirements could lead to adverse consequences. If we (or a third party upon whom we rely) experience a security incident or are perceived to have experienced a security incident, we may experience adverse consequences. These consequences may include government enforcement actions (for example, investigations, fines, penalties, audits, and inspections); additional reporting requirements and/or oversight; restrictions on processing data (including personal data); litigation (including class claims); indemnification obligations; negative publicity; reputational harm; monetary fund diversions; interruptions in our operations (including availability of data); financial loss; and other similar harms. Security incidents and attendant consequences may negatively impact our ability to grow and operate our business.

Our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. Additionally, we cannot be sure that our insurance coverage will be adequate or sufficient to protect us from or to mitigate liabilities arising out of our privacy and security practices, that such coverage will continue to be available on commercially reasonable terms or at all, or that such coverage will pay future claims.

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 comparable foreign 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 comparable foreign 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 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 Ownership of Our Common Stock and Other General Matters

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

The market price of our common stock has at times experienced price volatility and may continue to be volatile. For example, during the nine months ended September 30, 2023, the closing price of our common stock on The Nasdaq Global Select Market ranged from $1.08 per share to $7.31 per share. The stock market in general and the market for biopharmaceutical and pharmaceutical companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies, which has resulted in decreased stock prices for many companies notwithstanding the lack of a fundamental change in their underlying business models or prospects. Broad market and industry factors, including potentially worsening economic conditions, including higher inflation rates and changes in interest rates, and other adverse effects or developments, may negatively affect the market price of our common stock, regardless of our actual operating performance. As a result of this volatility, you may not be able to sell your common stock at or above the price paid for the shares. In addition to the factors discussed in this "Risk Factors" section, 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 zetomipzomib, KZR-261 and any future product candidates;
- the clinical or commercial success of competitive drugs, therapies or technologies;
- regulatory or legal developments in the United States and other countries;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain and maintain patent protection for our technologies;
- negative or inconclusive results from our clinical trials, such as the May 2022 topline data from the PRESIDIO Phase 2 clinical trial;
- failure or discontinuation of any of our clinical development or research programs;
- the recruitment or departure of key personnel;
- the level of expenses related to our product candidates and clinical development or research programs;

- our ability to discover, develop and broaden our pipeline beyond our current product candidates;
- commencement or termination of collaborations for our research and development programs;
- actual or anticipated changes in estimates as to financial results or development timelines;
- changes in estimates or recommendations by securities analysts, if any, that cover our stock;
- our inability to obtain or delays in manufacturing adequate supply for our clinical trials or the inability to do so at acceptable costs;
- significant lawsuits, including patent or stockholder litigation or products liability claims;
- variations in our financial results or those of companies that are perceived to be similar to us;
- announcement, expectation or completion of additional financing efforts;
- 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, including as a result of bank failures, public health crises or geopolitical tensions, such as the Russia-Ukraine and Israel-Hamas wars; 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.

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.

If securities or industry analysts do not publish research or reports, or publish unfavorable research or reports, about 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. Equity research analysts may discontinue research coverage of our common stock, and such lack of research coverage may adversely affect the market price of our common stock. We do 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.

Unstable market and economic conditions may have serious adverse consequences on our business, financial condition and share price.

The global economy, including credit and financial markets, has experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, increases in inflation rates, changes in interest rates and uncertainty about economic stability. For example, the Russia-Ukraine war has created extreme volatility in the global capital markets and is expected to have further global economic consequences, including disruptions of the global supply chain and energy markets. Any such volatility and disruptions may have adverse consequences on us or the third parties on whom we rely. If the equity and credit markets deteriorate, including as a result of recent bank failures, it may make any necessary debt or equity financing more difficult to obtain in a timely manner or on favorable terms, more costly or more dilutive.

A severe or prolonged global economic downturn could result in a variety of risks to our business. For example, inflation rates, particularly in the United States, have increased recently to levels not seen in years, and increased inflation may result in increases in our operating costs (including our labor costs), reduced liquidity and limits on our ability to access credit or otherwise raise capital on

acceptable terms, if at all. In addition, the U.S. Federal Reserve has raised, and may again raise, interest rates in response to concerns about inflation, which coupled with reduced government spending and volatility in financial markets may have the effect of further increasing economic uncertainty and heightening these risks. A weak or declining economy could also strain our suppliers and manufacturers, possibly resulting in supply and clinical trial disruption. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

Our common stock is thinly traded and our stockholders may be unable to sell their shares quickly or at market price.

Although we have had periods of high-volume daily trading in our common stock, generally our stock is thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of those shares in either direction. Our common stock price could, for example, decline significantly as a result of sales of a large number of shares of our common stock on the market without commensurate demand, as compared to a seasoned issuer that could better absorb those sales without adverse impact on its share price, or from the perception that these sales could occur.

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 September 30, 2023, our executive officers, directors and stockholders who owned more than 5% of our outstanding common stock do, in the aggregate, beneficially own shares representing approximately 55% 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.

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. Furthermore, our ability to pay cash dividends is currently restricted by the terms of the Loan Agreement. 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.

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

We are an "emerging growth company," or EGC, as defined in the JOBS Act, and we expect to cease to be an EGC on December 31, 2023. As an EGC, we have been and will until December 31, 2023 be permitted to rely on exemptions from certain reporting requirements that are applicable to other public companies that are not EGC, including:

- 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 currently take advantage of some or all of these reporting exemptions until we are no longer an EGC. 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.

In addition, 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 are also a smaller reporting company as defined in the Securities Exchange Act of 1934, as amended. We may continue to be a smaller reporting company even after we are no longer an emerging growth company. We may take advantage of certain of the scaled disclosures available to smaller reporting companies and will be able to take advantage of these scaled disclosures for so long as (i) our voting and non-voting common stock held by nonaffiliates is less than $250.0 million measured on the last business day of our second fiscal quarter or (ii) our annual revenue is less than $100.0 million during the most recently completed fiscal year and our voting and non-voting common stock held by non-affiliates is less than $700.0 million measured on the last business day of our second fiscal quarter.

We will continue to incur increased costs 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 costlier. 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, even after we are no longer an EGC, and while we remain a smaller reporting company that is not an accelerated filer, 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, 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 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.

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 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 affected 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, 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 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 the following types of actions or proceedings under Delaware statutory or common law:

- 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.

This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation further provides that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

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.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-38542), filed with the SEC on June 26, 2018).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-38542), filed with the SEC on June 16, 2023).
3.3	Amended and Restated Bylaws of the Company (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-38542), filed with the SEC on June 26, 2018).
4.1	Form of Pre-Funded Warrant (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-38542), filed with the SEC on February 3, 2020).
10.1+	Executive Employment Agreement, between the Company and Christopher J. Kirk, Ph.D., dated as of November 7, 2023.
10.2+	Separation and Consulting Agreement, between the Company and John Fowler, dated October 3, 2023.
10.3+	Separation Agreement, between the Company and Noreen Henig, M.D., dated October 23, 2023.
10.4†	Collaboration and License Agreement, by and between the Company and Everest Medicines II (HK) Limited, dated as of September 20, 2023.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibit 101).

* Furnished herewith and not deemed to be "filed" for purposes of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act (whether made before or after the date of this Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.
+ Indicates a management contract or compensatory plan.
† Certain information has been omitted from this document in accordance with Regulation S-K, Item 601(b)(10).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Kezar Life Sciences, Inc.
(Registrant)

Date: November 13, 2023

By: /s/ Christopher Kirk
Christopher Kirk
Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2023

By: /s/ Marc Belsky
Marc Belsky
Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

EXECUTIVE EMPLOYMENT AGREEMENT

This **EXECUTIVE EMPLOYMENT AGREEMENT** (this "***Agreement***") is effective as of November 7, 2023 (the "***Effective Date***"), between Christopher J. Kirk, Ph.D. ("***Executive***") and **KEZAR LIFE SCIENCES, INC.** (the "***Company***"). Certain capitalized terms used in this Agreement are defined in Article 7.

RECITALS

A. The Company is a biopharmaceutical company.

B. The Company desires to employ Executive in the position set forth below, and Executive wishes 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.

1.2 Prior Advisor Agreement. Upon the Effective Date, the Advisor Agreement dated April 23, 2023, entered into between Executive and the Company will immediately terminate.

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 (without limitation): (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 (as defined herein), 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 $600,000 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) Sign-On Payment. Executive will be eligible to earn a one-time bonus of $75,000 less applicable withholdings (the "***Sign-On Payment***"). The Company will advance Executive the Sign-On Payment, prior to its being earned, within thirty (30) days after the Effective Date. Executive will earn the Sign-On Payment if Executive remains continuously employed with the Company through the one-year anniversary of the Effective Date. If Executive voluntarily resigns his employment with the Company for any reason or if the Company terminates Executive for Cause, in either case, prior to the one-year anniversary of the Effective Date, Executive shall repay the gross amount of the entire Sign-On Payment paid to Executive by the Company in advance of becoming earned.

(c) 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 55% 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). Executive will first be eligible to receive an annual performance bonus for the 2024 calendar year.

(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 2018 Equity Incentive Plan, as amended (the "***Equity Plan***"). In connection with this Agreement, subject to the approval of the Board, the Company anticipates granting Executive an option to purchase 875,000 shares of common stock (the "***Stock Option***"), pursuant to the Plan. The anticipated Stock Option will be governed by the terms and conditions of the Company's standard form of stock option agreement and the Plan, and will vest in equal monthly installments over a four-year period, subject to Executive's continuous service to the Company through each vesting date.

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 June 20, 2018, 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 or Exhibit B**, 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 (the "***Severance Payment***"). "***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.

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 (the ***"CIC Severance Payment***"). "***Change in Control Severance Period***" means the period of eighteen (18) months commencing on the Termination Date. The CIC 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. 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 upon 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) As a condition of employment, Executive is required to enter into the Confidential Information and Inventions Assignment Agreement. Additionally, 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. In addition, the Company shall retain Executive as a consultant for a period of twelve (12) months following the Termination Date, pursuant to the terms of a consulting agreement providing consulting fees equal to 50% of Executive's then-current base salary, in exchange for Executive providing services up to a maximum of 20 hours per week, and other mutually agreeable terms. 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 Confidential Information and Invention Assignment Agreement with the Company, dated [Date], 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 $1/12^{th}$ 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).

7.19 "***Pro-Rata Bonus***" means $1/12^{th}$ 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 its exhibits**,** 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. This provision shall not be mandatory for any claim or cause of action to the extent applicable law prohibits subjecting such claim or cause of action to mandatory arbitration and such applicable law is not preempted by the Federal Arbitration Act or otherwise invalid (collectively, the "***Excluded Claims***"), such as non-individual claims that cannot be waived under applicable law, claims or causes of action alleging sexual harassment or a nonconsensual sexual act or sexual contact, or unemployment or workers' compensation claims brought before the applicable state governmental agency. In the event Executive or the Company intend to bring multiple claims, including one of the Excluded Claims listed above, the Excluded Claims may be filed with a court, while any other claims will remain subject to mandatory 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.

[REMAINDER OF PAGE LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates below.

KEZAR LIFE SCIENCES, INC.		**EXECUTIVE**	
By:	/s/ Graham Cooper	By:	/s/ Christopher J. Kirk
Name:	Graham Cooper	Name:	Christopher J. Kirk
Title:	Chairman of the Board of Directors		
Date:		Date:	

Exhibit A: Release (Individual Termination – Age 40 or Older)
Exhibit B: Release (Group Termination – Age 40 or Older)

EXHIBIT A

RELEASE

(INDIVIDUAL TERMINATION – AGE 40 OR OLDER)

Certain capitalized terms used in this Release are defined in the 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, 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; or (3) release any claim that cannot be waived by private agreement as a matter of law. Nothing in this Release or the Agreement: (1) prevents me from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that I have reason to believe is unlawful; or (2) waives any rights I may have under Section 7 of the National Labor Relations Act (subject to the release of claims set forth herein).

I understand that nothing in this Release limits my ability to file a charge or complaint with the Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Occupational Safety and Health Administration, the California Civil Rights Department, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("***Government Agencies***"). I further understand this Release does not limit my ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. While this Release does not limit my right to receive an award for information provided to the Securities and Exchange Commission, I understand and agree that, to maximum extent permitted by law, I am otherwise waiving any

and all rights I may have to individual relief based on any claims that I have released and any rights I have waived by signing this Release.

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 UNDERSTAND THAT THIS RELEASE INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. In giving the release herein, which includes claims that may be unknown at present, I acknowledge that I have read and understand Section 1542 of the California Civil Code, which reads as follows: **"A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."** I hereby expressly waive and relinquish all rights and benefits under that section and any law of any other jurisdiction of similar effect with respect to my release of any unknown or unsuspected claims herein.

I acknowledge that I have been advised, pursuant to California Government Code Section 12964.5(b)(4), that I have a right to consult an attorney regarding this Release and that I was given a reasonable time period of not less than five (5) business days in which to do so. I further acknowledge and agree that, in the event I sign this Release prior to the end of the reasonable time period, my decision to accept such shortening of time is knowing and voluntary and is not induced by the Company through fraud, misrepresentation, or a threat to withdraw or alter the offer prior to the expiration of the reasonable time period, or by providing different terms to employees who sign such an agreement prior to the expiration of the time period.

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

(GROUP TERMINATION – AGE 40 OR OLDER)

Certain capitalized terms used in this Release are defined in the 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, 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; or (3) release any claim that cannot be waived by private agreement as a matter of law. Nothing in this Release or the Agreement: (1) prevents me from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that I have reason to believe is unlawful; or (2) waives any rights I may have under Section 7 of the National Labor Relations Act (subject to the release of claims set forth herein).

I understand that nothing in this Release limits my ability to file a charge or complaint with the Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Occupational Safety and Health Administration, the California Civil Rights Department, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("***Government Agencies***"). I further understand this Release does not limit my ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. While this Release does not limit my right to receive an award for information provided to the Securities and Exchange Commission, I understand and agree that, to maximum extent permitted by law, I am otherwise waiving any

and all rights I may have to individual relief based on any claims that I have released and any rights I have waived by signing this Release.

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 UNDERSTAND THAT THIS RELEASE INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. In giving the release herein, which includes claims that may be unknown at present, I acknowledge that I have read and understand Section 1542 of the California Civil Code, which reads as follows: **"A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."** I hereby expressly waive and relinquish all rights and benefits under that section and any law of any other jurisdiction of similar effect with respect to my release of any unknown or unsuspected claims herein.

I acknowledge that I have been advised, pursuant to California Government Code Section 12964.5(b)(4), that I have a right to consult an attorney regarding this Release and that I was given a reasonable time period of not less than five (5) business days in which to do so. I further acknowledge and agree that, in the event I sign this Release prior to the end of the reasonable time period, my decision to accept such shortening of time is knowing and voluntary and is not induced by the Company through fraud, misrepresentation, or a threat to withdraw or alter the offer prior to the expiration of the reasonable time period, or by providing different terms to employees who sign such an agreement prior to the expiration of the time period.

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:

October 2, 2023

John F. Fowler
Address

Re: Separation and Consulting Agreement

Dear John:

This separation and consulting agreement (the "**Agreement**") summarizes the terms of your separation from Kezar Life Sciences, Inc. (the "**Company**") and sets forth the severance benefits offered to you to help in this transition.

1. Employment Status and Final Payments.

(a) Separation Date. You hereby resign your employment from the Company, and the Company accepts your resignation. Your last day of work with the Company and your employment termination date will be November 7, 2023 (the "**Separation Date**"). Effective on the Separation Date, you will no longer provide services to the Company as its Chief Executive Officer and you resign from any and all positions you may hold with the Company or any of its affiliates, except that you will remain a director on the Company's Board of Directors (the "**Board**") following the Separation Date.

(b) Accrued Salary. On the Separation Date, the Company will pay you all accrued salary and paid time off earned through the Separation Date, subject to standard payroll deductions and withholdings. You are entitled to this payment regardless of whether or not you sign this Agreement.

(c) Expense Reimbursements. You agree that, within seven (7) days after the Separation Date, you will submit your final documented expense reimbursement statement reflecting all business expenses you incurred through the Separation Date, if any, for which you seek reimbursement. The Company will reimburse you for these expenses pursuant to its regular business practice.

2. Consulting Agreement. If you timely sign and return this Agreement to the Company and allow the releases set forth herein to become effective, then the Company will engage you as a consultant pursuant to the terms set forth below, starting on the day following the Separation Date through the one (1) year anniversary of the Separation Date (the "**Consulting Period**"), unless terminated earlier pursuant to Section 2(h).

(a) Consulting Services and Fees. Pursuant to this consulting arrangement, you will consult with and advise the Company from time to time, as reasonably requested by the Company (the "**Consulting Services**"). You will conduct the Consulting Services at a location of your choosing. You will exercise the highest degree of professionalism and utilize your expertise and creative talents in performing the Consulting Services. You shall abide by the Company's applicable policies and procedures during the Consulting Period. In exchange for the Consulting Services, the Company will pay you consulting fees equal to $5,000 per month.

(b) Equity Awards. Since your service as an employee and a consultant will be continuous, your termination of employment will not constitute a termination of service for purposes of the Company's applicable stock or equity plan (the "**Plan**"). Thus, vesting of your outstanding stock options and other equity awards (the "**Equity Awards**") will not cease as of the Separation Date and will continue for the duration of the Consulting Period. Your Equity Awards shall continue to be governed by the Plan and all applicable grant notices and agreements.

(c) Independent Contractor Status. You agree that during the Consulting Period: (i) you will be an independent contractor to the Company and not an employee of the Company, and nothing in this Agreement is intended to, or should be construed to, create a partnership, agency, joint venture or employment relationship after the Separation Date; and (ii) the Company will not make payments for state or federal income tax, FICA (social security and Medicare), make unemployment insurance or disability insurance contributions, or obtain workers' compensation insurance on your behalf, and you acknowledge and agree that your relationship with the Company during the Advisory Period will not be subject to the Fair Labor Standards Act or other laws or regulations governing employment relationships.

(d) Taxes and Withholding. As an independent contractor, the Company will not withhold any amount for taxes, social security or other payroll deductions. The Company will issue you a Form 1099 with respect to any fees paid to you, if any. You acknowledge that you will be entirely responsible for payment of any such taxes, and you hereby indemnify, defend and save harmless the Company, and its officers and directors in their individual capacity, from any liability for any taxes, penalties or interest that may be assessed by any taxing authority with respect to all compensation you receive under this Agreement, with the exception of the employer's share of social security, if any.

(e) Limitations on Authority. During the Consulting Period, you will have no responsibilities or authority as a consultant to the Company other than as provided above. You will have no authority to bind the Company to any contractual obligations, whether written, oral or implied, except with the prior written authorization of an officer of the Company. You agree not to represent or purport to represent the Company in any manner whatsoever to any third party unless authorized in advance by the Company, in writing, to do so.

(f) Confidential Information and Inventions. You agree that, during the Consulting Period and thereafter, you will not use or disclose, in any manner that is not authorized by the Company or essential to your performance of specifically requested Consulting Services, any confidential or proprietary information or materials of the Company that you obtain or develop in the course of performing the Consulting Services. Any and all work product you create in the course of performing the Consulting Services will be the sole and exclusive property of the Company. As set forth in your Confidential Information and Inventions Assignment Agreement ("**Confidentiality Agreement**") with the Company, and subject to the limitations set forth therein, you hereby assign to the Company all right, title, and interest in all inventions, techniques, processes, materials, and other intellectual property developed in the course of performing the Consulting Services. You further acknowledge and reaffirm your continuing obligations, both during the Consulting Period and thereafter (as applicable), under the Confidentiality Agreement entered into between you and the Company, a copy of which is attached hereto as **Exhibit A** and incorporated herein by reference.

(g) Other Work Activities. Throughout the Consulting Period, you shall have the right to engage in employment, consulting, or other work relationships in addition to your work for the Company. The Company will make arrangements to enable you to perform your work for the Company at such times and in such a manner so that it will not unreasonably interfere with other activities in which you may engage. In order to protect the trade secrets and confidential and proprietary information of the Company, you agree that, during the Consulting Period, you will notify the Company in writing, and obtain the Company's written consent, before you obtain employment with, or perform competitive work for, any business entity that is competitive with the Company, or engage in any other work activity, or preparation for work activity, competitive with the Company. For purposes of this Agreement, the term "competitive" shall mean other companies or institutions that are with autoimmune focused development programs unless approved in advance by the Board.

(h) Termination of Consulting Period. The Consulting Period shall end on the **earliest** to occur of the following:

(i) November 7, 2024; or

(ii) Five (5) days after you or the Company provides written notice that you or the Company are terminating the Consulting Period for any reason; or

(iii) Immediately upon the Company's written notice to you that you have breached any of your obligations hereunder or have breached any of your obligations under your Confidentiality Agreement.

(i) Waiver of Director Compensation. Following the Separation Date, you would be considered an "Eligible Director," as such term is defined under the Company's Non-Employee Director Compensation Policy, as amended (the "**Director Compensation Policy**"). As consideration for the consulting fees under this Agreement during the Consulting Period, you expressly decline all cash and equity compensation that you would otherwise be entitled to receive under the Director Compensation Policy during the Consulting Period. For clarity, however, this Section 2(i) shall immediately expire upon the termination or expiration of the Consulting Period.

3. Other Compensation or Benefits. Because you have decided to resign from the Company, you will not be eligible for any severance benefits under the terms of your Executive Employment Agreement dated August 6, 2015 (the "**Employment Agreement**"). To the extent that the Company has any other obligations to provide you with severance benefits pursuant to the Employment Agreement or any other agreements or policy, you agree and acknowledge that the benefits provided herein satisfy fully and exceed any and all such obligations. You further acknowledge that, except as expressly provided in this Agreement, you have not earned, will not earn by the Separation Date, and will not receive from the Company any additional compensation (including base salary, bonus, incentive compensation, or equity), severance, or benefits before or after the Separation Date, with the exception of any vested right you may have under the express terms of a written ERISA-qualified benefit plan (e.g., 401(k) account) or any vested stock options.

4. Post-Termination Extended Exercise Period. If, for any reason, you cease to provide services to the Company ("**Continuous Services**") for any reason before November 7,

2028, then subject to approval from the Board, the Company will agree to extend the exercise period with respect to any vested options as of the last day of your Continuous Service until the earlier of: (A) the original expiration date for such vested option as provided in the applicable governing plan document and option agreement; or (B) a date that is five (5) years following your last day of Continuous Service, less the number of months following the Separation Date that you served as a consultant or Board member for the Company. The extended exercise period provided pursuant to the foregoing may convert incentive stock options to nonstatutory stock options.

5. Return of Company Property. By the close of business on the Separation Date, you agree to return to the Company all Company documents (and all copies thereof) and other Company property which you have in your possession or control, including, but not limited to, Company files, notes, correspondence, email, notebooks (including laboratory notebooks) drawings, records, plans, forecasts, data, reports, compilations of data, studies, analyses, proposals, agreements, financial information, legal files and information, research and development information, vendor lists, prospect information, operational and personnel information, specifications, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computers, 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). You agree that you will make a diligent search to locate any such documents, property and information by the close of business on the Separation Date. If you have 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 five (5) business days after the Separation Date, you shall provide the Company with a computer-useable copy of such information and then permanently delete and expunge such Company confidential or proprietary information from those systems without retaining any copy or reproduction of such information in any form, in whole or in part; and you agree to provide the Company access to your system as requested to verify that the necessary copying and/or deletion is done. **Your timely and full compliance with this Paragraph 4 is a condition precedent to your receipt of the Severance Benefits provided under this Agreement.**

6. Proprietary Information Obligations. Both during and after your employment, you acknowledge and reaffirm your continuing obligations under Confidentiality Agreement, including your obligations not to use or disclose any confidential or proprietary information of the Company.

7. Confidentiality. The provisions of this Agreement will be held in strictest confidence by you and will not be publicized or disclosed by you in any manner whatsoever; *provided, however,* that: (a) you may disclose this Agreement in confidence to your immediate family and to your attorneys, accountants, tax preparers and financial advisors; and (b) you may disclose this Agreement insofar as such disclosure may be necessary to enforce its terms or as otherwise required by law. In particular, and without limitation, you agree not to disclose the terms of this Agreement to any current or former Company employee.

8. Nondisparagement. Effective as of the Separation Date, you agree not to disparage the Company, its officers, directors, employees, shareholders, and agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation; provided that you

will respond accurately and fully to any request for information if required by legal process or in connection with a government investigation. In addition, nothing in this provision or this Agreement is intended to prohibit or restrain you in any manner from making disclosures that are protected under the whistleblower provisions of federal or state law or regulation.

9. No Voluntary Adverse Action. You agree that you will not voluntarily (except in response to legal compulsion) assist any person in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the Company, its parent or subsidiary entities, affiliates, officers, directors, employees or agents.

10. Cooperation. You agree to cooperate fully with the Company in connection with its actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters arising from events, acts, or failures to act that occurred during the period of your employment by the Company. Such cooperation includes, without limitation, making yourself available to the Company upon reasonable notice, without subpoena, to provide complete, truthful and accurate information in witness interviews, depositions, and trial testimony. The Company will reimburse you for reasonable out-of-pocket expenses you incur in connection with any such cooperation (excluding foregone wages and attorneys' fees) and will make reasonable efforts to accommodate your scheduling needs.

11. No Admissions. You understand and agree that the promises and payments in consideration of this Agreement shall not be construed to be an admission of any liability or obligation by the Company to you or to any other person, and that the Company makes no such admission.

12. Release of Claims.

(a) General Release. In exchange for the Severance Benefits and other consideration provided to you under this Agreement to which you would not otherwise be entitled, you hereby generally and completely release the Company, and its affiliated, related, parent and subsidiary entities, and its and their current and former directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, insurers, affiliates, and assigns (collectively, the "**Released Parties**") from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to or on the date you sign this Agreement (collectively, the "**Released Claims**").

(b) Scope of Release. The Released Claims include, but are not limited to: (i) all claims arising out of or in any way related to your employment with the Company, or the termination of that employment; (ii) all claims related to your compensation or benefits from the Company, including salary, bonuses, commissions, vacation, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership, equity, or profits interests in the Company; (iii) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (iv) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (v) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal

Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended), the California Labor Code (as amended), and the California Fair Employment and Housing Act (as amended). **You acknowledge that you have been advised, pursuant to California Government Code Section 12964.5(b)(4), that you have a right to consult an attorney regarding this Agreement and that you were given a reasonable time period of not less than five business days in which to do so.** You further acknowledge and agree that, in the event you sign this Agreement prior to the end of the reasonable time period, your decision to accept such shortening of time is knowing and voluntary and is not induced by the Company through fraud, misrepresentation, or a threat to withdraw or alter the offer prior to the expiration of the reasonable time period, or by providing different terms to employees who sign such an agreement prior to the expiration of the time period.

(c) ADEA Waiver. You acknowledge that you are knowingly and voluntarily waiving and releasing any rights you have under the ADEA, and that the consideration given for the waiver and releases you have given in this Agreement is in addition to anything of value to which you were already entitled. You further acknowledge that you have been advised, as required by the ADEA, that: (i) your waiver and release does not apply to any rights or claims arising after the date you sign this Agreement; (ii) you should consult with an attorney prior to signing this Agreement (although you may choose voluntarily not to do so); (iii) you have twenty-one (21) days to consider this Agreement (although you may choose voluntarily to sign it sooner); (iv) you have seven (7) days following the date you sign this Agreement to revoke this Agreement (in a written revocation sent to the Company); and (v) this Agreement will not be effective until the date upon which the revocation period has expired, which will be the eighth day after you sign this Agreement provided that you do not revoke it (the "**Effective Date**").

(d) Excluded Claims. Notwithstanding the foregoing, you are not releasing the Company hereby from: (i) any obligation to indemnify you pursuant to the Articles and Bylaws of the Company, any valid fully executed indemnification agreement with the Company, or applicable law; (ii) any rights you have to file or pursue a claim for workers' compensation or unemployment insurance; (iii) any claims that cannot be waived by law; or (iv) any claims for breach of this Agreement.

13. Section 1542 Waiver. YOU UNDERSTAND THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. In giving the release herein, which includes claims which may be unknown to you at present, you acknowledge that you have read and understand Section 1542 of the California Civil Code, which reads as follows:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

You hereby expressly waive and relinquish all rights and benefits under that section and any law of any other jurisdiction of similar effect with respect to your release of any unknown or unsuspected claims herein.

14.Protected Rights. You understand that nothing in this Agreement limits your ability to file a charge or complaint with the Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Occupational Safety and Health Administration, the California Civil Rights Department, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("**Government Agencies**"). You further understand this Agreement does not limit your ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. While this Agreement does not limit your right to receive an award for information provided to the Securities and Exchange Commission, you understand and agree that, to maximum extent permitted by law, you are otherwise waiving any and all rights you may have to individual relief based on any claims that you have released and any rights you have waived by signing this Agreement.

15.Representations. You hereby represent that you have been paid all compensation owed and for all hours worked, have received all the leave and leave benefits and protections for which you are eligible pursuant to the Family and Medical Leave Act, the California Family Rights Act, or otherwise, and have not suffered any on-the-job injury for which you have not already filed a workers' compensation claim.

16.General. This Agreement, including Exhibit A, constitutes the complete, final and exclusive embodiment of the entire agreement between you and the Company with regard to its subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations. This Agreement may not be modified or amended except in a writing signed by both you and a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination will not affect any other provision of this Agreement and the provision in question will be modified so as to be rendered enforceable. This Agreement will be deemed to have been entered into and will be construed and enforced in accordance with the laws of the State of California without regard to conflict of laws principles. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement shall be in writing and shall not be deemed to be a waiver of any successive breach. This Agreement may be executed in counterparts and electronic signatures will suffice as original signatures.

[*Signature page follows*]

If this Agreement is acceptable to you, please sign and date the Agreement below, and return the fully-executed Agreement to me within twenty-one (21) calendar days of the date you receive it. The Company's severance offer will automatically lapse and expire if we do not receive the fully-executed Agreement back from you within that timeframe.

We wish you the best in your future endeavors.

Sincerely,

KEZAR LIFE SCIENCES, INC.

By: /s/ Graham Cooper
Graham Cooper
Chairman of the Board of Directors

Exhibit A – Confidential Agreement

I HAVE READ, UNDERSTAND AND AGREE FULLY TO THE FOREGOING AGREEMENT:

/s/ John Fowler October 2, 2023
John Fowler Date

October 6, 2023

Noreen Roth Henig, M.D.
Address

Re: Separation Agreement

Dear Dr. Henig:

This separation agreement (the "**Agreement**") summarizes the terms of your separation from Kezar Life Sciences, Inc. (the "**Company**") and sets forth the severance benefits offered to you to help in this transition.

1. Employment Status and Final Payments.

(a) Separation Date. Your last day of work with the Company and your employment termination date will be October 6, 2023 (the "**Separation Date**").

(b) Accrued Salary . On the Separation Date, the Company will pay you all accrued salary earned through the Separation Date, subject to standard payroll deductions and withholdings. You are entitled to this payment regardless of whether or not you sign this Agreement.

(c) Expense Reimbursements. You agree that, within seven (7) days after the Separation Date, you will submit your final documented expense reimbursement statement reflecting all business expenses you incurred through the Separation Date, if any, for which you seek reimbursement. The Company will reimburse you for these expenses pursuant to its regular business practice.

2. Severance Benefits. If you timely sign and return this Agreement to the Company and allow the releases set forth herein to become effective, then pursuant to your employment agreement dated April 25, 2020 (the "**Employment Agreement**"), the Company will provide you with the following severance benefits (the "**Severance Benefits**") for a "Covered Termination" under Article 3 of the Employment Agreement:

(a) Cash Severance. The Company will pay you cash severance equal to the sum of your currently monthly base salary plus the Pro-Rata Bonus (as defined in your Employment Agreement) (the "**Sum**"), and such Sum shall be multiplied by twelve (12) (in the total amount of $738,500), less applicable payroll deductions and withholdings (the "**Severance Payment**"). Your Severance Payment will be paid in equal payroll installments on the Company's regular payroll paydays over the twelve-month period following the Separation Date, provided however that any such payments otherwise scheduled to be made prior to the Effective Date (as defined herein) will instead accrue and be paid to you on the first payroll period following the Effective Date.

(b) COBRA Premiums. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, you will be eligible to continue your group health insurance benefits at your own expense

following the Separation Date. You will be provided with a separate notice describing your rights and obligations under COBRA. As an additional benefit under this Agreement, provided that you timely elect continued coverage under COBRA, then the Company shall reimburse you for the COBRA premiums to continue your health insurance coverage (including coverage for eligible dependents, if applicable) through the period starting on the Separation Date and ending on the earliest to occur of: (i) twelve (12) months following the Separation Date; (ii) the date you become eligible for group health insurance coverage through a new employer; or (iii) the date you cease to be eligible for COBRA coverage for any reason. You must timely pay your premiums, and then provide the Company with proof of same, to obtain reimbursement for your COBRA premiums under this Section 2(b). Notwithstanding the foregoing, if the Company determines, in its sole discretion, that it cannot pay the COBRA premiums without a substantial risk of violating applicable law, then the Company instead shall pay you a fully taxable cash payment equal to the remaining COBRA premiums due under this Section 2, subject to applicable tax withholdings, which you may, but are not obligated to, use toward the cost of COBRA premiums.

The Severance Benefits set forth above, and your entitlement to and the conditions of such benefits, will remain subject to the terms and conditions of your Employment Agreement.

3. Equity. Under the terms of the Company's 2018 Equity Incentive Plan (the "**Equity Plan**") and the applicable grant notice and stock option agreement pursuant to which your stock option award(s) were granted (each such option award outstanding as of the Separation Date, "**Option Award**"), vesting of each Option Award will cease as of the Separation Date. If you timely sign and return this Agreement to the Company and allow the releases set forth herein to become effective, then, promptly following the Effective Date, as an additional Severance Benefit, the stock option agreement applicable to each Option Award with vested but unexercised shares as of the Separation Date, will be amended to extend the period for which you may exercise such vested but unexercised shares subject to each such Option Award, whereby Section 7(b) of each such stock option award agreement will be deleted and replaced with "December 31, 2024 (except as otherwise provided in Section 7(d) below);" (the "**Option Exercise Extension**"). You understand and acknowledge that upon the effectiveness of the Option Exercise Extension, any of your Option Awards that are "incentive stock options," under Section 422 of the Internal Revenue Code will convert for tax purposes to nonstatutory stock options. Except for the Option Exercise Extension described herein, each Option Award shall continue to be governed by the terms of the applicable grant notices, stock option agreements and the Equity Plan.

4. Other Compensation or Benefits. You acknowledge and agree that the Severance Benefits offered herein satisfy fully and exceed any and all obligations the Company may have to provide you with any severance benefits in connection with your employment termination, whether under the Employment Agreement or any other agreement, plan or policy, and that to the extent any other obligations to provide you with severance existed, such obligations are hereby waived and extinguished. You further acknowledge that, except as expressly provided in this Agreement, you have not earned, will not earn by the Separation Date, and will not receive from the Company any additional compensation (including base salary, bonus, incentive compensation, or equity), severance, or benefits before or after the Separation Date, with the exception of any vested right you may have under the express terms of a written ERISA-qualified benefit plan (e.g., 401(k) account) or any vested stock options.

5. Return of Company Property. By the close of business on the Separation Date, you agree to return to the Company all Company documents (and all copies thereof) and other Company property which you have in your possession or control, including, but not limited to, Company files, notes, correspondence, email, notebooks (including laboratory notebooks) drawings, records, plans, forecasts, data, reports, compilations of data, studies, analyses, proposals, agreements, financial information, legal files and information, research and development information, vendor lists, prospect information, operational and personnel information, specifications, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computers, 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). You agree that you will make a diligent search to locate any such documents, property and information by the close of business on the Separation Date. If you have 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 five (5) business days after the Separation Date, you shall provide the Company with a computer-useable copy of such information and then permanently delete and expunge such Company confidential or proprietary information from those systems without retaining any copy or reproduction of such information in any form, in whole or in part; and you agree to provide the Company access to your system as requested to verify that the necessary copying and/or deletion is done. **Your timely and full compliance with this Paragraph 5 is a condition precedent to your receipt of the Severance Benefits provided under this Agreement.**

6. Proprietary Information Obligations. Both during and after your employment, you acknowledge and reaffirm your continuing obligations under your Confidential Information and Inventions Assignment Agreement ("**Confidentiality Agreement**"), including your obligations not to use or disclose any confidential or proprietary information of the Company. A copy of your Confidentiality Information, which you signed as a condition of employment, is attached to this Agreement as **Exhibit A**.

7. Mutual Nondisparagement. Effective as of the Separation Date, the Company agrees that its executives, officers and directors shall not disparage you in any manner that would be harmful to your business, business reputation or personal reputation, and you agree not to disparage the Company, its officers, directors, employees and stockholders, in any manner likely to be harmful to its or their business, business reputation, or personal reputation; provided that you and the Company will respond accurately and fully to any request for information if required by legal process or in connection with a government investigation. In addition, nothing in this provision or this Agreement is intended to prohibit or restrain you in any manner from making disclosures that are protected under the whistleblower provisions of federal or state law or regulation.

8. No Voluntary Adverse Action. You agree that you will not voluntarily (except in response to legal compulsion) assist any person in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the Company, its parent or subsidiary entities, affiliates, officers, directors, employees or agents.

9. Cooperation. You agree to reasonably cooperate fully with the Company in connection with its actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters arising from events, acts, or failures to act that occurred during the period of your employment by the Company. Such cooperation includes, without limitation, making yourself reasonably available to the Company upon reasonable notice, without subpoena, to provide complete, truthful and accurate information in witness interviews, depositions, and trial testimony. The Company will reimburse you for reasonable out-of-pocket expenses you incur in connection with any such cooperation (excluding foregone wages and attorneys' fees) and will make reasonable efforts to accommodate your scheduling needs.

10. No Admissions. You understand and agree that the promises and payments in consideration of this Agreement shall not be construed to be an admission of any liability or obligation by the Company to you or to any other person, and that the Company makes no such admission.

11. Release of Claims.

(a) General Release. In exchange for the Severance Benefits and other consideration provided to you under this Agreement to which you would not otherwise be entitled, you hereby generally and completely release the Company, and its affiliated, related, parent and subsidiary entities, and its and their current and former directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, insurers, affiliates, and assigns (collectively, the "**Released Parties**") from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to or on the date you sign this Agreement (collectively, the "**Released Claims**").

(b) Scope of Release. The Released Claims include, but are not limited to: (i) all claims arising out of or in any way related to your employment with the Company, or the termination of that employment; (ii) all claims related to your compensation or benefits from the Company, including salary, bonuses, commissions, vacation, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership, equity, or profits interests in the Company; (iii) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (iv) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (v) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended), the California Labor Code (as amended), and the California Fair Employment and Housing Act (as amended). **You acknowledge that you have been advised, pursuant to California Government Code Section 12964.5(b)(4), that you have a right to consult an attorney regarding this Agreement and that you were given a reasonable time period of not less than five business days in which to do so.** You further acknowledge and agree that, in the event you sign this Agreement prior to the end of the reasonable time period, your decision to accept such shortening of time is knowing and voluntary and is not induced by the Company through fraud, misrepresentation, or a threat to withdraw or alter the offer prior to the expiration of the reasonable time period, or by

providing different terms to employees who sign such an agreement prior to the expiration of the time period.

(c) ADEA Waiver. You acknowledge that you are knowingly and voluntarily waiving and releasing any rights you have under the ADEA, and that the consideration given for the waiver and releases you have given in this Agreement is in addition to anything of value to which you were already entitled. You further acknowledge that you have been advised, as required by the ADEA, that: (i) your waiver and release does not apply to any rights or claims arising after the date you sign this Agreement; (ii) you should consult with an attorney prior to signing this Agreement (although you may choose voluntarily not to do so); (iii) you have twenty-one (21) days to consider this Agreement (although you may choose voluntarily to sign it sooner); (iv) you have seven (7) days following the date you sign this Agreement to revoke this Agreement (in a written revocation sent to the Company); and (v) this Agreement will not be effective until the date upon which the revocation period has expired, which will be the eighth day after you sign this Agreement provided that you do not revoke it (the "**Effective Date**").

(d) Excluded Claims. Notwithstanding the foregoing, you are not releasing the Company hereby from: (i) any obligation to defend and indemnify you pursuant to the Articles and Bylaws of the Company, the Employment Agreement, and under any valid fully executed indemnification agreement with the Company, or applicable law; (ii) any rights you have to file or pursue a claim for workers' compensation or unemployment insurance; (iii) any claims that cannot be waived by law; or (iv) any claims for breach of this Agreement.

12. Section 1542 Waiver. YOU UNDERSTAND THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. In giving the release herein, which includes claims which may be unknown to you at present, you acknowledge that you have read and understand Section 1542 of the California Civil Code, which reads as follows:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

You hereby expressly waive and relinquish all rights and benefits under that section and any law of any other jurisdiction of similar effect with respect to your release of any unknown or unsuspected claims herein.

13. Protected Rights. You understand that nothing in this Agreement limits your ability to file a charge or complaint with the Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Occupational Safety and Health Administration, the California Civil Rights Department, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("**Government Agencies**"). You further understand this Agreement does not limit your ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. While this Agreement does not limit your right to receive an award for information provided to the Securities and Exchange Commission, you understand and agree that, to maximum extent permitted by law, you are otherwise waiving any

and all rights you may have to individual relief based on any claims that you have released and any rights you have waived by signing this Agreement.

14.Representations. You hereby represent that you have been paid all compensation owed and for all hours worked, have received all the leave and leave benefits and protections for which you are eligible pursuant to the Family and Medical Leave Act, the California Family Rights Act, or otherwise, and have not suffered any on-the-job injury for which you have not already filed a workers' compensation claim.

15.General. This Agreement, including Exhibit A, constitutes the complete, final and exclusive embodiment of the entire agreement between you and the Company with regard to its subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations. This Agreement may not be modified or amended except in a writing signed by both you and a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination will not affect any other provision of this Agreement and the provision in question will be modified so as to be rendered enforceable. This Agreement will be deemed to have been entered into and will be construed and enforced in accordance with the laws of the State of California without regard to conflict of laws principles. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement shall be in writing and shall not be deemed to be a waiver of any successive breach. This Agreement may be executed in counterparts and electronic signatures will suffice as original signatures.

[*Signature page follows*]

If this Agreement is acceptable to you, please sign and date the Agreement below, and return the fully-executed Agreement to me within twenty-one (21) calendar days of the date you receive it. The Company's severance offer will automatically lapse and expire if we do not receive the fully-executed Agreement back from you within that timeframe.

We wish you the best in your future endeavors.

Sincerely,

KEZAR LIFE SCIENCES, INC.

By: /s/ John Fowler
John Fowler
Chief Executive Officer

Exhibit A – Confidential Agreement

I HAVE READ, UNDERSTAND AND AGREE FULLY TO THE FOREGOING AGREEMENT:

/s/ Noreen Roth Henig, M.D. October 23, 2023
Noreen Roth Henig, M.D. Date

Exhibit 10.4

Execution Version

Certain identified information has been excluded from the exhibit because it is both not material and is the type that the Registrant treats as private or confidential. Triple asterisks [***] denote exclusions.

COLLABORATION AND LICENSE AGREEMENT

by and between

KEZAR LIFE SCIENCES, INC.,

EVEREST MEDICINES II (HK) LIMITED,

and

solely for purposes of SECTION 2.8.4 (Everest's Change of Control) and SECTION 15.6 (Guarantee),

EVEREST MEDICINES LIMITED

Dated as of September 20, 2023

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Exhibit List

COLLABORATION AND LICENSE AGREEMENT

This COLLABORATION AND LICENSE AGREEMENT (this "**Agreement**") is entered into as of September 20, 2023 (the "**Effective Date**") by and between KEZAR LIFE SCIENCES, INC., a Delaware corporation having an address at 4000 Shoreline Court, Suite 300, South San Francisco, CA 94080 ("**Kezar**"), EVEREST MEDICINES II (HK) LIMITED, a Hong Kong company with limited liability having an address at Unit 417 4/F, Lippo Centre Tower Two, No.89 Queensway Admiralty, HK ("**Everest**"), and solely for purposes of Section 2.8.4 (Everest's Change of Control) and Section 15.6 (Guarantee), EVEREST MEDICINES LIMITED, a Cayman Islands company with limited liability having an address at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands ("**Guarantor**"). Kezar and Everest are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**".

RECITALS

WHEREAS, Kezar possesses certain rights to patents and other intellectual property related to Products (as hereinafter defined); and

WHEREAS, Everest desires to license from Kezar such intellectual property rights, and to commercially develop, manufacture, use and distribute Products based upon the same in the Field and in the Territory (each as hereinafter defined), and Kezar desires to grant such a license to Everest in accordance with the terms and conditions of this Agreement.

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 "**Acquirer**" shall have the meaning set forth in Section 2.8.4(a).

Section 1.2 "**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.

Section 1.3 "**Agreement**" shall have the meaning set forth in the Preamble.

Section 1.4 "**Alliance Manager**" shall have the meaning set forth in Section 4.1 (Alliance Managers).

Section 1.5 "**Anti-Corruption Law**" means any and all applicable Laws concerning the prevention of bribery, corruption, illegal payments and gratuities, fraud, racketeering, money laundering, or terrorism, including the United States Foreign Corrupt Practices Act ("**FCPA**"), the Hong Kong Prevention of Bribery Ordinance, the People's Republic of China Criminal Law, the People's Republic of China Unfair Competition Law, the Interim Regulations of the State Administration for Industry and Commerce on Prohibition of Commercial Bribery and any similar Law in the applicable jurisdiction; ***provided***, that the FCPA shall be deemed an applicable Anti-Corruption Law of every Region in the Territory.

Section 1.6 "**Arbitration Rules**" shall have the meaning set forth in Section 14.3 (Long Form Arbitration).

Section 1.7 "**Business Day**" shall mean any day other than a Saturday, a Sunday or a day on which commercial banks in Singapore, San Francisco, California or Shanghai, China are authorized or required by law to remain closed.

Section 1.8 "**Calendar Quarter**" means each period of three consecutive calendar months ending on March 31, June 30, September 30, or December 31, except that the first Calendar Quarter of the Term will commence on the Effective Date, and the last Calendar Quarter of the Term will end on the effective date of the termination or expiration of this Agreement.

Section 1.9 "**Calendar Year**" means each period of 12 consecutive calendar months commencing on January 1 and ending on December 31, except that the first Calendar Year of the Term will commence on the Effective Date, and the last Calendar Year of the Term will end on the effective date of the termination or expiration of this Agreement.

Section 1.10 "**CDE**" means the Center for Drug Evaluation of NMPA or its successor.

Section 1.11 "**Change of Control**" means, with respect to an entity, (a) a merger, reorganization, combination, or consolidation of such entity with another entity that results in the holders of beneficial ownership of the voting securities or other voting interests of such original entity (or, if applicable, the ultimate parent of such original entity) immediately prior to such merger, reorganization, combination, or consolidation ceasing to hold beneficial ownership of more than 50% of the combined voting power of the surviving entity or the ultimate parent of the surviving entity immediately after such merger, reorganization, combination or consolidation, (b) a transaction or series of related transactions in which another entity, together with its Affiliates, becomes the beneficial owner of 50% or more of the combined voting power of the outstanding securities or other voting interest of such original entity, or (c) the sale, lease, exchange, contribution, or other transfer (in one transaction or a series of related transactions) to another entity of all or substantially all of such original entity's assets.

Section 1.12 "**Clinical Supply Agreement**" shall have the meaning set forth in Section 8.2.2 (Clinical Supply Agreement).

Section 1.13 "**Clinical Trial**" means any human clinical trial of a pharmaceutical or biological product.

Section 1.14 "**CMC**" means chemistry, manufacturing and controls.

Section 1.15 "**CMO**" means a contract manufacturing organization.

Section 1.16 "**Combination Therapy**" means a method of using or administering the Compound or a Product sequentially or concomitantly with one or more other active pharmaceutical ingredient(s) other than the Compound to achieve a therapeutic effect.

Section 1.17 "**Commercial Supply Agreement**" shall have the meaning set forth in Section 8.2.3 (Commercial Supply Agreement).

Section 1.18 "**Commercialization**", "**Commercialize**" or "**Commercializing**" means all activities directed to marketing, distribution, promoting or selling of pharmaceutical products (including importing and exporting activities in connection therewith), but excluding activities directed to Development or Manufacturing.

Section 1.19 "**Commercialization Plan**" shall have the meaning set forth in Section 7.2 (Commercialization Plan).

Section 1.20 "**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 the commercial potential, the proprietary position of the applicable product, the regulatory status and approval process, the probable profitability or strategic value of the applicable product to such Party, and other relevant factors such as commercial, 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 Everest is then researching, Developing, Manufacturing or Commercializing, alone or with one or more collaborators, or (b) any payment required to be made to Kezar hereunder.

Section 1.21 "**Competing Activities**" shall have the meaning set forth in Section 2.8.4(a).

Section 1.22 "**Competing Product**" means [***].

Section 1.23 "**Complementary Product**" means [***].

Section 1.24 "**Compound**" means Zetomipzomib, having the structure set forth in Exhibit A.

Section 1.25 "**Confidential Information**" shall have the meaning set forth in Section 12.1.1 (Confidential Information).

Section 1.26 "**Continuing Technology Transfer**" shall have the meaning set forth in Section 2.5.2 (Continuing Technology Transfer).

Section 1.27 "**Control**" or "**Controlled**" means, with respect to any Know-How, material, Patent Right, other Intellectual Property Right or Regulatory Filing, the possession (whether by ownership or license or right of reference, as applicable) by a Party or its Affiliate of the ability to grant to the other Party a license or access or right of reference, as applicable, as provided herein to such Know-How, material, Patent Right, other Intellectual Property Right or Regulatory Filing, 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) Kezar would Control any Know-How, material, Patent Right, other Intellectual Property Right or Regulatory Filing *but for* an obligation to pay royalties or other consideration for the Exploitation of a Product in the Territory in connection with a grant to Kezar of such Know-How, material, Patent Right, other Intellectual Property Right or Regulatory Filing, and (b) Everest agrees in writing to reimburse Kezar for all such royalties or other consideration, then such Know-How, material, Patent Right, other Intellectual Property Right or Regulatory Filing shall be deemed Controlled by Kezar; ***further provided,*** that, notwithstanding the other terms in this definition, Kezar shall be deemed, as of the Effective Date, to Control the Onyx Know-How and the Onyx Patents, subject in all cases to Everest's obligations with respect to the payment of royalties owed to Onyx as set forth in Section 3.3.7 (Upstream Royalties). Notwithstanding the foregoing, a Party and its Affiliates will not be deemed to "Control" any Know-How, material, Patent Right, other Intellectual Property Right or Regulatory Filing that is owned or controlled by a Third Party described in the definition of "Change of Control," or such Third Party's Affiliates (other than an Affiliate of such Party prior to the Change of Control), (x) prior to the closing of such Change of Control, except to the extent that any such Patent Rights or Know-How were developed by such Third Party prior to such Change of Control using or incorporating such Party's or its pre-existing Affiliate's Know-How or Patent Rights or such Party Controlled such Know-How, material, Patent Rights, other Intellectual Property Rights or Regulatory Filings prior to the closing of such Change of Control, or (y) after such Change of Control to the extent that such Patent Rights or Know-How are developed or conceived by such Third Party or its Affiliates (other than such Party) after such Change of Control without using or incorporating such Party's or its pre-existing Affiliate's Know-How or Patent Rights and are not developed or conceived by personnel who were employees or consultants of such Party or its pre-existing Affiliates.

Section 1.28 "**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 1.29 "**Data**" means any and all scientific, technical and test data pertaining to the Compound or any Product, including research data, safety data, tolerability data, clinical pharmacology data, CMC data (including analytical and quality control data and stability data), nonclinical data, clinical data or submissions made in association with an IND or NDA with respect to the Compound or any Product, in each case that is Controlled by a Party.

Section 1.30 "**Default Notice**" shall have the meaning set forth in Section 13.2.1 (Breach Notice; Cure Period).

Section 1.31 "**Defending Party**" shall have the meaning set forth in Section 9.4 (Defense of Third Party Claims).

Section 1.32 "**Deficient Site**" shall have the meaning set forth in Section 5.9 (Clinical Trial Audits and Compliance).

Section 1.33 "**Develop**" or "**Development**" or "**Developing**" means preclinical and clinical drug or biological development activities, including test method development, toxicology, formulation, quality assurance/quality control development, statistical analysis, preclinical studies and Clinical Trials and medical affairs, regulatory affairs, and regulatory activities, including filing for, obtaining and maintaining approval and registration, but excluding activities directed to Commercialization or Manufacturing.

Section 1.34 "**Development Milestone Event**" shall have the meaning set forth in Section 3.2.2 (Development Milestone Payments).

Section 1.35 "**Development Plan**" shall have the meaning set forth in Section 5.2 (Development Plan).

Section 1.36 "**Disclosing Party**" shall have the meaning set forth in Section 12.1.1 (Confidential Information).

Section 1.37 "**Dispute**" shall have the meaning set forth in Section 14.1 (Disputes; Resolution by Executive Officers).

Section 1.38 "**Early Access Program**" or "**EAP**" means any program permissible under applicable Laws in the Territory to provide patients with a Product prior to Marketing Approval and prior to First Commercial Sale in any Region in the Territory. For clarity, an EAP with respect to any of the Products may continue to be performed following Marketing Approval of such Product to the extent legally permissible.

Section 1.39 "**Effective Date**" shall have the meaning set forth in the Preamble.

Section 1.40 "**EMA**" means the European Medicines Agency or any successor entity thereto.

Section 1.41 "**Enforcing Party**" shall have the meaning set forth in Section 9.3.5 (Cooperation with Respect to Enforcement).

Section 1.42 "**Everest**" shall have the meaning set forth in the Preamble.

Section 1.43 "**Everest Acquired Party**" shall have the meaning set forth in Section 2.8.4(b).

Section 1.44 "**Everest Audited Party**" shall have the meaning set forth in Section 3.7 (Records and Audits).

Section 1.45 "**Everest Data**" shall have the meaning set forth in Section 9.1.1 (Data).

Section 1.46 "**Everest Indemnified Parties**" shall have the meaning set forth in Section 11.1.1 (By Kezar).

Section 1.47 "**Everest Parent**" means any Person as to which Everest is, directly or indirectly, a subsidiary, including, as of the Effective Date, Guarantor.

Section 1.48 "**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 1.49 "**Executive Officers**" means (a) with respect to Everest, the Chief Executive Officer of Everest, or any other executive officer that such officer designates from time to time, and (b) with respect to Kezar, the Chief Executive Officer of Kezar, or any other executive officer that such officer designates from time to time.

Section 1.50 "**Expedited Arbitration**" shall have the meaning set forth in Section 14.4 (Expedited Arbitration).

Section 1.51 "**Exploit**" means to research, Develop, Manufacture, use, sell, import or otherwise Commercialize a product, ***provided,*** that with respect to Everest's (and its Affiliates' and Sublicensees') research of the Compound and Product under this Agreement, such research shall be limited to any Indications that are the subject of a Development Plan approved by the JSC. Cognates of the word "**Exploit**" shall have correlative meanings.

Section 1.52 "**FCPA**" shall have the meaning set forth in Section 1.5 (Anti-Corruption Law).

Section 1.53 "**FDA**" means the United States Food and Drug Administration or any successor entity thereto.

Section 1.54 "**Field**" means any and all uses except for uses in the Excluded Field.

Section 1.55 "**First Commercial Sale**" means, with respect to any Product in any Region, the first sale for end use or consumption of such Product in such Region after Marketing Approval has been granted in such Region; ***provided***, that Product sold under an EAP shall not be deemed to be a First Commercial Sale.

Section 1.56 "**Foreground IP**" shall have the meaning set forth in Section 9.1.2 (Inventions).

Section 1.57 "**FTE Rate**" means [***] per hour.

Section 1.58 "**Fully Burdened Manufacturing Cost**" means [***].

Section 1.59 "**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 1.60 "**GCP**" means all applicable Good Clinical Practice standards for the design, conduct, performance, monitoring, auditing, recording, analyses and reporting of Clinical Trials, including, as applicable (a) as set forth in the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use Harmonized Tripartite Guideline for Good Clinical Practice (CPMP/ICH/135/95) and any other guidelines for good clinical practice for trials on medicinal products in the Territory, (b) the Declaration of Helsinki (2004) as last amended at the 52nd World Medical Association in October 2000 and any further amendments or clarifications thereto, (c) U.S. Code of Federal Regulations Title 21, Parts 50 (Protection of Human Subjects), 56 (Institutional Review Boards) and 312 (Investigational New Drug Application), as may be amended from time to time, and (d) the equivalent applicable Law in any Region in the Territory, each as may be amended and applicable from time to time and in each case, that provide for, among other things, assurance that the clinical data and reported results are credible and accurate and protect the rights, integrity, and confidentiality of trial subjects.

Section 1.61 "**Generic Product**" means with respect to a Product in a Region, any pharmaceutical product that (a) (i) contains the same active pharmaceutical ingredients as such Product and is approved by the Regulatory Authority in such Region based on reference to data contained in an earlier Regulatory Filing; or (ii) is A Rated (defined below) with respect to such Product or otherwise approved by the Regulatory Authority in such Region as a substitutable generic for such Product; and (b) is sold in such Region by a Third Party that is not a Sublicensee and did not purchase such product or its active pharmaceutical ingredients from Everest or its Affiliates or Sublicensees. For purposes of this definition, "**A Rated**" means "therapeutically equivalent" as determined by the FDA, NMPA or the applicable Regulatory Authority.

Section 1.62 "**GMP**" means all applicable current Good Manufacturing Practices including, as applicable, (a) the principles detailed in the U.S. Current Good Manufacturing Practices, 21 C.F.R. Parts 4, 210, 211, 601, 610 and 820, (b) European Directive 2003/94/EC and Eudralex 4, (c) the principles detailed in the ICH Q7 guidelines, and (d) the equivalent applicable Law in any relevant Region in the Territory, each as may be amended and applicable from time to time.

Section 1.63 "**Governmental Authority**" means any court, agency, department, authority or other instrumentality of any national, state, county, city or other political subdivision.

Section 1.64 "**Guarantor**" shall have the meaning set forth in the Preamble.

Section 1.65 "**Impact Notice**" shall have the meaning set forth in Section 5.3.1(a).

Section 1.66 "**Imported Drug License**" means an imported drug license ( ) issued by the NMPA.

Section 1.67 "**IND**" means an investigational new drug application, or equivalent application such as a Clinical Trial application filed with the applicable Regulatory Authority in a Region in the Territory, which application is required to commence Clinical Trials in the Territory.

Section 1.68 "**Indication**" means any generally acknowledged disease or condition, a significant manifestation of a disease or condition, or symptoms associated with a disease or condition, or a risk for a disease or condition for which an NDA may be obtained.

Section 1.69 "**Infringed**" or "**Infringement**" means any infringement of a Patent Right, including, without limitation, direct infringement, contributory infringement or any inducement to infringe.

Section 1.70 "**Initial Technology Transfer**" shall have the meaning set forth in Section 2.5.1 (Initial Technology Transfer).

Section 1.71 "**Initiation**" means, with respect to a Clinical Trial, the first dosing in the first patient in such Clinical Trial.

Section 1.72 "**Intellectual Property Rights**" means all Patent Rights, Know-How, copyrights, trademarks, moral rights, and any and all other intellectual property or proprietary rights in any jurisdiction.

Section 1.73 "**Inventions**" means all inventions, whether or not patentable, that are discovered, made, conceived, or conceived and reduced to practice in connection with any research, Development, Manufacturing or Commercialization activities conducted under this Agreement with respect to the Compound or any Product.

Section 1.74 [***].

Section 1.75 "**JDC**" shall have the meaning set forth in Section 4.3.1 (Formation).

Section 1.76 "**Joint IP**" shall have the meaning set forth in Section 9.1.2 (Inventions).

Section 1.77 "**Joint Patents**" shall have the meaning set forth in Section 9.1.2 (Inventions).

Section 1.78 "**JSC**" shall have the meaning set forth in Section 4.2.1 (Formation).

Section 1.79 "**Kezar**" shall have the meaning set forth in the Preamble.

Section 1.80 "**Kezar Audited Party**" shall have the meaning set forth in Section 8.4 (Audit by Everest).

Section 1.81 "**Kezar Data**" shall have the meaning set forth in Section 9.1.1 (Data).

Section 1.82 "**Kezar Foreground IP**" shall have the meaning set forth in Section 9.1.2 (Inventions).

Section 1.83 "**Kezar Indemnified Parties**" shall have the meaning set forth in Section 11.1.2 (By Everest).

Section 1.84 "**Kezar Parent**" means any Person as to which Kezar is, directly or indirectly, a subsidiary.

Section 1.85 "**Kezar Patents**" means any and all Patent Rights Controlled by Kezar or its Affiliates as of the Effective Date or during the Term that is necessary or reasonably useful for Everest to Develop, Manufacture, or Commercialize the Products in the Field in the Territory, ***provided***, that Kezar Patents shall not include Onyx Patents. Kezar Patents existing as of the Effective Date include those set forth in Exhibit B to this Agreement.

Section 1.86 "**Kezar Product Marks**" shall have the meaning set forth in Section 9.8 (Product Trademarks).

Section 1.87 "**Kezar Territory Regulatory Filings**" shall have the meaning set forth in Section 6.1 (Regulatory Activities).

Section 1.88 "**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 1.89 "**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 1.90 "**Licensed IP**" means (a) the Licensed Patents, and (b) any Know-How Controlled by Kezar or its Affiliates as of the Effective Date or during the Term that is necessary or reasonably useful for Everest to Develop, Manufacture, or Commercialize the Products in the Field in the Territory; ***provided***, that the Licensed IP shall not include Onyx Know-How. For clarity, the Licensed IP shall exclude any Patent Rights and Know-How relating solely to active pharmaceutical ingredient(s) other than the Compound.

Section 1.91 "**Licensed Patents**" means (a) the Kezar Patents; and (b) the Onyx Patents Controlled by Kezar or its Affiliates as of the Effective Date or during the Term.

Section 1.92 "**Local Trial**" means any Clinical Trial for any Product in the Field and which (a) Everest determines to conduct and is conducted by or on behalf of Everest in the Territory pursuant to the Development Plan, including all investigator-sponsored and investigator-initiated Clinical Trials for the Product in the Field in the Territory, and (b) does not include clinical sites in any country or jurisdiction outside the Territory.

Section 1.93 "**Losses**" shall have the meaning set forth in Section 11.1.1 (By Kezar).

Section 1.94 "**MAE**" shall have the meaning set forth in Section 5.3.1(a).

Section 1.95 "**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 1.96 "**Manufacture**" or "**Manufacturing**" or "**Manufactured**" means all operations involved in the manufacturing, formulation, filling and finishing, quality control testing (including in-process, release and stability testing, if applicable), storage, releasing, packaging and labeling, but excluding activities directed to Development or Commercialization.

Section 1.97 "**Manufacturing Know-How**" means all Licensed IP or Onyx Know-How necessary or reasonably useful for Everest (or the approved CMO) to Manufacture the Compound or the Product for Exploitation in the Territory.

Section 1.98 "**Marketing Approval**" means all approvals, licenses, registrations or authorizations of the Regulatory Authority in a country or Region, necessary for the Manufacture, use, storage, import, marketing and sale of a Product in such country or Region.

Section 1.99 "**Marketing Materials**" means the written, printed, electronic or graphic materials related to strategy, communications and programs associated with the marketing or promotion of the Product, including such strategy, communications, programs and any promotional and marketing materials that (a) specifically identify or describe the Product or (b) otherwise support the Product or raise awareness of the Product.

Section 1.100 "**Milestone Events**" shall have the meaning set forth in Section 3.2.1 (General).

Section 1.101 "**Milestone Payments**" shall have the meaning set forth in Section 3.2.1 (General).

Section 1.102 "**Multi-Region Trial**" means a Clinical Trial for a Product sponsored by Kezar or its Affiliate for which clinical sites are located both in and outside the Territory.

Section 1.103 "**NDA**" means a new drug application or marketing authorization application filed with the applicable Regulatory Authority in a country or Region, which application is required for Marketing Approval for a Product in the Field in such country or Region.

Section 1.104 "**Net Sales**" means, with respect to any Product, the gross sales price of such Product sold by Everest, 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 Product(s) and any other equivalent governmental charges imposed upon the importation, use or sale of Product(s) (excluding taxes when assessed on income derived from sales);

(b) credits and allowances (actually allowed or paid) for defective or returned Product(s), including allowances for spoiled, damaged, outdated, rejected, returned, withdrawn or recalled 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 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 Product;

(e) reasonable transportation charges relating to 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; and

(g) trade, cash, prompt payment and/or quantity discounts, actually allowed and taken directly by the Third Party, and mandated discounts.

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 Products are giving rise to Net Sales.

Net Sales shall also include, with respect to any 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 Product having the same dosage form and strength during the applicable reporting period in the Region where such sale or other disposal occurred when such Product is sold alone and not with other products, or if such Product is not sold alone in such Region during the applicable reporting period, then an amount equal to the average sales price during the applicable reporting period generally achieved for such 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 avoidance of doubt, sales of a Product for use in conducting Clinical Trials of such Product in a Region in order to obtain approval of a Regulatory Authority of such Product in such Region shall be excluded from Net Sales calculations for all purposes. Also, notwithstanding anything to the contrary above, (1) sales of the Products under any Early Access Program shall be royalty-bearing and included as Net Sales; and (2) subject to clause (1), sales of a Product for any compassionate use or named patient sales shall be excluded from Net Sales calculations.

Where a 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 Product in the same dosage amount or quantities in the applicable Region during the applicable quarter if sold separately, and B is the sum of the actual prices of all Combination Components with which the Product is combined, in the same dosage amount or quantities in the applicable Region during the applicable quarter if sold separately. If A or B cannot be determined because values for the Product or Combination Components with which the Product is combined are not available separately in a particular Region, then Kezar and Everest shall discuss an appropriate allocation for the fair market value of the Product and Combination Components with which the 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 Product(s) between or among Everest 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 1.105 "**NMPA**" means the National Medical Products Administration of the People's Republic of China, formally known as China Food and Drug Administration, or its successor.

Section 1.106 "**Onyx**" means Onyx Therapeutics, Inc.

Section 1.107 "**Onyx Agreement**" means certain Exclusive License Agreement, dated as of June 11, 2015, between Onyx and Kezar, as such agreement may be amended.

Section 1.108 "**Onyx Know-How**" means the Licensed Know-How, as defined under the Onyx Agreement and licensed by Onyx to Kezar under the Onyx Agreement, that relates to the Products. For clarity, the Onyx Know-How shall exclude any Patent Rights or Know-How relating solely to active pharmaceutical ingredient(s) other than the Compound.

Section 1.109 "**Onyx Patents**" means the Licensed Patents, as defined under the Onyx Agreement and licensed by Onyx to Kezar under the Onyx Agreement, that Cover the Products in the Territory. Onyx Patents existing as of the Effective Date are set forth in Exhibit B to this Agreement.

Section 1.110 "**Opening Brief**" shall have the meaning set forth in Section 14.4 (Expedited Arbitration).

Section 1.111 "**Palizade Trial**" shall have the meaning set forth in Section 5.2 (Development Plan).

Section 1.112 "**Party**" and "**Parties**" shall have the meaning set forth in the Preamble.

Section 1.113 "**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 1.114 "**Patent Term Extension**" shall have the meaning set forth in Section 9.6 (Patent Term Extensions and Filings for Regulatory Exclusivity Periods).

Section 1.115 "**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.

Section 1.116 "**Pharmacovigilance Agreement**" shall have the meaning set forth in Section 6.7 (Adverse Event Reporting).

Section 1.117 "**Phase 3 Clinical Trial**" means any human Clinical Trial that would satisfy the requirements of 21 CFR § 312.21(c) (or any amended or successor regulations) or its non-United States equivalents, ***provided*** that the Palizade Trial shall not be deemed to be a Phase 3 Clinical Trial for purposes of this Agreement.

Section 1.118 "**Phase 3 LN Trial**" shall have the meaning set forth in Section 5.2 (Development Plan).

Section 1.119 "**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 1.120 "**Product**" means any pharmaceutical product containing the Compound as the sole active ingredient or in combination with one or more other active ingredients.

Section 1.121 "**Product Marks**" shall have the meaning set forth in Section 9.8 (Product Trademarks).

Section 1.122 "**Prosecution**" shall have the meaning set forth in Section 9.2.1 (By Kezar).

Section 1.123 "**Receiving Party**" shall have the meaning set forth in Section 12.1.1 (Confidential Information).

Section 1.124 "**Region**" means each of Mainland China, Taiwan, Hong Kong, Macau, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and Philippines.

Section 1.125 "**Regulatory Authority**" means any Governmental Authority or other authority responsible for granting Marketing Approvals for the Products, including the NMPA, FDA, EMA and any corresponding national or regional regulatory authorities.

Section 1.126 "**Regulatory Exclusivity**" means, with respect to a Product, any exclusive marketing rights or data exclusivity rights conferred by the applicable Regulatory Authority with respect to such Product other than a Patent Right.

Section 1.127 "**Regulatory Filings**" means any and all applications, filings, submissions, approvals, licenses, registrations, permits, notifications and authorizations (or waivers) with respect to the testing, Development, Manufacture or Commercialization of the Compound or any Product made to or received from any Regulatory Authority in a given country or Region in or outside the Territory, including any INDs and NDAs.

Section 1.128 "**Reimbursement Obligation**" shall have the meaning set forth in Section 2.7 (Upstream Licenses).

Section 1.129 "**Remedial Action**" shall have the meaning set forth in Section 6.8 (Remedial Actions).

Section 1.130 "**Replacement Site**" shall have the meaning set forth in Section 5.9 (Clinical Trial Audit).

Section 1.131 "**Response Brief**" shall have the meaning set forth in Section 14.4 (Expedited Arbitration).

Section 1.132 "**Royalty Term**" shall have the meaning set forth in Section 3.3.1 (Royalty Rate; Royalty Term).

Section 1.133 "**Sales Milestone Event**" shall have the meaning set forth in Section 3.2.3 (Sales Milestone Payments).

Section 1.134 "**Selling Party**" shall have the meaning set forth in Section 1.104 (Net Sales).

Section 1.135 "**Subcommittee**" shall have the meaning set forth in Section 4.4 (Subcommittees).

Section 1.136 "**Sublicensee(s)**" means any Third Party to which a Party has granted a sublicense under this Agreement.

Section 1.137 "**Supply Agreements**" means the Clinical Supply Agreement and the Commercial Supply Agreement.

Section 1.138 "**Term**" shall have the meaning set forth in Section 13.1 (Term).

Section 1.139 "**Territory**" means Greater China (Mainland China, Taiwan, Hong Kong and Macau, and each shall be deemed a "Region" for the purposes of this Agreement), South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and Philippines.

Section 1.140 "**Territory Development Requirements**" shall have the meaning set forth in Section 5.4 (Territory Development Requirements).

Section 1.141 "**Third Party**" means a Person other than (a) Kezar or any of its Affiliates and (b) Everest or any of its Affiliates.

Section 1.142 "**Upfront Payment**" shall have the meaning set forth in Section 3.1 (Upfront Payment).

Section 1.143 "**Upstream License**" means any and all agreements between Kezar, or any of its Affiliates, on the one hand, and any Third Party (the "**Upstream Licensors**"), on the other hand, pursuant to which Kezar has in licensed any Patent Rights or Know-How Controlled by such Third Party that are included as part of the Licensed IP; ***provided***, for clarity, that the term Upstream License will not include any off-the-shelf license agreements that are not necessary for the Exploitation of the Product(s). Schedule 1.143 sets forth a list of all material Upstream Licenses as of the Effective Date.

Section 1.144 "**Upstream Licensor**" shall have the meaning set forth in Section 1.143 (Upstream License).

Section 1.145 "**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; ***further provided***, that [***] solely with respect to [***].

ARTICLE 2

LICENSE GRANT

Section 2.1 Grant . Subject to the terms and conditions of this Agreement, Kezar hereby grants to Everest (a) an exclusive (even as to Kezar and its Affiliates, subject to Kezar's retained rights set forth below), royalty-bearing, sublicensable (but subject to, and only in accordance with, Section 2.2 (Sublicenses)), license under the Licensed IP, and (b) a non-exclusive, royalty-bearing, sublicensable (but subject to, and only in accordance with, Section 2.2 (Sublicenses)) license under the Onyx Know-How, in each case (a) or (b), to Exploit Product(s) in the Field in the Territory during the Term. Notwithstanding the foregoing, the Onyx Know-How shall be sublicensable only in connection with the rights of Everest with respect to Products and not with respect to any other products or services.

Section 2.2 Sublicenses . The licenses granted under Section 2.1 (Grant) may be sublicensed (with the right to sublicense through multiple tiers), in full or in part, by Everest by a written agreement to its Affiliates (with prior written notice to Kezar) or by a written agreement to Third Parties (with the prior written consent of Kezar, not to be unreasonably withheld, conditioned, or delayed), ***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) Everest will continue to be responsible for full

performance of Everest's obligations under this Agreement and will be responsible for all actions of such Affiliate or Sublicensee as if such Affiliate or Sublicensee were Everest hereunder. Within [***] after execution, Everest shall provide Kezar with a full and complete copy of each agreement granting a sublicense under the license granted in Section 2.1 (Grant) to any Third Party and any amendment thereto, ***provided*** that Everest may redact any portion of such copy to the extent not necessary for Kezar to verify that such sublicense complies with the applicable terms of this Agreement.

Section 2.3 Retained Rights; No Other Rights. Everest 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 Kezar to Everest. All rights that are not specifically granted herein are reserved to Kezar. Without limiting the foregoing, Everest hereby acknowledges that Kezar retains all rights under the Licensed IP and the Onyx Know-How to (a) research, Develop, Manufacture and Commercialize the Products outside the Territory, (b) research, Develop (as part of Multi-Region Trials per Section 5.3 (Multi-Region Trials) below) and Manufacture the Products in the Territory solely in furtherance of the Exploitation of the Products outside the Territory, and (c) to perform its obligations under this Agreement.

Section 2.4 Limited Exploitation Rights. Without limiting the provisions of Section 2.3 (Retained Rights; No Other Rights), Everest 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 Onyx Know-How or Licensed IP for any products other than Products.

Section 2.5 Technology Transfer.

2.5.1 ***Initial Technology Transfer***. At no additional cost to Everest, Kezar will transfer to Everest copies of the tangible embodiments of the Know-How (other than Manufacturing Know-How) included within the Licensed IP and the Onyx Know-How that exists as of the Effective Date (the "**Initial Technology Transfer**"). Notwithstanding the foregoing, prior to Kezar's receipt of the Upfront Payment, the Initial Technology Transfer described in this Section 2.5.1 (Initial Technology Transfer) shall be limited to Know-How necessary to enable Everest to prepare to conduct clinical Development activities in the Territory in accordance with the initial Development Plan. Within [***], Kezar shall complete the Initial Technology Transfer. For clarity, Kezar shall have no obligation to transfer any Manufacturing Know-How except as specified in and in accordance with Section 8.3 (Manufacturing Technology Transfer).

2.5.2 ***Continuing Technology Transfer***. Throughout the Term of this Agreement following the completion of the Initial Technology Transfer, Kezar shall subject to the following sentence, promptly transfer to Everest copies of the tangible embodiments of any Know-How (other than Manufacturing Know-How) included within the Licensed IP and the Onyx Know-How that comes into Kezar or its Affiliates' Control and that was not previously transferred to Everest (the "**Continuing Technology Transfer**") to enable Everest to exercise its rights under this Agreement. Subject to Section 2.5.5 (By Kezar), unless otherwise agreed by the Parties, Kezar shall complete each Continuing Technology Transfer no more frequently than twice per Calendar Year.

2.5.3 ***Technical Assistance***. In relation to Section 2.5.1 (Initial Technology Transfer) and Section 2.5.2 (Continuing Technology Transfer), Kezar will, at Everest's request and at no additional costs to Everest, provide Everest with reasonably necessary technical assistance to enable Everest to objectively understand and use the Know-How included within the Licensed IP and the Onyx Know-How, including providing reasonable access to Kezar personnel involved in the Development of such Compound and Product. Unless agreed by Kezar, all such access to Kezar personnel shall be provided by teleconference or videoconference.

2.5.4 ***By Everest***. Everest shall promptly provide to Kezar all Data resulting from the Exploitation of the Products in the Territory that are Controlled by Everest and reasonably necessary or useful for global Exploitation of the Products. Kezar and its Affiliates and licensees will have the exclusive right to receive and use such Data for Exploitation of the Products outside the Territory.

2.5.5 ***By Kezar***. Subject to Section 5.3.5 (Data Usage) and Section 8.3 (Manufacturing Technology Transfer) and notwithstanding the second sentence of Section 2.5.2 (Continuing Technology Transfer), Kezar shall promptly provide to Everest all Data resulting from the Exploitation of the Products that are Controlled by Kezar and reasonably necessary or useful for the Exploitation of the Products in the Territory. Everest and its Affiliates and Sublicensees will have the exclusive right (subject to Kezar's retained rights set forth in Section 2.3 (Retained Rights; No Other Rights)) to receive and use such Data for the Exploitation of the Products in the Field and in the Territory. In addition, at Everest's reasonable request, Kezar will promptly provide documents and other information Controlled by Kezar and within Kezar's possession that are required to be included in Regulatory Filings for the Products in the Field and in the Territory.

Section 2.6 Distracting Activities. Following the Effective Date and at all times during the Term, Everest 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 2.6 (Distracting Activities) shall not apply to [***], ***provided, however***, that [***], and [***].

Section 2.7 Upstream Licenses. Everest acknowledges and agrees that (a) (i) certain of the Know-How and Patent Rights to be licensed by Kezar to Everest under this Agreement is in-licensed by Kezar from Onyx under the Onyx Agreement, and (ii) the licenses and rights to be granted by Kezar to Everest under this Agreement are subject to and in accordance with the terms of the Onyx Agreement, (b) (i) Kezar may enter into additional in-license agreements after the Effective Date, and the Know-How, materials, Patent Rights, or other Intellectual Property Rights licensed by Kezar under such agreement may be included within the Licensed IP if Everest agrees in writing to reimburse Kezar for royalties or other consideration for the Exploitation of a Product in the Territory in connection with a grant to Kezar of such Know-How, materials, Patent Rights, or other Intellectual Property Rights (the "**Reimbursement Obligation**"), and (ii) if such Know-How, materials, Patent Rights, or other Intellectual Property Rights are included within the Licensed IP, then the licenses and rights to be granted by Kezar to Everest under this Agreement shall be subject to and in accordance with the terms of the corresponding Upstream Licenses, (c)

Everest shall comply with the terms of the Upstream Licenses to the extent applicable to Everest as a sublicensee and relevant to the licenses and rights granted by Kezar to Everest under this Agreement. In the event of any conflict between the terms of this Agreement and the Onyx Agreement, the terms of the Onyx Agreement shall control to the extent necessary for the Parties to maintain compliance with the Onyx Agreement. Everest shall comply with the Reimbursement Obligation by paying to Kezar any amounts subject to the Reimbursement Obligation at least three (3) Business Days prior to the date when such amounts are payable by Kezar to the Upstream Licensor under the applicable Upstream License.

Section 2.8 Non-Compete.

2.8.1 ***General.*** For a period of [***] from the Effective Date, each Party will not (and each Party will ensure that its Affiliates do not) directly or indirectly, anywhere in the Territory: (a) alone or with or for any Third Party, Develop (including clinical development but excluding non-clinical research), Manufacture or Commercialize any Competing Product, other than in performance of activities with respect to the Product under this Agreement; (b) grant a license, sublicense, option or other rights to any Third Party to conduct any of the activities in the foregoing clause (a), other than in performance of activities with respect to the Product under this Agreement; or (c) transfer, assign, convey or otherwise sell any Competing Product (other than a Product) or any rights in any Competing Product (other than a Product) or grant an option to do any of the foregoing.

2.8.2 ***Exceptions.*** Notwithstanding Section 2.8.1 (General), each Party shall have the right to Develop, Manufacture, Commercialize or otherwise Exploit any Complementary Product. Further, Section 2.8.1 (General) shall not apply to any research activities undertaken by or on behalf of a Party or its Affiliate solely to the extent necessary to ensure its compliance with Section 2.8.1 (General).

2.8.3 ***Kezar's Change of Control.*** Section 2.8.1 (General) shall immediately cease to apply to Kezar or its Affiliates (for clarity, including the Kezar Parent and any entities that become Affiliates of Kezar or Kezar Parent following such Change of Control) upon the Change of Control of Kezar or the Kezar Parent.

2.8.4 ***Everest's Change of Control.*** For clarity, Section 2.8.1 (General) shall continue to apply to Everest and its Affiliates (for clarity, including the Everest Parent and any entities that become Affiliates of Everest or Everest Parent following such Change of Control) upon and following the Change of Control of Everest or the Everest Parent. Notwithstanding the foregoing:

(a) In the event that Everest, Everest Parent, or any of its Affiliates undergoes a Change of Control with a Third Party (an "**Acquirer**") during the Term of this Agreement, the restrictions set forth in Section 2.8.1 (General) will not apply to (x) any activities that would otherwise constitute a breach of Section 2.8.1 (General) (collectively, "**Competing Activities**"), being performed by the Acquirer or its Affiliates prior to the closing of the applicable Change of Control transaction, or (y) any Competing Activities undertaken by an Acquirer or its Affiliates (other than Everest and its

Affiliates existing prior to the applicable Change of Control transaction) upon or after the closing of the Change of Control transaction, in each case of (x) and (y) as long as (i) no Intellectual Property Rights or Data licensed under or generated from activities performed under this Agreement or Confidential Information of Kezar and its Affiliates is used by or on behalf of Everest or Acquirer, as applicable, or their respective Affiliates in connection with any subsequent Competing Activities, and (ii) Everest or Acquirer, as applicable, or their respective Affiliates institutes commercially reasonable safeguards to ensure the requirements set forth in the foregoing clause (i) are met, including by creating "firewalls" between the personnel working on such Competing Activities and the personnel working on the Compounds and Products or having access to any Intellectual Property Rights or Data licensed under or generated from activities performed under this Agreement or Confidential Information of Kezar and its Affiliates.

(b) In the event that that Everest or any of its Affiliates merges or consolidates with, or otherwise acquires a Third Party (whether such transaction occurs by way of a sale of assets, merger, consolidation or similar transactions) (a "**Everest Acquired Party**"), that is performing any Competing Activities at the closing of such transaction, then Everest shall not be in breach of the terms of Section 2.8.1 (General), ***provided*** that (x) within [***] of the closing of the corresponding transaction, Everest, the Everest Acquired Party, or their respective Affiliates has (i) divested, or caused their respective Affiliate to have divested, whether by license or otherwise, in full its interest in the corresponding Competing Products, or (ii) terminated in full the corresponding performance of any Competing Activities with respect to the corresponding Competing Products, and provide Kezar with written confirmation of such divestment or termination, and (y) prior to such divestiture or termination, (i) no Intellectual Property Rights or Data licensed under or generated from activities performed under this Agreement or Confidential Information of Kezar and its Affiliates is used by or on behalf of Everest, Everest Acquired Party or any Third Party acquirer of the program for the Competing Activities, as applicable, or their respective Affiliates in connection with any Competing Activities, and (ii) Everest or Everest Acquired Party, as applicable, or their respective Affiliates institutes commercially reasonable safeguards to ensure the requirements set forth in the foregoing clause (i) are met, including by creating "firewalls" between the personnel working on such Competing Activities and the personnel working on the Compounds and Products or having access to any Intellectual Property Rights or Data licensed under or generated from activities performed under this Agreement or Confidential Information of Kezar and its Affiliates.

ARTICLE 3

FEES, ROYALTIES & PAYMENTS

Section 3.1 Upfront Payment . In partial consideration of the licenses and rights granted by Kezar to Everest hereunder, Everest shall pay to Kezar a one-time, irrevocable, non-refundable, non-creditable amount of seven million U.S. Dollars ($7,000,000) (the "**Upfront Payment**") within [***] of the Effective Date.

Section 3.2 Milestone Payment.

3.2.1 ***General***. Everest shall pay to Kezar certain milestone payments ("**Milestone Payments**") following the first occurrence of certain milestone events, as set forth in this Section 3.2 (Milestone Payment) (the "**Milestone Events**").

3.2.2 ***Development Milestone Payments***. Following the first achievement of each Milestone Event below (whether by Everest or any of its Affiliates or Sublicensees) (each, a "**Development Milestone Event**"), Everest shall pay to Kezar the non-refundable, non-creditable Milestone Payment corresponding to such Development Milestone Event as shown below in accordance with Section 3.4.1 (Milestone Payments) below, subject to the remainder of this Section 3.2.2 (Development Milestone Payments):

#	Development Milestone Event	Milestone Payment
	[***]	
1	[***]	[***]
2	[***]	[***]
3	[***]	[***]
	[***]	
4	[***]	[***]
5	[***]	[***]
6	[***]	[***]
	[***]	[***]

(a) Within [***] following the first achievement of each Development Milestone Event (whether by Everest or any of its Affiliates or Sublicensees), Everest shall notify Kezar of such achievement in writing.

(b) For clarity, (1) each Milestone Payment is payable only once, (2) no Milestone Payment shall be payable for subsequent or repeated achievements of such Development Milestone Event with respect to one or more of the same or different Products.

(c) [***]

(d) In the event that a later Development Milestone Event for a particular Product and a particular Indication is achieved but achievement of a corresponding prior listed Development Milestone Event for such Product and such same Indication has not occurred, then all such unachieved prior listed Development Milestone Events shall be deemed to have been achieved, and the corresponding Milestone Payments shall be due and payable, at the same time as the Milestone Payment for such later Development Milestone Event.

3.2.3 ***Sales Milestone Payments***. During the Term, following the first occurrence of aggregate Net Sales in the Territory of all Products in any Calendar Year first reach any threshold set forth in the table below (each, a "**Sales Milestone Event**"), Everest shall pay to Kezar the corresponding non-refundable, non-creditable Milestone Payment set forth below in accordance with Section 3.4.1 (Milestone Payments). Everest will notify Kezar promptly, but no later than forty-five (45) days, after the end of the Calendar Quarter during which a Sales Milestone Event is achieved.

Sales Milestone Events	Milestone Payments
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

(a) The Milestone Payments in Section 3.2.3 (Sales Milestone Payments) are payable one time only, and shall be additive such that if multiple Sales Milestone Events are achieved in the same Calendar Year, then the Milestone Payments for all such Sales Milestone Events shall be payable with respect to such same Calendar Year.

(b) The maximum total amount payable under Section 3.2.3 (Sales Milestone Payments) is [***].

Section 3.3 Royalties.

3.3.1 ***Royalty Rate; Royalty Term***. Everest shall pay to Kezar the tiered royalties set forth in Section 3.3.2 (Royalty Tiers) on annual Net Sales of all Products sold by a Selling

Party during a Calendar Year. Royalties will be payable on a quarterly basis and any such payments shall be made within [***] after the end of the Calendar Quarter during which the applicable Net Sales occurred. All royalty payments shall be non-refundable and non-creditable. Everest's obligation to pay royalties with respect to a Product in a particular Region shall commence upon the First Commercial Sale of such Product in such Region and shall expire on a Region-by-Region and Product-by-Product basis on the later of (a) the expiration date of the last-to-expire Valid Claim in a Licensed Patent that Covers the Product in such Region, (b) the loss of Regulatory Exclusivity for the Product in such Region, or (c) the tenth (10th) anniversary of the First Commercial Sale of the Product in such Region (the "**Royalty Term**").

3.3.2 ***Royalty Tiers***. The royalty rates payable under Section 3.3.1 (Royalty Rate; Royalty Term) shall be calculated as follows:

(a) [***] on the portion of annual Net Sales for all Products in the Territory during a Calendar Year below [***];

(b) [***] on the portion of annual Net Sales for all Products in the Territory during a Calendar Year equal to or above [***] and below [***];

(c) [***] on the portion of annual Net Sales for all Products in the Territory during a Calendar Year equal to or above [***] and below [***];

(d) [***] on the portion of annual Net Sales for all Products in the Territory during a Calendar Year equal to or above [***] and below [***]; and

(e) [***] on the portion of annual Net Sales for all Products in the Territory during a Calendar Year above [***].

For the avoidance of doubt, if a Product is Covered by more than one Licensed Patent, the above royalty shall be paid only once.

3.3.3 ***No Valid Claim***. On a Region-by-Region and Product-by-Product basis, in the event that the Exploitation of a Product is not Covered by a Valid Claim of a Licensed Patent in such Region, then the royalty rate set forth in Section 3.3.2 (Royalty Tiers) with respect to Net Sales for such Product in such Region shall be reduced by [***], effective as of the date such Product is no longer Covered by a Valid Claim of a Licensed Patent in such Region.

3.3.4 ***Third-Party Intellectual Property***. In the event that a Third Party Controls intellectual property relating to a Product that is necessary for the Exploitation of such Product in the Field in a Region, then Everest 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 Everest actually pays to such Third Party for the Exploitation of such Product in a Region during a Calendar Quarter may be credited against royalties otherwise payable by Everest to Kezar under Section 3.3.1 (Royalty Rate; Royalty Term) for such Product in such Region in such Calendar Quarter. In addition, other than in relation to the Onyx Agreement, [***] of the amount that Everest actually reimburses Kezar with respect to its Reimbursement Obligation may be credited against royalties otherwise payable by Everest to Kezar under Section 3.3.1 (Royalty Rate; Royalty Term).

For clarity, no credit against royalties shall be available under this Section 3.3.4 (Third-Party Intellectual Property) with respect to any Patent Rights Covering a method of Manufacturing or Combination Therapy in Mainland China.

3.3.5 ***Generic Entry***. On a Region-by-Region and Product-by-Product basis, in the event that (a) one or more Generic Product(s) with respect to a particular Product are sold in a Region in the Territory in any Calendar Quarter during the Royalty Term for such Product and Region, and (b) [***], then during such Calendar Quarter and for the remainder of the applicable Royalty Term, the royalty rate set forth in Section 3.3.2 (Royalty Tiers) with respect to Net Sales for such Product in such Region shall be [***].

3.3.6 ***Maximum Reduction***. Notwithstanding anything to the contrary, the maximum aggregate reduction in the royalties otherwise payable by Everest to Kezar under Section 3.3.1 (Royalty Rate; Royalty Term) with respect to any Product in any Region during a given Calendar Quarter during the applicable Royalty Term pursuant to Section 3.3.3 (No Valid Claim), Section 3.3.4 (Third-Party Intellectual Property), or Section 3.3.5 (Generic Entry) shall be no more than [***].

3.3.7 ***Upstream Royalties***. Kezar shall be solely responsible for the payment of royalties and other payments owed by Kezar to (a) Onyx under the Onyx Agreement, subject to Everest's obligation to pay royalties as set forth in the following sentence, and (b) any other payments to any other Upstream Licensor under any applicable Upstream License that is sublicensed to Everest under the terms of this Agreement, subject to Everest's Reimbursement Obligation under Section 2.7 (Upstream Licenses). Notwithstanding anything to the contrary, if there is a conflict in the royalty terms in this Agreement and the royalty terms in the Onyx Agreement which apply to the Net Sales of a Product in a Region in the Territory and such conflict results in the royalties payable by Everest to Kezar in any Calendar Quarter being less than the royalties payable by Kezar to Onyx under Section 3.2 of the Onyx Agreement in such Calendar Quarter on account of the Net Sales of such Product in such Region, Everest shall pay Kezar the amounts necessary to cover such difference in royalties within [***] of receiving an invoice therefore from Kezar.

3.3.8 ***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 Kezar. Everest 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 3.4 Method of Payment. Unless otherwise agreed by the Parties, all payments due from Everest to Kezar under this Agreement shall be paid in U.S. Dollars by wire transfer or electronic funds transfer of immediately available funds to a bank and account designated in writing by Kezar, unless otherwise specified in writing by Kezar. All Milestone Payments and royalty payments shall be paid as set forth below:

3.4.1 ***Milestone Payments***. After receipt of a notice for the applicable Development Milestone Event or Sales Milestone Event from Everest, Kezar will invoice Everest the total amount of the corresponding Milestone Payment set forth in Section 3.2.2 (Development Milestone Payments) or Section 3.2.3 (Sales Milestone Payments). Everest will pay the invoiced amount of such Milestone Payment to Kezar within [***] of Everest's receipt of such invoice from Kezar, except that upon Everest's achievement of the first Development Milestone Event (Initiation of the first Phase 3 Clinical Trial of a Product in Mainland China for a first Indication) set forth in Section 3.2.2 (Development Milestone Payments), if such achievement is the first Initiation of the first Phase 3 Clinical Trial of a Product anywhere in the world, Everest will pay the amount of the corresponding Milestone Payment to Kezar within [***] of such achievement; ***provided,*** that Kezar's failure to issue an invoice, or Everest's failure to receive an invoice, for any such Milestone Payment shall waive neither Kezar's right to such payment nor Everest's obligation to make such payment within the applicable time period.

3.4.2 ***Royalty Reports and Payment of Royalties***. After the First Commercial Sale of the first Product and until expiration of the last Royalty Term, Everest shall prepare and deliver to Kezar royalty reports of the sale of Products by the Selling Parties for each Calendar Quarter within [***] of the end of each such Calendar Quarter specifying on a Product-by-Product and Region-by-Region basis: (a) total gross amounts for each Product sold or otherwise disposed of by a Selling Party; (b) amounts deducted by category in accordance with Section 1.104 (Net Sales) from gross amounts to calculate Net Sales; (c) Net Sales; and (d) royalties payable. Following Kezar's receipt of the applicable quarterly royalty report, Kezar will invoice Everest the total amount of royalties set forth in such royalty report as being due to Kezar with respect to such Calendar Quarter; ***provided,*** that Kezar's failure to issue an invoice, or Everest's failure to receive an invoice, shall waive neither Kezar's right to such payment nor Everest's obligation to make such payment within the applicable time period. Within forty (40) days after the end of each Calendar Quarter, Everest will pay the royalties that were achieved during such Calendar Quarter.

Section 3.5 Currency Conversion . 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 Region 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 Everest or the other applicable Selling Party, to the extent reasonable and consistently applied; ***provided, however,*** that if, at such time, Everest 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 Everest 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). Everest will (a) inform Kezar as to the specific exchange rate translation methodology used for a particular Region or countries and (b) cause any other Selling Party to comply with the terms of this Section 3.5 (Currency Conversion).

Section 3.6 Late Payments. In the event that any payment due hereunder is not made when due, the payment shall accrue 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, if a Party is so entitled based on delinquency of any payment, termination of this Agreement as set forth in Article 13 (Term & Termination).

Section 3.7 Records and Audits . Everest 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. Kezar 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 Everest's prior written consent (which shall not be unreasonably withheld, conditioned or delayed), review any such records of Everest and its Affiliates and Sublicensees (the "**Everest Audited Party**") in the location(s) where such records are maintained by the Everest Audited Party upon reasonable written notice (which shall be no less than [***] 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 3.3 (Royalties) within the [***] period preceding the date of the request for review. No records will be subject to audit under this Section 3.7 (Records and Audits) more than once. Everest will receive a copy of each such report concurrently with receipt by Kezar. Should such inspection lead to the discovery of a discrepancy to Kezar's detriment, Everest will, within [***] 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 3.6 (Late Payments). Kezar will pay the full cost of the review unless the underpayment of amounts due to Kezar is greater than [***] of the amount due for the entire period being examined, in which case Everest will pay the cost charged by such accounting firm for such review. Should the audit lead to the discovery of a discrepancy to Everest's detriment, then notwithstanding any other provision of this Agreement, Everest may credit the amount of the discrepancy, without interest, against future payments payable to Kezar under this Agreement, and if there are no such payments payable, then Kezar shall pay to Everest the amount of the discrepancy, without interest, within [***] of Kezar's receipt of the report.

Section 3.8 Taxes.

3.8.1 ***Income Taxes***. Each Party shall be solely responsible for the payment of all taxes imposed on its share of income arising from the activities of such Party under this Agreement.

3.8.2 [***].

3.8.3 ***Withholding Taxes***. In the event that any Law requires Everest to withhold taxes with respect to any Milestone Payments for the achievement of Sales Milestone Events or royalties to be made by Everest pursuant to this Agreement, Everest will notify Kezar of such withholding requirement prior to making the payment to Kezar and provide such assistance to Kezar, including the provision of such standard documentation as may be required by a tax authority, as may be reasonably necessary in Kezar's efforts to claim an exemption from or

reduction of such taxes. Everest will, in accordance with such Law withhold taxes from the amount due, remit such taxes to the appropriate tax authority, deduct such amounts from the applicable payment to Kezar, and furnish Kezar with proof of payment of such taxes within [***] following the payment. If taxes are paid to a tax authority, Everest shall provide reasonable assistance to Kezar to obtain a refund of taxes withheld or obtain a credit with respect to taxes paid.

ARTICLE 4

GOVERNANCE

Section 4.1 Alliance Managers. Within thirty (30) days following the Effective Date, each Party shall appoint (and notify the other Party of the identity of) a representative having the appropriate qualifications (including a general understanding of pharmaceutical Development and Commercialization issues) to act as its alliance manager regarding Development, Manufacture and Commercialization of the Products in the Territory under this Agreement (the "**Alliance Manager**"). The Alliance Managers shall serve as the primary contact points between the Parties regarding the Product Development, Manufacture and Commercialization activities in the Territory contemplated under this Agreement. Each Party may replace its Alliance Manager by written notice to the other Party.

Section 4.2 Joint Steering Committee.

4.2.1 ***Formation***. Within thirty (30) days after the Effective Date, the Parties shall establish a joint steering committee (the "**JSC**") to cooperate, coordinate, integrate and monitor the Exploitation of the Products in the Field in the Territory under this Agreement. Each Party shall appoint three (3) representatives (or such other equal number of representatives as agreed by the Parties in writing) to the JSC, each of whom shall be an officer or employee of the applicable Party having sufficient seniority within such Party to make decisions arising within the scope of the JSC's responsibilities. Each Party may replace its JSC representatives upon written notice to the other Party. Upon the JSC's establishment, a representative from Everest shall act as the chairperson of the JSC. Once a year, the role of chairperson shall rotate between the Parties. The chairperson shall not have any greater authority than any other representative of the JSC.

4.2.2 ***Role***. The JSC shall:

(a) provide a forum for the discussion of the Parties' activities under this Agreement, including the Development, Manufacture and Commercialization of the Products in the Field in the Territory by and on behalf of Everest and its Affiliates and Sublicensees;

(b) review and discuss the overall strategy for the Development, Manufacture and Commercialization of the Product in the Field in the Territory;

(c) review and discuss the enrollment strategy for the Palizade Trial in the Territory, including medical affairs activities, investigator outreach and site visitation by Everest and Kezar;

(d) oversee the activities of the JDC, and resolve any matter as to which the JDC has authority but cannot reach agreement;

(e) approve the Development Plan and amendments thereto;

(f) discuss Indications for which Everest may conduct research with respect to any Product in the Territory;

(g) review and discuss the Commercialization Plan and amendments thereto;

(h) provide a forum for the Parties to exchange information relating to the Development, Manufacturing and Commercialization of the Products outside the Territory to the extent relevant to the Development, Manufacturing and Commercialization of the Products in the Territory, ***provided,*** that (i) the JSC will have no authority over such activities outside the Territory, and (ii) Kezar shall have no obligation to provide any information that is not within Kezar's possession or Control;

(i) collaborate in good faith to develop the Manufacturing process in connection with any Compound or Product, to identify certain technical Manufacturing process improvements and efficiencies and to share Data necessary for Regulatory Filings in connection therewith;

(j) establish subcommittees as necessary or advisable to further the purpose of this Agreement; and

(k) perform such other functions as expressly set forth in this Agreement or allocated to it by the Parties' written agreement.

4.2.3 ***Meetings***. The JSC shall hold meetings at such times as it elects to do so, but at least four times per Calendar Year (other than the Calendar Year during which the Effective Date occurs). If needed, the Alliance Manager may request and schedule an ad hoc JSC meeting at any time upon two (2) weeks' notice to the other Party, subject to the reasonable availability of the JSC members. Meetings of the JSC may be held in person, by audio or video teleconference. Each Party shall be responsible for such Party's expenses of participating in the JSC meetings. No action taken at any JSC meeting shall be effective unless at least one (1) representative of each Party are participating in such JSC meeting.

4.2.4 ***Non-Member Attendance***. Each Party may from time to time invite a reasonable number of participants relevant to items on the issued agenda, in addition to its representatives, to attend the JSC meetings in a non-voting capacity; ***provided,*** that if either Party intends to have any Third Party (including any consultant) attend such a meeting, such Party shall provide prior written notice to the other Party. Such Party shall also ensure that such Third Party is bound by confidentiality and non-use obligations consistent with the terms of this Agreement.

4.2.5 ***Decision-Making***. All decisions of the JSC shall be made by unanimous vote, with Kezar's representatives collectively having one (1) vote and Everest's representatives collectively having one (1) vote. If after reasonable discussion and good faith consideration of

each Party's view on a particular matter before the JSC, the JSC cannot reach a decision as to such matter within ten (10) Business Days after such matter was brought to the JSC for resolution, such matter shall be referred to the Executive Officers for resolution, who shall use good faith efforts to resolve such matter within thirty (30) days after it is referred to them. If the Executive Officers are unable to reach consensus on any such matter during such period, then Kezar shall have the final decision-making authority with respect to [***], while Everest shall have the final decision-making authority with respect to [***].

4.2.6 ***Limitation of Authority***. The JSC shall only have the powers expressly assigned to it in this Article 4 (Governance) and elsewhere in this Agreement and shall not have the authority to: (a) modify or amend the terms and conditions of this Agreement; (b) waive either Party's compliance with the terms and conditions of this Agreement; (c) determine any such issue in a manner that would conflict with the express terms and conditions of this Agreement; (d) make any decisions related to, or determine, approve or oversee the initiation, suspension, cessation, conduct, strategy, implementation of or other matters related to, any Multi-Region Trial; (e) oversee, direct or have decision-making authority with respect to the Development, Manufacturing and Commercialization of the Compound or Products outside the Territory; or (f) impose any other obligations on either Party without the prior written consent of such Party.

Section 4.3 Joint Development Committee.

4.3.1 ***Formation***. The Parties shall establish a subcommittee to review and oversee the Development of the Product(s) in the Territory and to coordinate the Parties' activities under this Agreement with respect to the Development of such Product(s) (the "**JDC**") within thirty (30) days after the Effective Date. Each Party shall appoint three (3) representatives (or such other equal number of representatives as agreed by the Parties in writing) to the JDC, each of which shall have sufficient seniority and relevant expertise to make decisions within the scope of the JDC's responsibilities. The initial JSC and initial JDC will be composed of the same members. The JDC may change its size from time to time by mutual consent of the Parties; ***provided,*** that the JDC shall consist at all times of an equal number of representatives of each Party. Each Party may at any time replace any one or more of its JDC representatives upon written notice to the other Party. A member of the JDC may also be a member of the JSC or any other subcommittee established by the JSC if so desired by the Party who appoints such member.

4.3.2 ***Role***. The JDC shall (a) provide a forum for the discussion of the Parties' Product Development activities under this Agreement and status of Regulatory Filings and Marketing Approvals in the Territory; (b) review and discuss the Development Plan and amendments thereto, and recommend to the JSC for approval; (c) report safety issues of the Products to Regulatory Authorities; (d) review Data generated from the Clinical Trials of the Products in the Territory; and (e) perform such other functions as expressly set forth in this Agreement or allocated to it by the Parties' written agreement.

4.3.3 ***Meetings***. The JDC shall hold meetings at such times as it elects to do so, but in no event shall such meetings be held less frequently than four times a year until the date when Everest first receives a Marketing Approval for the Product in Mainland China. Meetings of the JDC may be held in person, by audio or video teleconference. Each Party shall be responsible for such Party's expenses of participating in the JDC meetings. No action taken at any JDC meeting

shall be effective unless at least one (1) representative of each Party are participating in such JDC meeting.

4.3.4 Non-Member Attendance . Each Party may from time to time invite a reasonable number of participants relevant to items on the issued agenda, in addition to its representatives, to attend the JDC meetings in a non-voting capacity; ***provided,*** that if either Party intends to have any Third Party (including any consultant) attend such a meeting, such Party shall provide prior written notice to the other Party. Such Party shall also ensure that such Third Party is bound by confidentiality and non-use obligations consistent with the terms of this Agreement.

4.3.5 *Decision-Making*. All decisions of the JDC shall be made by unanimous vote, with Kezar's representatives collectively having one (1) vote and Everest's representatives collectively having one (1) vote. If after reasonable discussion and good faith consideration of each Party's view on a particular matter before the JDC, the JDC cannot reach a decision as to such matter within thirty (30) days after such matter was brought to the JDC for resolution, such matter shall be referred to the JSC for resolution in accordance with Section 4.2.5 (Decision-Making).

4.3.6 *Limitation of Authority*. The JDC shall only have the powers expressly assigned to it in this Article 4 (Governance) and elsewhere in this Agreement and shall not have the authority to: (a) modify or amend the terms and conditions of this Agreement; (b) waive either Party's compliance with the terms and conditions of this Agreement; (c) determine any such issue in a manner that would conflict with the express terms and conditions of this Agreement; (d) make any decisions related to, or determine, approve or oversee the initiation, suspension, cessation, conduct, strategy, implementation of or other matters related to, any Multi-Region Trial; or (e) impose any other obligations on either Party without the prior written consent of such Party.

Section 4.4 Subcommittees From time to time, the JSC may establish and delegate duties, including any responsibilities of the JSC set forth in Section 4.2.2 (Role), to operational subcommittees (each, a "**Subcommittee**") on an "as-needed" basis to oversee particular projects or activities, which delegations will be reflected in the minutes of the meetings of the JSC. Each Subcommittee will have equal representation from each Party and decision making will be by consensus, with each Party's representatives on the applicable Subcommittee collectively having one vote on all matters brought before the Subcommittee. Each Subcommittee and its activities will be subject to the direction, review, and approval of, and, unless otherwise determined by the JSC, will report to, the JSC. For each Subcommittee, Everest will designate one of its Subcommittee members to serve as the chairperson of such Subcommittee. The chairperson or his or her designee, in collaboration with the Alliance Managers, will be responsible for calling meetings, preparing and circulating an agenda in advance of each meeting, and preparing and issuing minutes of each meeting within 30 days thereafter. Such minutes will not be finalized until all Subcommittee members have had an adequate opportunity to review and confirm the accuracy of such minutes. Each Party may replace its representatives on each such Subcommittee at any time upon written notice to the other Party. Each Subcommittee and its activities will be subject to the oversight of, and will report to, the JSC. Any disagreement between the representatives of the Parties on a Subcommittee will be referred to the JSC for resolution in accordance with Section 4.2.5 (Decision-Making).

ARTICLE 5

DEVELOPMENT

Section 5.1 Responsibility Everest shall be primarily responsible for, and shall use Commercially Reasonable Efforts to conduct, all Development activities of the Products in the Field in the Territory in accordance with the Development Plan at Everest's sole cost, subject to Section 5.3 (Multi-Region Trials). Everest shall use Commercially Reasonable Efforts to Develop, seek and obtain Marketing Approval for the Products in the Field in the Territory for the indications that are included in the Development Plan, including by being responsible for enrolling subjects in the Palizade Trial in each Region in the Territory to the extent required by and in accordance with the then-current Development Plan. Everest shall perform such obligations in compliance in all respects with the Development Plan and the requirements of applicable Law, GCP and GMP. Changes in the scope or direction of the Development activities under this Agreement that would be a material deviation from the Development Plan must be approved by the JSC as set forth in Section 4.2.2 (Role).

Section 5.2 Development Plan. The Parties shall undertake the Development of the Products in a collaborative and efficient manner in accordance with this Article 5 (Development). The Development of the Products in the Field in the Territory by Everest under this Agreement shall be governed by a written clinical development plan, as revised from time to time in accordance with this Section 5.2 (Development Plan) (the "**Development Plan**"). The Development Plan shall include (a) an outline of Clinical Trials to be conducted by Everest in the Territory, including the Local Trials and Multi-Region Trials that Everest participates in; and (b) in reasonable detail the material activities to be performed by the Parties to obtain the Marketing Approvals for the Products in the Territory and to support the Multi-Region Trials for which Everest participates, and the projected timelines for conducting such activities (which shall not be binding notwithstanding any other provisions in the Agreement). Everest shall prepare an initial version of the Development Plan, which is attached hereto as Exhibit D and includes the participation of Everest in the Multi-Region Trial (Protocol ID KZR-616-202) for the Product sponsored by Kezar in Lupus Nephritis (the "**Palizade Trial**"). From time to time, but at least every [***], or whenever applicable, either Party may propose updates or amendments, if any, to the Development Plan in consultation with the other Party and submit such proposed updated or amended plan to the JDC for review and discussion and to the JSC for approval. Without limiting the foregoing, in collaboration with Kezar and subject to the approval of the JSC, [***] .

Section 5.3 Multi-Region Trials.

5.3.1 ***General***. Kezar may initiate, conduct, suspend, or cease a Multi-Region Trial for any Product for any Indication. If Kezar suspends or ceases a Multi-Region Trial in which Everest is participating, it shall promptly notify Everest and shall discuss with Everest in good faith the possibility of Everest completing the portion of such Multi-Region Trial being conducted in the Territory as a Local Trial; ***provided***, that Everest shall have no right to continue as a Local Trial any Multi-Region Trial that Kezar has suspended or ceased because Kezar has determined that such Multi-Region Trial raises *bona fide* material safety concerns or reasonably would be expected to have a material adverse effect on the Development or Commercialization of the Products outside the Territory. Kezar shall offer Everest the option to participate in any

Multi-Region Trial for the Product other than the Palizade Trial and the Phase 3 LN Trial, using the clinical protocol and enrollment requirements established by Kezar, which Multi-Region Trial shall (i) allow Everest to enroll sufficient patients in the Territory to obtain Marketing Approvals in the Territory, and (ii) be designed to be reasonably implementable in the Territory.

(a) Kezar shall provide (as part of such offer) Everest with relevant information within its Control regarding such Multi-Region Trial, which would be reasonably necessary for Everest to consider and decide whether to participate in such Multi-Region Trial and would include the study protocol, study timeline, and supporting data Controlled by Kezar no later than [***] prior to the anticipated initiation of such Multi-Region Trial. Upon receipt of such information from Kezar regarding such Multi-Region Trial, Everest shall have [***] to notify Kezar (i) that Everest is exercising its option to participate in any such Multi-Region Trial, or (ii) if Everest is declining to exercise its option to participate in any such Multi-Region Trial, that Everest reasonably and in good faith has determined that Kezar's conduct of such Multi-Region Trial in the Territory would reasonably be expected to have a material adverse effect on the Development, Manufacturing or Commercialization of the Product in the Territory (an "**MAE**," and a notice under (ii), an "**Impact Notice**").

(b) If Everest provides an Impact Notice within said [***], the Parties shall promptly meet to discuss the matters raised in the Impact Notice, and if the Parties are unable to come to mutual agreement with respect thereto (i.e., as to whether an MAE would reasonably be expected to occur, or a solution to resolve or mitigate such MAE) within [***], then either Party may escalate the matter for resolution pursuant to Section 14.2 (Escalation to Executive Officers).

(c) If Everest declines to exercise its option to participate in a Multi-Region Trial, and (i) Everest has not provided an Impact Notice within the [***] period, or (ii) the Parties have agreed or it has otherwise been determined under Section 14.2 (Escalation to Executive Officers) or Section 14.4 (Expediated Arbitration), as applicable, that an MAE would not reasonably be expected to occur, then Kezar shall have the right to conduct such Multi-Region Trial in the Territory at its sole expense, ***provided,*** that Kezar shall keep Everest reasonably informed on any material activities, progress or results of any such trials to be or being conducted in the Territory and provide Everest an opportunity to comment on the conduct of any such Multi-Region Trial in the Territory prior to its commencement in the Territory and considering in good faith any comments by Everest.

5.3.2 ***Collaboration***. For all Multi-Region Trials that Everest participates in (other than the Palizade Trial): (a) Kezar will be the sponsor of the corresponding Multi-Region Trials and will provide Everest with the protocol, study design and SOPs (each of which will be reasonably implementable in the Territory); (b) Everest will lead the local regulatory interactions with the Regulatory Authorities in the Territory; (c) Everest will oversee study management and

operations in the Territory, lead interactions with investigators and ethics boards, be included in the Multi-Region Trial study team and have input into Kezar's vendor selection to ensure smooth Clinical Trial conduct in the Territory; and (d) the Parties' responsibilities and obligations in relation to local safety reporting to Regulatory Authorities will be set forth in the Pharmacovigilance Agreement.

5.3.3 ***Palizade Trial***. As of the Effective Date, the Parties have agreed to conduct the Palizade Trial as set forth in the initial Development Plan. [***]. The Parties agree that: (a) Kezar will be the sponsor of the Palizade Trial and will provide Everest with the protocol, study design and SOPs (each of which will be reasonably implementable in the Territory); (b) prior to IND submission, Kezar shall, if permitted under applicable Law, promptly change the party who is the IND regulatory agent for the Palizade Trial in Mainland China from PPD, Inc. to Everest, and after such change, Everest will lead the local regulatory interactions with the Regulatory Authorities in the Territory in relation to the Palizade Trial; (c) for any vendors in the Territory that have already been selected by Kezar, Kezar shall use commercially reasonable efforts to cause such vendors to cooperate with Everest in connection with the Clinical Trial conduct in the Territory, and Everest shall have input into Kezar's selection of any future vendors and Kezar shall consider any such reasonable input in good faith but shall have final decision-making authority with respect to future vendor selection; (d) Everest and Kezar will collaborate regarding investigator communications and site visits in the Territory; and (e) the Parties shall agree on an amendment to Kezar's existing safety management plan that shall set forth the Parties' responsibilities and obligations in relation to local safety reporting to Regulatory Authorities, ***provided***, that such amendment shall not conflict with Kezar's then existing global safety management plan.

5.3.4 ***Cost Sharing***. The Parties will share costs for the Multi-Region Trials in which Everest participates as follows: (a) Everest shall be solely responsible for all direct costs and expenses incurred to conduct Multi-Region Trials that relate to patients enrolled in the Territory; (b) Kezar shall be solely responsible for all direct costs and expenses incurred to conduct the portion of the Multi-Region Trials that relate to patients enrolled outside the Territory; and (c) Everest shall pay for a pro rata portion based on the number of Clinical Trial sites in the Territory as a percentage of the total number of Clinical Trial sites for such Multi-Region Trials, not to exceed [***], of the overhead costs and expenses incurred by Kezar, Kezar's Affiliates or licensees, and/or Everest that are generally applicable to conduct the Multi-Region Trials in the Territory and outside of the Territory (including amounts paid to Third Party for the general conduct of the Multi-Region Trials across the entire global data set for the Multi-Region Trials, data management, biostatics but excluding, for the avoidance of doubt, any amounts specific to one or more particular countries, such as patient recruitment, site management, and Regulatory Filings). On a Calendar Quarter basis during the conduct of any Multi-Region Trial, Kezar shall invoice Everest for its share of such indirect costs and any Territory-specific direct costs for such Multi-Region Trial that are incurred by Kezar (if any), and Everest shall pay each such invoice within [***] after confirmation in accordance with Section 5.3.6 (Confirmation) thereof.

5.3.5 ***Data Usage***. If Everest declines to exercise its option to participate in any Multi-Region Trial, then (a) Everest shall have the right to use the Data resulting from such trial solely as necessary to comply with applicable Law, and (b) if Everest includes any such Data in a Regulatory Filing (including an NDA) for approval of the applicable Product, then Everest shall

pay to Kezar, within [***] after confirmation in accordance with Section 5.3.6 (Confirmation) of an invoice therefor from Kezar, [***].

5.3.6 ***Confirmation***. Everest will have [***] following the receipt of an invoice pursuant to Section 5.3.4 (Cost Sharing) and Section 5.3.5 (Data Usage) to confirm such invoices, or provide Kezar with a request to reconcile the amount in the applicable invoice. If Everest provides a request, upon receipt of such request, the Parties will promptly conduct a reconciliation process in good faith and confirm or determine the accurate amount. If Everest fails to provide Kezar with a request to reconcile an applicable invoice within the [***] period, such invoice will be deemed to be confirmed.

Section 5.4 Territory Development Requirements. Everest shall use Commercially Reasonable Efforts, be solely responsible for and have decision-making authority (subject to Section 4.2.5 (Decision-Making)) for performance of any Local Trial (including handling relevant Regulatory Filings for any Local Trials in the Territory at its own cost, as applicable, in accordance with Article 6 (Regulatory)); ***provided,*** that each Local Trial conducted in the Territory shall be conducted in accordance with the Development Plan, the study protocol approved by any relevant Regulatory Authority, and applicable Law in the Territory. Everest shall be responsible for conducting and paying for the costs and expenses for the Development of the Products required by Regulatory Authorities to obtain and maintain Marketing Approval of the Products for the Field in the Territory ("**Territory Development Requirements**"). At the request of Kezar, the Parties will discuss in good faith whether Everest will conduct additional Development activities beyond the Territory Development Requirements ([***]).

Section 5.5 Coordination. If Everest is likely to be the first party, as between the Parties, to file for the NDA for the Product, then (a) Kezar shall use Commercially Reasonable Efforts to support Everest's production of the NDA submission dossier, including clinical, non-clinical and CMC Data, and (b) if Everest incurs costs in producing certain clinical, non-clinical and CMC Data to support preparation of the NDA submission dossier, and such Data is included in NDA submissions by or on behalf of Kezar outside the Territory, such costs will be reimbursed by Kezar when Kezar files such NDA.

Section 5.6 Early Access Program. At Everest's election, Everest may conduct an Early Access Program or similar program to allow use of the Product in the Territory if already approved outside the Territory and permitted by applicable Law in the Territory. Kezar shall to the extent permissible under applicable Law, allow and provide support for such program, including supplying drugs for such program if needed, at the supply price for commercial supply. Sales of the Products under any such program shall be royalty-bearing.

Section 5.7 Reports. The status, progress and results of Everest's Development activities under this Agreement shall be discussed at meetings of the JDC. Within a reasonable amount of time prior to (but in any event at least [***] prior to) each regularly scheduled JDC meeting, Everest shall provide the JDC with a written report detailing its Product Development activities and the results thereof, covering subject matter at a level of detail reasonably requested by Kezar and sufficient to enable Kezar to determine Everest's compliance with its obligations pursuant to Section 5.1 (Responsibility) to Section 5.4 (Territory Development Requirements). Through the JDC, each Party shall keep the other Party reasonably informed on the Development of the Product

conducted by or on behalf of such Party. All updates and reports provided by a Party pursuant to this Section 5.7 (Reports) shall be the Confidential Information of such Party.

Section 5.8 Records . Each Party shall maintain appropriate records in either tangible or electronic form of all significant Development, packaging or labeling, and Manufacture (in the case of Everest, after the Manufacturing technology transfer) of a Product, in each case in accordance with its usual documentation and record retention practices. Such records shall be in sufficient detail to properly reflect, in a good scientific manner, all significant work done, and the results of studies and Clinical Trials undertaken and, further, shall be at a level of detail appropriate for patent and regulatory purposes. Each Party shall document all non-clinical studies and Clinical Trials in formal written study reports according to applicable Law and national and international guidelines. Upon a Party's reasonable request, the other Party shall, and shall cause its Affiliates and, in the case of Everest, Sublicensees, to provide to the first Party copies of such records of Development (subject to Section 5.3.5 (Data Usage)), packaging or labeling, and Manufacture (in the case of Everest, after the Manufacturing technology transfer) to the extent necessary for the Development, packaging or labeling, and Manufacture (in the case of Everest, after the Manufacturing technology transfer) of the Product in the other Party's territory, including for regulatory and patent purposes. All such records, reports, information and Data of a Party provided to the other Party shall be the Confidential Information of the providing Party.

Section 5.9 Clinical Trial Audits and Compliance.

5.9.1 ***Audits by Kezar***. Kezar or its representatives may conduct an audit of Everest, its Affiliates, and all Clinical Trial sites for Clinical Trials sponsored by Kezar in the Territory used by Everest or its Affiliates to perform Everest's obligations under any Development Plan, in each case, to ensure that the applicable Clinical Trials are conducted in accordance with the Development Plan, GCP, and applicable Law; ***provided,*** that in the event any such audit of Clinical Trial sites used by Everest or its Affiliates requires Everest's assistance, Everest shall provide Kezar or its representatives with such assistance, to the extent reasonable, including providing personnel of Everest to be present for such audit and producing any documents or authorizations allowing Kezar or its representatives to conduct such audit, to the extent reasonable. Kezar may conduct such audit no more than once per Calendar Year (unless an additional audit is warranted for cause) upon [***] prior written notice to Everest. No later than [***] after the completion of such audit, Kezar shall provide Everest with a written summary of Kezar's findings of any deficiencies or other areas of remediation that Kezar identifies during any such audit. Everest shall use Commercially Reasonable Efforts to respond or remediate any such deficiencies within [***] following Everest's receipt of such report. Without limiting the foregoing, Everest shall have the right to be present at any such audit conducted by Kezar pursuant to this Section 5.9 (Clinical Trial Audits and Compliance) of Everest, its Affiliates, or Clinical Trial sites.

5.9.2 ***Audits of Clinical Trial Sites***. Kezar may request Everest to conduct an audit of any Clinical Trial site for Clinical Trials sponsored by Everest in the Territory used by Sublicensees or subcontractors to perform Everest's obligations under any Development Plan, in each case, to ensure that the applicable Clinical Trial is conducted in accordance with the Development Plan, GCP, and applicable Law. Everest shall provide Kezar with a complete copy of any reports of Everest's or its representatives' findings of any deficiencies or other areas of remediation that Everest or its representatives identifies during any such audit. If the Parties acting

reasonably and in good faith agree that any deficiencies with respect to a Clinical Trial site identified pursuant to an audit (each, a "**Deficient Site**") may cause a Regulatory Authority to reject or otherwise deem deficient the Clinical Trial Data from the conduct of any such Clinical Trial at such Deficient Site, then Kezar shall notify Everest of such Deficient Site and the Parties shall discuss and attempt to agree upon a remediation plan for such Deficient Site. If the Parties cannot agree to such a remediation plan for a Deficient Site, then Everest shall promptly remove such Deficient Site from such Clinical Trial and replace such Deficient Site with a new Clinical Trial site (a "**Replacement Site**") in the Territory, and Everest shall be solely responsible for the costs of such replacement (unless not permitted by applicable Law or for ethical reasons). Any such Replacement Site shall be compliant in all respects with applicable Law.

5.9.3 ***Compliance of Sublicensees and Subcontractors***. Everest shall use Commercially Reasonable Efforts to ensure that its Sublicensees and subcontractors are performing their obligations in accordance with the Development Plan, GCP, applicable Law and the terms of this Agreement.

ARTICLE 6

REGULATORY

Section 6.1 Regulatory Activities . Everest shall apply for and maintain, at Everest's sole cost and expense, all Regulatory Filings relating to the Products in the Field in the Territory. All Regulatory Filings relating to the Products in the Field in the Territory shall be owned by Everest and held in Everest's (or its Affiliates' or Sublicensees', as the case may be) name, provided that (a) for any Regulatory Filings, including any Marketing Approval, that are required under applicable Laws in a Region in the Territory to be filed in the name of a local agent, such Regulatory Filings may be filed and held in the name of a local agent designated by Everest; and (b) for any Regulatory Filings, including any IND or Imported Drug License, that are required under applicable Laws in the Territory to be filed in Kezar's name, such Regulatory Filings will be owned by Kezar but shall be prepared, filed and maintained by Everest on Kezar's behalf (such Regulatory Filings in the Territory owned by Kezar, the "**Kezar Territory Regulatory Filings**"), ***provided*** that Kezar shall promptly transfer and assign all Kezar Territory Regulatory Filings to Everest or its designee if and when permitted by applicable Laws. For the avoidance of doubt, during the period that Kezar is the owner of any Kezar Territory Regulatory Filings, (x) Everest shall have the right to Commercialize the Product; and (y) subject to the terms of Article 8 (Manufacturing and Supply), Kezar shall (itself or through its Affiliate or a CMO) continue to Manufacture and supply the Product for Development and Commercialization by Everest and its Affiliates and Sublicensees in the Territory, including the Manufacture and supply of the Product for any Early Access Programs, in accordance with the terms of this Agreement and the Supply Agreements; and (z) Kezar shall provide such other reasonable assistance to Everest, including by providing documentation or other materials, that are necessary to enable Everest to Commercialize the Products in the Territory due to the fact that Kezar is required under applicable Laws to be the named applicant and owner of Regulatory Filings relating thereto. Kezar shall, at the direction of and with the assistance of Everest, execute any documentation prepared by Everest necessary to appoint Everest, its Affiliates, or Sublicensees as Kezar's exclusive local regulatory agent to perform regulatory actions on its behalf in connection with the Kezar Territory Regulatory Filings.

Section 6.2 Regulatory Correspondence . Everest shall be responsible, at Everest's sole cost and expense, for all communications and interactions with Regulatory Authorities with respect to the Products in the Field in the Territory, both prior to and subsequent to receipt of any Marketing Approvals. Everest shall use Commercially Reasonable Efforts to at least [***] in advance, but in any case, at least [***] in advance, of filing any material Regulatory Filing relating to a Product with any Regulatory Authority in the Territory, including any IND or NDA, provide to Kezar for Kezar's review and comment copies of such proposed Regulatory Filings in English, or if the originals are not written in English, in their original form with an English summary, or if requested by Kezar and at Kezar's costs and expenses, Everest shall provide a full English translation of such Regulatory Filing. In each case, Everest will consider in good faith Kezar's comments (if any) to such Regulatory Filings prior to filing such Regulatory Filings with the applicable Regulatory Authorities, ***provided***, that no Kezar Territory Regulatory Filings relating to a Product may be filed with any Regulatory Authority in the Territory without the prior written consent of Kezar, such consent not to be unreasonably withheld, conditioned or delayed. Within [***] of receipt or filing, Everest shall provide Kezar with an electronic copy (in English, or if the originals are not written in English, in their original form with an English summary, or if requested by Kezar and at Kezar's costs and expenses, Everest shall provide a full English translation of such Regulatory Filing) of all Regulatory Filings and material correspondence with Regulatory Authorities or Governmental Authorities, including any IND or NDA. Additionally, upon the reasonable request of Kezar, Everest shall promptly provide Kezar with a written summary in English of all other comments or other correspondences with a Regulatory Authority or other Governmental Authority, in each case by or on behalf of Everest or its Affiliates or Sublicensees with respect to the Development of the Products in the Field in the Territory.

Section 6.3 Regulatory Meetings . Everest shall notify Kezar in writing reasonably in advance of any material meeting with Regulatory Authorities in the Territory relating to the Products (which in any case will be no more than [***] after receiving notice of a request by a Regulatory Authority to have such a meeting), and Kezar shall have the right, but not the obligation, to have a representative of Kezar accompany Everest to each such meeting in an observational capacity if such attendance is permitted by the applicable Laws and applicable Regulatory Authorities in the Territory; ***provided,*** that with respect to any meeting with Regulatory Authorities in the Territory pertaining to a Kezar Territory Regulatory Filing, Kezar's representative shall have the right to attend such meeting as a participant, unless Kezar agrees in writing prior to such meeting that such representative shall be in attendance in an observational capacity only. In addition, in the event that either Party is notified of any material regulatory or other inquiries or inspections that relate to any Clinical Trial, Development, Manufacture, or Commercialization for a Product, each such Party shall promptly notify the other Party of such inquiries or inspection. To the extent permitted under applicable Law, Everest shall invite Kezar to be present and participate in such inquiries or inspections in the Territory.

Section 6.4 No Harmful Actions. If a Party believes that the other Party is taking or intends to take any action with respect to a Product that could have a material adverse impact upon the regulatory status of the Product in such Party's territory, then subject to the limitations set forth in Section 4.2.6 (Limitation of Authority), such Party shall have the right to bring the matter to the attention of the JSC and the Parties shall discuss in good faith to resolve such concern. Without limiting the foregoing, unless the Parties otherwise agree: (a) Everest shall not communicate with any Regulatory Authority having jurisdiction outside the Territory, unless so ordered by such

Regulatory Authority, in which case Everest shall immediately notify Kezar of such order; and (b) Everest shall not submit any Regulatory Filings or seek Marketing Approvals for the Product outside the Territory.

Section 6.5 Notification of Threatened Action . Each Party shall within [***] notify the other Party of any information it receives regarding any threatened or pending action, inspection or communication by any Third Party, which would reasonably be expected to affect the safety or efficacy claims of any Product or the continued marketing of any Product (as to Kezar's notification obligation, only to the extent it would reasonably be expected to affect the Territory). Upon receipt of such information, the Parties shall consult with each other in an effort to arrive at a mutually acceptable procedure for taking appropriate action with respect to the Territory.

Section 6.6 Right of Reference.

6.6.1 ***By Everest***. Everest hereby grants to Kezar the right of reference to all Regulatory Filings pertaining to the Product in the Field submitted by or on behalf of Everest or its Affiliates or Sublicensees (and all Data contained or referenced therein), with the right to grant further rights of reference to Kezar's licensees with respect to Products. Kezar and its Affiliates (and any licensee to whom it may grant a further right of reference) may use the right of reference to Everest's Regulatory Filings in the Field solely for the purpose of seeking, obtaining and maintaining the Marketing Approval of the Products outside the Territory.

6.6.2 ***By Kezar***. Subject to Section 5.3.5 (Data Usage), Kezar hereby grants to Everest the right of reference to all Regulatory Filings pertaining to the Product in the Field submitted by or on behalf of Kezar, its Affiliates, or licensees (and all Data contained or referenced therein), with the right to grant further rights of reference to Sublicensees. Everest and its Affiliates (and any Sublicensee to whom it may grant a further right of reference) may use such right of reference to Kezar's Regulatory Filings in the Field solely for the purpose of seeking, obtaining and maintaining the Marketing Approval of the Products in Field in the Territory.

Section 6.7 Adverse Event Reporting . As between the Parties, unless otherwise agreed by the Parties in the Pharmacovigilance Agreement: (a) Kezar shall, by itself or through a Third Party vendor, be responsible for the timely reporting of all relevant adverse drug reactions/experiences, product quality, product complaints and safety data relating to the Compound and Products to the appropriate Regulatory Authorities outside the Territory, at Kezar's costs and expenses; and (b) Everest shall, by itself or through a Third Party vendor, be responsible for the timely reporting of all relevant adverse drug reactions/experiences, product quality, product complaints and safety data relating to the Compound and Products to the appropriate Regulatory Authorities in the Territory at Everest's cost and expenses, in each case in accordance with applicable Law of the relevant countries and Regulatory Authorities. The Parties shall cooperate with each other with respect to their respective pharmacovigilance responsibilities, and Everest shall comply with all pharmacovigilance requirements necessary to support Development and Commercialization of Products outside the Territory. Each Party shall be solely responsible for all costs it incurs to conduct its respective pharmacovigilance responsibilities. Within [***] after the Effective Date, the Parties shall enter into a pharmacovigilance agreement on terms that comply with ICH guidelines (the "**Pharmacovigilance Agreement**"), including: (i) providing detailed procedures regarding the maintenance of core safety information and the exchange of safety data

relating to the Compound and Products worldwide within appropriate timeframes and in an appropriate format to enable each Party to meet both expedited and periodic regulatory reporting requirements; and (ii) ensuring compliance with the reporting requirements of all applicable Regulatory Authorities on a worldwide basis for the reporting of safety data in accordance with standards stipulated in the ICH guidelines, and all applicable regulatory and legal requirements regarding the management of safety data for a trial of the applicable type.

Section 6.8 Remedial Actions. Each Party shall notify the other immediately, and promptly confirm such notice in writing, if it obtains information indicating that any Product may be subject to any recall, corrective action or other regulatory action by any Regulatory Authority (as to Kezar's notification obligation, only to the extent it would reasonably be expected to affect the Territory) (a "**Remedial Action**"). The Parties shall assist each other in gathering and evaluating such information as is necessary to determine the necessity of conducting a Remedial Action with respect to the Territory. Everest shall have sole discretion with respect to any matters relating to any Remedial Action in the Territory, including the decision to commence such Remedial Action and the control over such Remedial Action; ***provided,*** that Kezar shall have sole discretion with respect to any matters relating to any Remedial Action in the Territory to the extent related to any Multi-Region Trial. The cost and expenses of any Remedial Action in the Territory shall be borne solely by the Party with sole discretion. Each Party shall, and shall ensure that its Affiliates and Sublicensees shall, maintain adequate records to permit the Parties to trace the distribution and use of the Product in the Territory.

ARTICLE 7

COMMERCIALIZATION

Section 7.1 Responsibility and Diligence. Everest shall be solely responsible for and use Commercially Reasonable Efforts to Commercialize and obtain pricing and reimbursement approvals for the Products in the Field in the Territory in accordance with the Commercialization Plan, at its sole cost and expense. Everest shall use Commercially Reasonable Efforts to Commercialize each Product in each Region in the Territory in the Field in which it obtains Marketing Approval.

Section 7.2 Commercialization Plan. Within a reasonable time (but no later than [***]) prior to the anticipated first Marketing Approval for each Product in each Region in the Territory, Everest shall prepare and deliver to the JSC for review and discussion a non-binding plan for the Commercialization of such Product in the Field in such Region (the "**Commercialization Plan**"). Thereafter, from time to time, but at least [***], Everest shall propose updates or amendments to the Commercialization Plan to reflect changes in such plans, including those in response to changes in the marketplace, relative success of the Products, and other relevant factors influencing such plan and activities, and submit such proposed updated or amended Commercialization Plan to the JSC.

Section 7.3 Reports . Everest shall update the JSC at each regularly scheduled JSC meeting regarding Everest's Commercialization activities with respect to the Products in the Territory. Each such update shall summarize in reasonable detail Everest's, its Affiliates' and Sublicensees' significant Commercialization activities with respect to the Products in the

Territory, covering subject matter at a level of detail sufficient to enable Kezar to determine Everest's compliance with its diligence obligations pursuant to Section 7.1 (Responsibility and Diligence). All updates and reports generated pursuant to this Section 7.3 (Reports) shall be the Confidential Information of Everest.

Section 7.4 Records . Everest shall maintain records in either tangible or electronic form of all significant Commercialization of a Product, in each case in accordance with its usual documentation and record retention practices. Upon Kezar's reasonable request, Everest shall, and shall cause its Affiliates and Sublicensees, to provide to Kezar copies of such records of Commercialization to the extent necessary for the Commercialization of the Product outside the Territory. All such records provided to Kezar shall be the Confidential Information of Everest.

Section 7.5 Marketing Materials. Upon request of Everest, prior to the anticipated first Marketing Approval for each Product in the Territory, Kezar shall deliver to Everest a copy of the then existing Marketing Materials developed or used by Kezar in connection with the promotion or marketing of the Product outside the Territory. Kezar makes no representation as to the appropriateness or applicability of the Marketing Materials in the Territory or outside the Territory. Subject to Section 9.8 (Product Trademarks) and applicable Law, Everest shall, at no additional cost, have the right to use and modify all such Marketing Materials in connection with its marketing of the Product in the Territory. Everest also shall have the right to create, develop and use other Marketing Materials in the Territory at its own cost. Everest shall ensure that any Marketing Materials developed, used or modified by Everest in connection with the promotion or marketing of the Product in the Territory is consistent in all material respects with the Marketing Materials provided by Kezar under this Section 7.5 (Marketing Materials) (except to the extent required under applicable Laws or as otherwise agreed by the Parties) and complies with all applicable Law in the Territory. Kezar shall not have any liability with respect to use by or on behalf of Everest of any Marketing Material provided by Kezar to Everest under this Section 7.5 (Marketing Materials).

Section 7.6 No Diversion . Each of Kezar and Everest hereby covenants and agrees that (a) it shall not, and shall ensure that its Affiliates and sublicensees shall not, directly or indirectly, promote, market, distribute, import, sell or have sold the Products, including via internet or mail order, outside its territory; (b) with respect to any country or region outside its territory, it shall not, and shall ensure that its Affiliates and their respective sublicensees shall not: (i) unless otherwise agreed by the Parties in writing, establish or maintain any branch, warehouse or distribution facility for Products in such countries (except, in the event such Party is Kezar, Kezar shall have the right to maintain one or more warehouses in the Territory solely to support Kezar's retained rights under this Agreement); (ii) engage in any advertising or promotional activities relating to Products that are directed primarily to customers or other purchaser or users of Products located in countries outside its territory; (iii) solicit orders for Products from any prospective purchaser located in countries outside its territory; or (iv) sell or distribute Products to any Person in such Party's territory who intends to sell or has in the past sold Products in countries outside its territory; (c) if a Party receives any order for any Product from a prospective purchaser reasonably believed to be located in a region or country outside its territory, such Party shall promptly refer that order to the other Party, and such Party shall not accept any such orders; (d) neither Party shall deliver or tender (or cause to be delivered or tendered) Products into a country or region outside its territory; and (e) each Party shall not, and shall ensure that its Affiliates and their respective

sublicensees shall not, knowingly restrict or impede in any manner the other Party's exercise of its exclusive rights to Commercialize the Products in the other Party's territory; ***provided,*** that nothing in this Section 7.6 (No Diversion) shall prohibit or restrict Kezar from exercising its right or performing its obligations to supply Everest or its Affiliates or Sublicensees under Article 8 (Manufacturing and Supply). For the purpose of this Agreement, Everest's territory shall mean the Territory and Kezar's territory shall mean all countries and regions outside the Territory.

ARTICLE 8

MANUFACTURING AND SUPPLY

Section 8.1 Supply. Subject to Section 8.3 (Manufacturing Technology Transfer), Everest shall exclusively purchase from Kezar, and Kezar shall (itself or through its Affiliate or a CMO) Manufacture and supply the Product for Development and Commercialization by Everest and its Affiliates and Sublicensees in the Territory, including the Manufacture and supply of the Product for any Early Access Programs, in accordance with the terms of this Agreement and the Supply Agreements. Everest or its Affiliates shall (a) obtain and maintain all required import licenses or authorizations, and shall serve as importer of record for all Products delivered in or into any Region in the Territory pursuant to this Agreement and the Supply Agreements, and (b) be responsible for shipment and insurance from Kezar's or its CMO's facility and all customs' duties, import tariffs, taxes, freight, insurance, inspection costs and the like attributed to or for the transport and importation of the Product in or into any Region in the Territory, ***provided***, ***however***, that (i) Kezar shall be responsible for export clearance procedures (except for commercial Product that is packaged and labeled by Everest, in which case Everest shall be responsible for export clearance procedures), and (ii) Kezar shall provide Everest with, upon Everest's request, reasonable support in relation to Everest's importation of the Product into any Region in the Territory, subject to reimbursement by Everest of any reasonable out-of-pocket costs incurred by Kezar in providing such importation support.

Section 8.2 Supply Agreements.

8.2.1 ***Multi-Region Clinical Supply***. Kezar shall Manufacture and supply the Product to Everest for use in any Multi-Region Trials that are being conducted in the Territory by Everest. Everest shall reimburse Kezar for the Fully Burdened Manufacturing Cost of such Product; ***provided, however***, that [***].

8.2.2 ***Clinical Supply Agreement***. The Parties shall negotiate in good faith to enter into a clinical supply agreement (the "**Clinical Supply Agreement**") and associated quality agreement. Such negotiation shall commence no later than [***] prior to the first anticipated Clinical Trial conducted by Everest in the Territory involving the Product; ***provided***, [***]. Subject to Section 8.2.1 (Multi-Region Clinical Supply), clinical supply of the Product for Local Trials shall be provided at Kezar's Fully Burdened Manufacturing Cost plus [***].

8.2.3 ***Commercial Supply Agreement***. Further, the Parties shall negotiate in good faith to enter into a commercial supply agreement (the "**Commercial Supply Agreement**") and associated quality agreement (as needed), which negotiation shall commence no later than [***] prior to the first anticipated Marketing Approval of a Product in the Territory. The Commercial

Supply Agreement and associated quality agreement (as needed) shall be agreed and entered into by the Parties no later than [***] prior to the first anticipated Marketing Approval of a Product in the Territory. Commercial supply of the Product shall be provided at Kezar's Fully Burdened Manufacturing Cost plus [***].

8.2.4 ***Terms***. The Supply Agreements shall each contain customary terms of forecasting and ordering procedures, Product specifications, and other operational matters relating to the Manufacture and supply of the Product under Section 8.1 (Supply) and Section 8.2 (Supply Agreements). Kezar shall provide Everest with a copy of each clinical supply agreement or commercial supply agreement it has entered into with any Third Party or CMO that has been engaged to Manufacture and supply the Product on Kezar's behalf. The Supply Agreements shall be consistent with the terms of this Article 8 (Manufacturing and Supply) and any relevant terms of the agreements that Kezar has with any Third Parties or CMOs that have been engaged to Manufacture and supply the Product on Kezar's behalf. In the event of a global supply shortage, the Clinical Supply Agreement and Commercial Supply Agreement shall stipulate [***] of the Product among Kezar and its Affiliates and licensees (including Everest and its Affiliates and Sublicensees). The Supply Agreements shall also include the right for Everest to reasonably participate in communications with any Third Parties or CMOs that have been engaged to Manufacture and supply the Product on Kezar's behalf for the purposes of (a) collaborating on commercial readiness in the event that Everest is the first to launch a Product in the Territory and (b) ensuring sufficient supply for the Territory, provided that the applicable Third Party or CMO has agreed to participate in such communications with Everest and Everest has entered into any confidentiality or similar agreement requested by such Third Party or CMO with respect to such communications, ***further provided*** that Kezar shall use reasonable efforts to cause such Third Party or CMO to agree to participate.

Section 8.3 Manufacturing Technology Transfer. At Everest's request made at any time following completion of patient enrollment of the Palizade Trial in the Territory, the Parties shall discuss in good faith through the JSC and agree to a written technology transfer plan within [***] after commencement of such discussion, under which Kezar or its CMO shall transfer to Everest (or a CMO designated by Everest and approved by Kezar) all Manufacturing Know-How within the agreed timelines (not to exceed [***] after agreement on such technology transfer plan). Kezar shall use Commercially Reasonable Efforts to, by itself or cause its CMO to, complete such technology transfer within the timelines set forth in the agreed technology transfer plan. Upon reasonable request from Everest, Kezar will provide Everest with all reasonable assistance at the FTE Rate to review and discuss the Manufacturing Know-How for Everest to Manufacture the Compound and the Product in substantially the same manner as Kezar, its Affiliate or a CMO that has been engaged to Manufacture and supply the Product on Kezar's behalf. Prior to engaging a CMO for the technology transfer, Everest shall enter into an agreement with such CMO that contains customary provisions related to confidentiality and retention of intellectual property relating to the Product and its Manufacturing process, which shall be consistent with the provisions in this Agreement, and will provide a copy of such CMO agreement and the associated quality agreement to Kezar upon request, ***provided*** that Everest may [***]. Kezar shall have the right to audit any CMO that is Manufacturing the Product in the Territory. Everest shall reimburse all internal (at the FTE Rate) and Third Party expenses that Kezar incurs to conduct its activities under this Section 8.3 (Manufacturing Technology Transfer), within [***] after receipt of each invoice therefor from Kezar. In the event that (a) Everest has the right to terminate this Agreement under

Section 13.3 (Termination Upon Bankruptcy), or (b) Section 13.9.2 applies, in each (a) or (b), (i) Everest shall have the right to enter into its own separate direct agreements with any Third Parties or CMOs that have been engaged to Manufacture and supply the Product on Kezar's behalf, and (ii) upon Everest's request, Kezar will facilitate Everest's entry into direct agreements with such Third Party or CMO, including the consent to use the Manufacturing Know-How as reasonable and necessary to permit Everest to Manufacture directly with such Third Party or CMO.

Section 8.4 Audit by Everest. During the period Kezar supplies the Compound or the Product to Everest, Kezar will keep complete and accurate records of all materials and documents relating to the calculations of Fully Burdened Manufacturing Cost generated in the then current Calendar Year and during the preceding [***] Calendar Years. Everest 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 (the "**Kezar Audited Party**") in the location(s) where such records are maintained by the Kezar Audited Party upon reasonable written notice (which shall be no less than [***] 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 the Fully Burdened Manufacturing Cost underlying payments for Product made under Section 8.2.1 (Multi-Region Clinical Supply) or the Supply Agreements within the [***]period preceding the date of the request for review. No records will be subject to audit under this Section 8.4 (Audit by Everest) more than once. Kezar will receive a copy of each such report concurrently with receipt by Everest. Should the audit lead to the discovery of a discrepancy to Everest's detriment, then notwithstanding any other provision of this Agreement, Everest may credit the amount of the discrepancy, together with the interest at the rate set forth in Section 3.6 (Late Payments), against future payments payable to Kezar under this Agreement, and if there are no such payments payable, then Kezar shall pay to Everest the amount of the discrepancy, together with interest at the rate set forth in Section 3.6 (Late Payments), within [***] of Kezar's receipt of the report. Everest will pay the full cost of the review unless the overpayment of amounts to Kezar is greater than [***] of the amount due for the entire period being examined, in which case Kezar will pay the cost charged by such accounting firm for such review. Should such inspection lead to the discovery of a discrepancy to Kezar's detriment, Everest will, within [***] 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 3.6 (Late Payments).

ARTICLE 9

PATENT PROSECUTION, MAINTENANCE & INFRINGEMENT

Section 9.1 Ownership.

9.1.1 ***Data***. All Data generated in connection with any Development, Manufacturing or Commercialization activities with respect to the Compound or any Product in the Territory conducted solely by or on behalf of Everest or its Affiliates or Sublicensees (the "**Everest Data**") shall be the sole and exclusive property of Everest or of its Affiliates or Sublicensees, as applicable. All Data generated in connection with any Development, Manufacturing or Commercialization activities with respect to the Compound or any Product conducted solely by or on behalf of Kezar or its Affiliates or Kezar's licensees, or jointly by or on

behalf of both Everest or its Affiliates or Sublicensees and Kezar or its Affiliates or Kezar's licensees (the "**Kezar Data**"), shall be the sole and exclusive property of Kezar or of its Affiliates or Kezar's licensees, as applicable. For clarity, Data generated in connection with a Multi-Region Trial will be owned by Kezar and deemed Kezar Data.

9.1.2 ***Inventions***. Notwithstanding Section 9.1.1 (Data), this Section 9.1.2 (Inventions) will govern ownership of Inventions. Inventorship of all Inventions, for purposes of determining ownership under this Section 9.1.2 (Inventions), will be determined in accordance with the rules of inventorship under United States patent Laws.

(a) The Inventions and any Intellectual Property Rights relating to such Inventions (the "**Foreground IP**") shall be owned as follows:

(i) Kezar shall solely own any Foreground IP that constitutes an improvement or enhancement of any Licensed IP or Onyx Know-How, including any method of use of the Product, or that is derived from or uses the Licensed IP, the Onyx-Know How or Kezar's Confidential Information, including any such Inventions relating to the Products ("**Kezar Foreground IP**"); and

(ii) all other Foreground IP shall be solely owned by the applicable Party if solely invented by such Party, or jointly owned by the Parties if jointly invented by the Parties.

(b) Kezar Foreground IP shall be included in the Licensed IP (if within the scope of such definition) and included in the licenses and rights granted to Everest by Kezar hereunder. Patent Rights claiming any Kezar Foreground IP shall be included in and deemed Licensed Patents (if within the scope of such definition) hereunder.

(c) Each Party shall own an undivided equal interest in the jointly owned Foreground IP ("**Joint IP**"), without a duty of accounting or an obligation to seek consent from the other Party for the exploitation or license of the Joint IP (subject to the licenses granted to the other Party under this Agreement). Patent Rights claiming any Joint IP shall be "**Joint Patents**".

9.1.3 ***Disclosure of Inventions***. Everest shall promptly notify Kezar if it generates any Foreground IP with a written disclosure of the Invention, and will reasonably assist Kezar with Prosecution activities relating to any Kezar Foreground IP or Joint IP.

9.1.4 ***Assignment of Foreground IP***. Everest hereby assigns to Kezar all right, title and interest to Kezar Foreground IP and will cooperate to effectuate, perfect and defend the foregoing ownership, including by executing and recording assignments and other documents consistent with such ownership.

Section 9.2 Prosecution and Maintenance.

9.2.1 ***By Kezar***. Subject to this Section 9.2 (Prosecution and Maintenance), Kezar shall be responsible and shall have the first right, to control the preparation, filing, prosecution (including any interferences, reissue proceedings and reexaminations) and maintenance ("**Prosecution**") of the Licensed Patents and the Joint Patents in the Territory at its discretion. All Third Party costs incurred with respect to the prosecution and maintenance of the Licensed Patents and Joint Patents in the Territory shall be borne by the Parties as follows: [***]. On a Calendar Quarter basis, Kezar will invoice Everest for [***] that are incurred by Kezar (if any), and Everest will pay each such invoice within [***] after receipt thereof.

9.2.2 ***Consultation***. Kezar shall keep Everest reasonably informed of the status of the Licensed Patents and Joint Patents in the Territory. In addition, Kezar shall promptly provide Everest with drafts of all proposed material filings and correspondence to any patent authority with respect to the Licensed Patents and Joint Patents in the Territory for Everest's review and comment at least [***] prior to the submission of such proposed filings and correspondence. Kezar shall confer with Everest and consider in good faith Everest's comments, including those reflecting the commercial strategy of Everest for Products in the Territory, ***provided,*** that Everest provides such comments within [***] (or a shorter period reasonably designated by Kezar to meet the filing deadline) of receiving the draft filings and correspondence from Kezar. Kezar shall also furnish Everest with copies of all final filings and responses made to any patent office with respect to the Licensed Patents and Joint Patents.

9.2.3 ***Everest Step-in Right***. In the event that Kezar desires to abandon or cease Prosecution of any Licensed Patent (subject to Section 9.9 (Patents Licensed From Upstream Licensors)) or Joint Patent in the Territory, Kezar shall provide at least [***] notice before any relevant deadline written notice to Everest of such intention to abandon. In such case, Everest shall, upon written election within [***] after such notice from Kezar, have a step-in right to assume, at its discretion and at its sole expense, responsibility for Prosecution of such Licensed Patent or such Joint Patent in the Territory. The assumption of Prosecution by Everest shall not change the ownership of such Joint Patents.

9.2.4 ***Outside the Territory***. For the avoidance of doubt, Kezar shall have the sole right, but not the obligation, to control the Prosecution of the Licensed Patents and the Joint Patents outside the Territory at its discretion at its sole expense.

9.2.5 ***Cooperation of the Parties***. Each Party agrees to cooperate fully in the Prosecution of Patent Rights under this Section 9.2 (Prosecution and Maintenance), at its own cost. Such cooperation includes: (a) executing all papers and instruments, or requiring its employees or contractors, to execute such papers and instruments, so as enable the other Party to Prosecute Patent Rights in any country or Region as permitted by Section 9.2 (Prosecution and Maintenance); and (b) promptly informing the other Party of any matters coming to such Party's attention that may affect the Prosecution of any such Patent Rights.

Section 9.3 Enforcement.

9.3.1 ***Notice***. Each Party will notify the other promptly in writing when any Infringement of a Licensed Patent or a Joint Patent by a Third Party is uncovered or reasonably suspected.

9.3.2 Everest shall have the first right, but not the obligation, to enforce all patent claims within a Licensed Patent or a Joint Patent in the Field in the Territory. Everest may, at its own expense, institute suit against any such infringer or alleged infringer of the Licensed Patent or Joint Patent in the Field in the Territory 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 9.5 (Recovery), and Everest shall keep Kezar reasonably informed as to the status of any such litigation. Kezar shall reasonably cooperate in any such litigation at Everest's expense.

9.3.3 Everest shall not enter into any settlement of any claim described in this Section 9.3 (Enforcement) that admits to the invalidity or unenforceability of the Licensed Patent or Joint Patent, 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.

9.3.4 If Everest elects not to exercise its enforcement rights under Section 9.3.2, then Everest shall so notify Kezar in writing within [***] of receiving notice that an Infringement of a Licensed Patent or Joint Patent in the Field in the Territory 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 9.5 (Recovery). Everest shall reasonably cooperate in any such litigation at Kezar's expense.

9.3.5 ***Cooperation with Respect to Enforcement***. Irrespective of which Party controls an action pursuant to this Section 9.3 (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 9.4 Defense of Third Party Claims . If either (a) any Product Exploited by or under authority of Everest 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 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 Patent or Joint Patent in the Field in the Territory, 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 11 (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 Kezar is named in such legal action but not Everest, then Everest 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 9.4 (Defense of Third Party Claims) that admits to the

invalidity, narrowing of scope or unenforceability of the Licensed Patent or Joint Patent in the Field in the Territory 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 9.5 Recovery. Except as otherwise provided, the costs and expenses of the Party bringing suit under Section 9.3 (Enforcement) shall be borne by such Party, and any damages, settlements or other monetary awards recovered shall be shared as follows: (a) 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 (b) the remainder of the recovery shall be shared as follows:

9.5.1 [***]

9.5.2 [***]

Section 9.6 Patent Term Extensions and Filings for Regulatory Exclusivity Periods. The Parties shall cooperate in obtaining patent term restoration, supplemental protection certificates or their equivalents, and patent term extensions with respect to the Licensed Patents and Joint Patents in any Region in the Territory where applicable (each, a "**Patent Term Extension**"). Everest shall file for Patent Term Extensions at Everest's sole cost and expense, subject to the following terms and conditions:

9.6.1 Everest shall not file any Patent Term Extension without Kezar's prior written consent, which shall not be unreasonably withheld, delayed or conditioned. The Parties agree that it will be reasonable for Kezar to withhold its consent to any such filing with respect to a Licensed Patent if Onyx objects to such filing. If Onyx objects to such filing, then upon the request of Everest and subject to reimbursement by Everest of all internal and out-of-pocket expenses incurred by Kezar to do so, Kezar shall engage in the dispute resolution process with Onyx set forth in Section 4.6 of the Onyx Agreement with respect to such filing.

9.6.2 With respect to the Licensed Patents and Joint Patents in any Region in the Territory for which Everest does not have the right to file a Patent Term Extension but Kezar or its Affiliates do have the right to file such Patent Term Extension under applicable Law in relation to such Patent Right in such Region, provided that Kezar has consented to such filing in accordance with Section 9.6.1 above, (a) Kezar shall make the appropriate filing for such Patent Term Extension in such Region at the direction of Everest, and (b) Everest shall provide reasonable assistance, as requested by Kezar to file and obtain such Patent Term Extension in such Region.

Section 9.7 Patent Marking. Everest 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.

Section 9.8 Product Trademarks. Everest may use (pursuant to this Section 9.8 (Product Trademarks), including the second to last sentence hereof relating to the use of Kezar's name and Kezar's corporate trademarks) the trademarks Controlled by Kezar or its Affiliates in the Territory as Kezar may provide to Everest in writing from time to time (the "**Kezar Product Marks**") and may use the English mark thereof with a phonetic translation into a local language in the Territory being presented below such English mark. Kezar hereby grants to Everest, during the Term and subject to the terms and conditions of this Agreement, a royalty-free, exclusive license under Kezar's rights to use such Kezar Product Marks in connection with the Commercialization of the Products in the Field in the Territory in compliance with applicable Law and this Agreement. Everest shall comply with Kezar's brand usage guidelines provided to Everest in its use of the Kezar Product Marks. Upon written request of Everest, Kezar shall use Commercially Reasonable Efforts to register the Kezar Product Marks in the Territory at Everest's sole cost and expense. Everest may also brand the Products in the Territory using other trademarks, logos, and trade names specific for the Products that differ from the Kezar Product Marks and do not contain the name of Kezar; ***provided***, ***however***, that (a) prior to such use, Everest shall provide written notice of such trademarks, logos and trade names to Kezar, (b) any phonetic translation of Kezar Product Marks into a local language in the Territory shall be deemed to be different from the Kezar Product Marks themselves, and (c) such trademarks, logos and trademarks shall be deemed owned by Everest (the "**Product Marks**"). Notwithstanding the foregoing, Everest shall have no right to use Kezar's name or Kezar's corporate trademarks without Kezar's prior written consent, unless such use is required by applicable Law to Exploit the Product in the Territory (e.g., if required on Product packing material). Everest shall own all rights in the Product Marks in the Territory and shall register and maintain the Product Marks in the Territory that it determines reasonably necessary.

Section 9.9 Patents Licensed From Upstream Licensors . Each Party's rights under this Article 9 (Patent Prosecution, Maintenance & Infringement) with respect to the prosecution and enforcement of any Licensed Patents that is in-licensed by Kezar from Upstream Licensor under Upstream Licenses shall be subject to the rights retained by Upstream Licensor to prosecute and enforce such Patent Rights.

ARTICLE 10

REPRESENTATIONS

Section 10.1 Mutual Warranties. Each of Kezar and Everest 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.

Section 10.2 Additional Kezar Representations and Warranties. Kezar represents and warrants to Everest that, as of the Effective Date:

(a) Kezar Controls the Licensed Patents listed on Exhibit B and is entitled to grant the licenses specified herein. Kezar has not caused any Patent Right included in the Licensed Patents to be subject to any liens or encumbrances and Kezar has not granted to any Third Party any rights or licenses under Licensed IP or Onyx Know-How that would conflict with the licenses granted to Everest hereunder.

(b) Exhibit B sets forth a complete and accurate list of the Licensed Patents existing as of the Effective Date.

(c) To Kezar's knowledge, each Licensed Patent (i) is valid and enforceable and (ii) has been diligently prosecuted in its respective patent office in accordance with applicable Laws and (iii) has been filed and maintained properly (including timely and complete payment of any applicable maintenance fee or annuity). Kezar has no knowledge of any claim, legal proceeding or litigation that has been brought or threatened in writing by any Third Party alleging that the Licensed Patents are invalid or unenforceable.

(d) Kezar has no present knowledge of any settled, pending or threatened in writing claim or lawsuit or legal proceeding of a Third Party against Kezar alleging that the Product (in the form that it exists as of the Effective Date), the Licensed IP or Onyx Know-How misappropriate, violate or infringe, in part or in whole, the intellectual property, Intellectual Property Rights or property rights of such Third Party. Kezar has no present knowledge that use of the Licensed IP or Onyx Know-How to Exploit the Compound and the Product in the Field in the Territory as of the Effective Date would misappropriate, violate or infringe, in part or in whole, the intellectual property, Intellectual Property Rights or property rights of any Third Party. All copies of patent applications and issued patents for the Kezar Patents existing as of the Effective Date that Kezar has furnished or made available on or before the Effective Date to Everest or its agents or representatives in the virtual data room hosted by Kezar is, to Kezar's knowledge, accurate and complete in all material respects.

(e) [***]

(f) Except as otherwise provided in this Agreement, the terms of this Agreement do not conflict with the terms of the Onyx Agreement.

(g) The only material Upstream License as of the Effective Date is the Onyx Agreement. Kezar and its Affiliates (i) have been in compliance with (1) all payment terms of the Onyx Agreement, and (2) in all material respects with all other terms and conditions with the Onyx Agreement, in each case as of the Effective Date, and to Kezar's knowledge the Onyx Agreement is in full force and effect as of the Effective Date; (ii) have not received any written notice that alleges breach or default by Kezar of the Onyx Agreement, or requests a material amendment of or termination of the Onyx Agreement; and (iii) are not aware of any facts that would be reasonably likely to result in a termination of the Onyx Agreement.

Section 10.3 Additional Kezar Covenants. During the Term, Kezar and its Affiliates (a) shall remain in compliance (i) with all payment terms and (ii) in all material respects with all other terms and conditions of each Upstream License; (b) shall not terminate the Upstream Licenses for so long as any Licensed IP or Onyx Know-How licensed to Kezar under such Upstream Licenses is necessary for the Exploitation of the Compound and the Product in the Field in the Territory; (c) shall provide prompt notice to Everest of its receipt of any written notice from an Upstream Licensor that alleges breach or default by Kezar of, requests a material amendment to, or termination of, any Upstream License, and shall provide to Everest a copy of each of the foregoing written notices; (d) provide to Everest a copy of each amendment to an Upstream License following execution thereof; (e) during the Term, shall not amend, modify or terminate any Upstream License in a manner that would terminate rights that are sublicensed to Everest hereunder or otherwise materially diminish the scope or exclusivity of the licenses granted to Everest hereunder; and (f) shall not grant to any Third Party any rights or licenses under the Licensed IP or Onyx Know-How that would conflict with the licenses granted to Everest hereunder.

Section 10.4 Disclaimer . EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS ARTICLE 10 (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.

Section 10.5 Compliance. Each Party agrees that:

(a) it will use Commercially Reasonable Efforts to, and will cause its Affiliates and sublicensees to use Commercially Reasonable Efforts to, Develop,

Manufacture and Commercialize the Product in its respective territory, in each case in accordance in all material respects with (i) all applicable Laws of the country in which such Development, Manufacturing and Commercialization activities are conducted, (ii) the known or published standards of the Regulatory Authority in such country, and (iii) all applicable Anti-Corruption Laws;

(b) it will not, nor any officer, employee or agent of such Party will not, knowingly make an untrue statement of a material fact to any Regulatory Authority with respect to a Product (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 a Product;

(c) 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);

(d) 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 or Region subject to U.S. economic sanctions or who are identified on related U.S. Government lists of restricted parties;

(e) it has obtained or will obtain written agreements from each of its employees, consultants and contractors who perform Development activities pursuant to this Agreement, which agreements will obligate such persons to obligations of confidentiality and non-use and to assign Inventions in a manner consistent with the provisions of this Agreement; and

(f) as of the Effective Date to and through the expiration or termination of this Agreement, (i) 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 Law, rules and regulations concerning or relating to public or commercial bribery or corruption (including the FCPA), and (ii) 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. Either Party may request from time to time, but no more than one time in any [***], that the other Party complete a compliance certification regarding the foregoing.

ARTICLE 11

INDEMNIFICATION

Section 11.1 Indemnity.

11.1.1 ***By Kezar***. Kezar agrees to defend Everest, its Affiliates and their respective directors, officers, employees and agents (the "**Everest Indemnified Parties**") at Kezar's cost and expense, and will indemnify and hold Everest and the other Everest 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 Kezar or its Affiliates in connection with its activities under this Agreement, (b) the material breach of this Agreement or any of the representations, warranties or 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 11.1.2 (By Everest). In the event of any such claim against the Everest Indemnified Parties by a Third Party, the foregoing indemnity obligations shall be conditioned upon (x) Everest promptly notifying Kezar in writing of the claim (***provided, however,*** that any failure or delay to notify shall not excuse any obligations of Kezar except to the extent Kezar is actually prejudiced thereby), (y) Everest granting Kezar sole management and control, at Kezar's sole expense, of the defense of the claim and its settlement (***provided, however,*** that Kezar shall not settle any such claim without the prior written consent of Everest if such settlement does not include a complete release from liability or if such settlement would involve Everest undertaking an obligation (including the payment of money by an Everest Indemnified Party), would bind or impair an Everest Indemnified Party, or includes any admission of wrongdoing or that any intellectual property or proprietary right of Everest or this Agreement is invalid, narrowed in scope or unenforceable), and (z) the Everest Indemnified Parties reasonably cooperating with Kezar (at Kezar's expense). The Everest Indemnified Parties may, at their option and expense, be represented in any such action or proceeding by counsel of their own choosing.

11.1.2 ***By Everest***. Everest agrees to defend Kezar, its Affiliates and their respective directors, officers, employees and agents (the "**Kezar Indemnified Parties**") at Everest's cost and expense, and will indemnify and hold Kezar and the other Kezar 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 Everest, its Affiliates, or their respective Sublicensees in connection with its activities under this Agreement, (b) the material breach of this Agreement or any of the representations, warranties or covenants made hereunder by Everest, or (c) the Exploitation of any Product by or on behalf of Everest, 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 11.1.1 (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 Everest in writing of the claim (***provided, however,*** that any failure or delay to notify shall not excuse any obligation of Everest except to the extent Everest is actually prejudiced thereby), (y) Kezar granting Everest shall sole management and control, at Everest's sole expense, the defense of the claim and its settlement (***provided, however,*** that Everest 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 an Kezar Indemnified Party), would bind or impair an 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 Everest (at Everest'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.

Section 11.2 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 11.2 (LIMITATION OF DAMAGES) SHALL NOT APPLY WITH RESPECT TO (A) ANY BREACH OF SECTION 2.8 (NON-COMPETE) OR ARTICLE 12 (CONFIDENTIALITY) OR (B) THE INTENTIONAL MISCONDUCT OR GROSS NEGLIGENCE OF A PARTY. NOTHING IN THIS SECTION 11.2 (LIMITATION OF DAMAGES) IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF A PARTY UNDER THIS ARTICLE 11 (INDEMNIFICATION) WITH RESPECT TO ANY DAMAGES PAID BY ANOTHER PARTY TO A THIRD PARTY IN CONNECTION WITH A THIRD-PARTY CLAIM.

Section 11.3 Insurance. Each Party shall at its own expense procure and maintain during the period of a Clinical Trial (and for [***] 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, ***provided*** that with respect to Everest, such Clinical Trial liability insurance is limited to the Clinical Trials sponsored by Everest. Additionally, at least [***] prior to First Commercial Sale of a Product in the Territory, Everest shall at its own expense procure and maintain during the Term (and to the extent commercially feasible, for [***] 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 Everest under this Section 11.3 (Insurance) shall, to the extent commercially feasible, name Kezar as an additional insured. Such insurance shall not be construed to create a limit of either Party's liability with respect to its indemnification obligations under this Article 11 (Indemnification). Each Party shall provide the other Party with a certificate of insurance or other evidence of such insurance, upon request. Each Party shall provide the other Party with written notice at least [***] prior to the cancellation, non-renewal or a material change in such insurance which materially adversely affects the rights of the other Party hereunder, and [***] prior written notice of

cancellation for non-payment of premiums. Each Party's insurance hereunder shall be primary with respect to the obligations for which such Party is liable hereunder.

ARTICLE 12

CONFIDENTIALITY

Section 12.1 Confidential Information.

12.1.1 ***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 Know-How within the Licensed IP, (b) the Onyx Know-How, 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, all Know-How within Licensed IP and the Onyx Know-How will be considered Confidential Information of Kezar, and all financial and business disclosures from Everest to Kezar will be considered Confidential Information of Everest.

12.1.2 ***Restrictions***. During the Term and for [***] 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 use Disclosing Party's Confidential Information only in connection with the performance of its obligations and exercise of its rights under this Agreement and for no other use. 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 12.1.2 (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 12.1.2 (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.

12.1.3 ***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.

12.1.4 ***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 Patent Rights 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 Everest is the Receiving Party); permitted acquirers or assignees; and investment bankers, investors and lenders;

provided, however, that (1) with respect to Sections 12.1.4(a) or 12.1.4(b), where not legally prohibited, 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 12.1.4(c), each of those named people and entities are required to comply with the restrictions on use and disclosure in Section 12.1.2 (Restrictions) (other than investment bankers, investors and lenders, which must be bound prior to disclosure by commercially reasonable obligations of confidentiality).

Section 12.2 Terms of this Agreement; Publicity.

12.2.1 ***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 12.1.4 (Permitted Disclosures). Except as required by Law or as permitted under Section 12.1.4 (Permitted Disclosure), and except for (a) the mutually agreed press releases to be issued by each Party on or after the Effective Date or (b) in accordance with Section 12.2.2 (Review), 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.

12.2.2 ***Review***. It is understood that each Party may desire or be required to issue subsequent press releases or other written public disclosures relating to this Agreement or activities hereunder. Each Party agrees to consult with the other Party reasonably and in good faith with respect to the text and timing of such press releases or written public disclosures, and in the case of Everest, to obtain Kezar's written consent (not to be unreasonably withheld, conditioned or delayed) prior to the issuance thereof, ***provided*** that if Kezar does not provide a written response

to Everest within [***] of Kezar's receipt of any request by Everest to Kezar for such consent, Kezar's written consent will be deemed to have been given. Further, each Party may issue such press releases or make such disclosures to securities exchanges or other applicable regulatory or self-regulatory agencies as it determines, based on advice of counsel, are reasonably necessary to comply with laws or regulations. Each Party shall provide the other Party with advance notice of any legally required disclosures to the extent practicable. The Parties will consult with each other on the provisions of this Agreement to be redacted in any public filings made by a Party as required by applicable Law; ***provided,*** that each Party shall have the right to make any such filing as it reasonably determines necessary under applicable Law. In addition, following the initial joint press release announcing this Agreement, each Party shall be free to disclose, without the other Party's prior written consent, the existence of this Agreement, the identity of the other Party and those terms of the Agreement which have already been publicly disclosed in accordance herewith.

Section 12.3 Scientific Publication.

12.3.1 ***Publication Rights***. The JSC shall discuss the publication strategy for the publication of scientific papers, abstracts, meeting presentations and other disclosure of the results of the Clinical Trials carried out under this Agreement, taking into consideration the Parties' interest in publishing the results of the Product Development work in order to obtain recognition within the scientific community and to advance the state of scientific knowledge, and the need to protect Confidential Information, Intellectual Property Rights and other business interests of the Parties. Subject to the immediately preceding sentence and Section 12.3.2 (Kezar Review and Comment): (a) Kezar shall have the first right to publish or otherwise disclose the top-line results of any Multi-Region Trial, including the results generated with respect to any Clinical Trial sites in the Territory; and (b) Everest shall be free to publish or otherwise disclose the results of (i) any Local Trial or (ii) a particular Multi-Region Trial in which Everest participates if Kezar (1) has first published or otherwise publicly disclosed the top-line results of such Multi-Region Trial, (2) has not submitted a publication with respect to such Multi-Region Trial within [***] following the conclusion or termination of such Multi-Region Trial at all sites, or (3) otherwise confirms in writing to Everest of Kezar's decision to not elect its first publication right under this Section 12.3.1 (Publication Rights) with respect to such Multi-Region Trial.

12.3.2 ***Kezar Review and Comment.*** Notwithstanding anything in this Section 12.3 (Scientific Publication) to the contrary, Everest shall provide Kezar with the opportunity to review and comment on any proposed publication that pertains to the Products at least [***] prior to its intended submission for publication which shall only be permitted in the Territory and as to data, results and the like with respect to patients or subjects located in the Territory. Kezar shall provide Everest with its comments, if any, within such [***] after the receipt of such proposed publication. Everest shall consider in good faith the comments provided by Kezar and shall comply with Kezar's request to: (a) remove any and all Confidential Information of Kezar from such proposed publication; and (b) delay the submission for a period up to [***] as may be reasonably necessary to seek patent protection for the information disclosed in the proposed publication. Everest agrees to acknowledge the contribution of Kezar and Kezar's employees in all publication as scientifically appropriate.

Section 12.4 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.

Section 12.5 Prior Confidentiality Agreement. As of the Effective Date, the terms of this Article 12 (Confidentiality) shall supersede any prior non-disclosure, secrecy or confidentiality agreement between the Parties (or their Affiliates) relating to the subject of this Agreement, including the Mutual Confidential Disclosure Agreement, dated as of February 6, 2023, between the Parties. Any information disclosed pursuant to any such prior agreement shall be deemed Confidential Information for purposes of this Agreement.

ARTICLE 13

TERM & TERMINATION

Section 13.1 Term . The term of this Agreement (the "**Term**") shall commence on the Effective Date, and unless terminated earlier as provided in this Article 13 (Term & Termination), shall continue in full force and effect until expiration of the last-to-expire Royalty Term for any Product in the Territory. On a Region-by-Region and Product-by-Product basis, (a) the licenses granted to Everest by Kezar under the Onyx Patents and the Onyx Know-How under this Agreement to Exploit Products shall be fully paid-up, irrevocable and non-exclusive upon the expiration of the Royalty Term in each Region with respect to each Product, as the case may be; and (b) the licenses granted to Everest by Kezar under the Licensed IP (other than the Onyx Patents and Onyx Know-How) under this Agreement shall be fully paid-up, irrevocable and exclusive; in each case ((a) and (b)), upon the expiration of the Royalty Term in each Region with respect to each Product, as the case may be.

Section 13.2 Termination for Material Breach.

13.2.1 ***Breach Notice; Cure Period***. Each Party will have the right to terminate this Agreement upon written notice to the other Party if such other Party materially breaches this Agreement and, after receiving written notice from the non-breaching Party identifying such material breach in reasonable detail (a "**Default Notice**"), fails to cure such material breach within [***] (or [***] with respect to any breach of [***]) from the date of such Default Notice. Notwithstanding the foregoing, if such material breach (other than any breach of any obligation to make payment to the other Party under this Agreement), by its nature, (a) is curable, but is not reasonably curable within the applicable cure period and the breaching Party provides a written plan for curing such breach to the non-breaching Party, and (b) such breach is not also a breach under the Onyx Agreement, then such [***] cure period will be extended for a period mutually agreed by the Parties as long as the breaching Party uses Commercially Reasonable Efforts to cure such breach in accordance with such written plan, but for no longer than an additional [***].

13.2.2 ***Dispute***. Notwithstanding the foregoing, if the alleged breaching Party disputes the existence or materiality of the alleged breach or asserts it has cured such breach, and such breach is not also an alleged breach under the Onyx Agreement, the other Party shall not have the right to terminate this Agreement unless and until it is determined in accordance with Article 14 (Dispute Resolution) that the alleged breaching Party has materially breached this Agreement and fails to cure such breach within [***] after such determination (or within [***] with respect to any breach of [***]), or in the case of an assertion that the alleged breach Party has cured such breach, upon determination that such Party has not cured such breach.

Section 13.3 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, Region, 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 [***] 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.

Section 13.4 Termination for Patent Challenge . Kezar will have the right to terminate this Agreement in full upon written notice to Everest in the event that Everest or any of its Affiliates or Sublicensees directly challenges in a legal or administrative proceeding the patentability, enforceability or validity of any Kezar Patents; ***provided, however***, that Kezar will not have the right to terminate this Agreement under this Section 13.4 (Termination for Patent Challenge) (a) if Everest 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, (b) for any such challenge by any Sublicensee if (i) Everest terminates such Sublicensee within [***] of Kezar's notice to Everest under this Section 13.4 (Termination for Patent Challenge) or (ii) such challenge is dismissed within [***] of Kezar's notice to Everest under this Section 13.4 (Termination for Patent Challenge) and not thereafter continued, or (c) any such challenge was asserted as a defense or counterclaim to an action relating specifically to the Kezar Patents first brought by Kezar or any of its Affiliates against Everest or any of its Affiliates or Sublicensees.

Section 13.5 Termination for Cessation of Development or Commercialization . Kezar may terminate this Agreement on a Product-by-Product basis in the event that Everest and its Affiliates and Sublicensees do not conduct any Development or Commercialization activities with respect to such Product in the Field in the Territory for a continuous period of longer than [***] and such failure to conduct any Development or Commercialization activity is not due to a reason outside the reasonable control of Everest, which include (a) by written agreement of the Parties, (b) a result of Everest's reasonable response to guidance from or action by a Regulatory Authority in the Territory (including a clinical hold, or a recall or withdrawal), (c) due to Kezar's failure to perform any of its material obligations under this Agreement, or (d) prevented throughout such period by a force majeure for which Everest provided notice to Kezar pursuant to Section 15.4 (Force Majeure). Such termination with respect to such Product will be effective [***] after Everest's receipt of written notice thereof if Everest or its Affiliate or Sublicensee has not

recommenced Development or Commercialization activities with respect to such Product in the Field in the Territory. [***].

Section 13.6 Termination for Convenience . At any time following completion, suspension of greater than [***]or termination of the Palizade Trial on a global basis (which, for clarity, completion shall include (a) completion of dosing of all patients, (b) closing of all applicable clinical trial databases, and (c) receipt of all material clinical data generated by or on behalf of Everest as part of the Palizade Trial), Everest shall have the right to terminate this Agreement in its entirety for any or no reason upon [***] written notice to Kezar.

Section 13.7 Termination of Onyx Agreement. This Agreement shall automatically terminate upon termination of the Onyx Agreement.

Section 13.8 Alternative to Termination . If, following a Change of Control of Kezar or Kezar Parent, notwithstanding any other provisions of this Agreement, as Everest's sole remedy that is exercisable only once, Everest has the right to terminate this Agreement under Section 13.2 (Termination for Material Breach) or Section 13.3 (Termination Upon Bankruptcy) and such right arises following a Change of Control of Kezar or Kezar Parent, then in lieu of exercising such termination right, Everest may elect by written notice to Kezar to have this Agreement continue in full force and effect and instead have, starting immediately after the end of the applicable cure period or immediately after the date when Everest could have the right to terminate this Agreement under Section 13.2 (Termination for Material Breach) or Section 13.3 (Termination Upon Bankruptcy), [***]. For clarity, Everest may only exercise its rights under this Section 13.8 (Alternative to Termination) following [***].

Section 13.9 Effects of Termination.

13.9.1 Upon termination of this Agreement by either Party under Section 13.2 (Termination for Material Breach) or Section 13.3 (Termination Upon Bankruptcy), termination of this Agreement by Kezar under Section 13.4 (Termination for Patent Challenge) or Section 13.5 (Termination for Cessation of Development or Commercialization), termination of this Agreement by Everest under Section 13.6 (Termination for Convenience), or automatic termination of this Agreement under Section 13.7 (Termination of Onyx Agreement) (but only in the case where Everest's sublicense under the Onyx Patents and the Onyx Know-How does not survive termination of this Agreement in accordance with Section 9.5(h) of the Onyx Agreement):

(a) Everest will responsibly wind-down, in accordance with accepted pharmaceutical industry norms and ethical practices, any on-going Clinical Trials for which it has primary responsibility hereunder in which patient dosing has commenced or, if reasonably practicable and not adverse to patient safety and requested by Kezar, Everest shall complete such Clinical Trials. For the purpose of clarity, except as provided for above, Everest may wind-down any ongoing Clinical Trials for which it has primary responsibility prior to the date of termination in accordance with accepted pharmaceutical industry norms and ethical practices and Everest will be responsible for any costs associated with such wind-down.

(b) Any rights and licenses with respect to the Product granted to Everest under this Agreement shall immediately terminate, and all such rights shall revert back to Kezar. Subject to Section 13.9.1(h) below, a termination of this Agreement will automatically terminate any sublicense granted by Everest pursuant to Section 2.2 (Sublicenses).

(c) Subject to Section 13.9.1(h) below, all rights and licenses granted by Kezar to Everest in Article 2 (License Grant) will terminate, and Everest and its Affiliates, and (subject to Section 13.9.1(b)) Sublicensees will cease all use of Licensed IP and Onyx Know-How and all Exploitation of any Products, except to the extent required hereunder.

(d) Upon Kezar's request, all Marketing Approvals and other regulatory filings and communications owned (in whole or in part) or otherwise controlled by Everest and its Affiliates, and (subject to Section 13.9.1(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 Trials) will be assigned to Kezar to the extent practicable (or, if not so assigned, Everest shall make the benefit of the foregoing reasonably available to Kezar), and Everest will provide to Kezar 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 Trials (and where reasonably available, electronic copies thereof). In the event of any failure to obtain assignment, Everest hereby consents and grants to Kezar the right to access and reference (without any further action required on the part of Everest, whose authorization to file this consent with any Regulatory Authority is hereby granted) any such item.

(e) Everest hereby grants to Kezar and its Affiliates, and Kezar 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, Patent Rights and Data that are Controlled by Everest 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, Patent Rights and Data that are Controlled by Everest or any of its Affiliates and (subject to Section 13.9.1(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. Such license shall be royalty free, except that if this Agreement is terminated by Everest per Section 13.2 (Termination for Material Breach), then such license shall be subject to a commercially reasonable royalty, to be negotiated and agreed by the Parties promptly and in good faith. If the

Parties are not able to agree on the royalty after [***] negotiation, then either Party may escalate the matter for resolution pursuant to Section 14.2 (Escalation to Executive Officers). Notwithstanding the foregoing, in the event that any of the foregoing Know-How or Patent Rights are not Controlled by Everest (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 Kezar 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 Kezar's request, Everest will assign (or, if applicable, will cause its Affiliates or (subject to Section 13.9.1(b)) Sublicensees to assign) to Kezar all of Everest's (and such Affiliates' and Sublicensees') right, title and interest in and to any Product Marks 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 Everest).

(g) Everest agrees (and shall cause its Affiliates and use commercially reasonable efforts to cause its Sublicensees as a condition of the grant of the applicable sublicense to so agree) to fully cooperate with Kezar and its designee(s) to facilitate a smooth, orderly and prompt transition of the Exploitation of Products to Kezar and/or its designee(s). Upon request by Kezar, Everest shall transfer to Kezar some or all quantities of Products in its possession. If Everest is, at the time of such termination of this Agreement, party to any Third Party contracts with respect to a Product in the Territory, then it shall provide Kezar notice of and to the extent permitted to do so, copies thereof. Everest shall assign to Kezar any such contracts requested by Kezar, to the extent relating to the Product in the Territory 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 Kezar agrees to reimburse Everest therefor (and Everest shall inform Kezar of any such required payment or liability)). Everest shall, at Kezar's cost and expense, (i) provide any cooperation reasonably requested by Kezar to ensure uninterrupted supply of Products (including Everest's employees' time at the FTE Rate), and (ii) if Everest Manufactured a Product at the time of termination, continue to provide for Manufacturing of such Product for Kezar, at its Fully Burdened Manufacturing Cost plus [***] therefore, from the date of notice of such termination until the sooner to occur of such time as Kezar 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 [***] from the effective date of termination of this Agreement.

(h) If (i) this Agreement is terminated by either Kezar under Section 13.2 (Termination for Material Breach) or by either Party under Section 13.3 (Termination Upon Bankruptcy), (ii) prior to such termination, Everest 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 13.9 (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, Kezar shall have no obligations to such Sublicensee under such sublicense agreement.

(i) At the Disclosing Party's election, the Receiving Party shall return (at Disclosing Party's expense) or destroy all tangible materials comprising, bearing, or containing any Confidential Information of the Disclosing Party relating to the Product that are in the Receiving Party's or its Affiliates' or Sublicensees' possession or control and provide written certification of such destruction (except to the extent any information is the Confidential Information of both Parties or to the extent that the Receiving Party has the continuing right to use the Confidential Information under this Agreement); ***provided,*** that the Receiving Party may retain one copy of such Confidential Information for its legal archives. Notwithstanding anything to the contrary set forth in this Agreement, the Receiving Party shall not be required to destroy electronic files containing such Confidential Information that are made in the ordinary course of its business information back-up procedures.

13.9.2 Upon automatic termination of this Agreement under Section 13.7 (Termination of Onyx Agreement) (but only in the case where Everest's sublicense under the Onyx Patents and the Onyx Know-How survives termination of the Onyx Agreement in accordance with Section 9.5(b) or Section 9.5(h) of the Onyx Agreement):

(a) All rights and licenses granted by Kezar to Everest in Article 2 (License Grant) (to the extent that the Licensed IP and the Onyx Know-How continue to be Controlled by Kezar and its Affiliates) and Section 6.6 (Right of Reference) (to the extent that Kezar continues to Control Regulatory Filings pertaining to the Product in the Field submitted by or on behalf of Kezar, its Affiliates, or licensees and all Data contained or referenced therein), and Section 8.3 (Manufacturing Technology Transfer) (to the extent that Kezar is able to complete such Manufacturing technology transfer without infringing or misappropriating the Intellectual Property Rights of Onyx) will survive the termination of this Agreement, subject to compliance by Everest with Article 2 (License Grant), Section 6.6 (Right of Reference) and Section 8.3 (Manufacturing Technology Transfer).

(b) [***]

(c) Other than as specified in Section 13.9.2(a) or Section 13.10 (Survival), Kezar's obligations under this Agreement shall terminate.

Section 13.10 Survival. In addition to the termination consequences set forth in Section 13.9 (Effects of Termination), the following provisions will survive termination or expiration of this Agreement: Article 1 (Definitions), Article 11 (Indemnification), Article 12 (Confidentiality), Article 14 (Dispute Resolution) and Article 15 (Miscellaneous) and Section 2.3 (Retained Rights; No Other Rights), Section 3.2 (Milestone Payment) (with respect to a milestone reached prior to such expiration or termination), Section 3.3 (Royalties) (with respect to sales made before such expiration or termination), Section 3.4 (Method of Payment) through Section 3.8 (Taxes) (inclusive) (with respect to periods with sales of Products made or other payment obligations accruing hereunder before such expiration or termination), Section 5.8 (Records) (except in relation to the second to last sentence, which shall survive for twelve (12) months following the effective date of termination or expiration of this Agreement), Section 7.4 (Records) (except in relation to the second to last sentence, which shall survive for twelve (12) months following the effective date of termination or expiration of this Agreement), Section 9.1 (Ownership), Section 9.3 (Enforcement) through Section 9.5 (Recovery) (inclusive) and Section 9.9 (Patents Licensed From Upstream Licensors) (with respect to any action initiated prior to such expiration or termination), Section 10.4 (Disclaimer), Section 13.9 (Effects of Termination), and this Section 13.10 (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 14

DISPUTE RESOLUTION

Section 14.1 Disputes; Resolution by Executive Officers . The Parties recognize that disputes as to certain matters may from time to time arise during the Term that relate to decisions to be made by the Parties herein or to the Parties' respective rights or obligations hereunder (a "**Dispute**"). It is the desire of the Parties to establish procedures to facilitate the resolution of Disputes arising under this Agreement in an expedient manner by mutual cooperation and without resort to arbitration or litigation. To accomplish this objective, except for any matters that are subject to either Party's (or its Executive Officer's) final decision making authority in accordance with Section 4.2.5 (Decision-Making) or matters relating to patent and trademark disputes in accordance with Section 14.11 (Patent and Trademark Disputes), the Parties agree to follow the procedures set forth in this Article 14 (Dispute Resolution) if and when a Dispute arises under this Agreement, subject to Section 14.7 (WAIVER OF JURY TRIAL).

Section 14.2 Escalation to Executive Officers. In the event the Parties are unable to resolve a Dispute after good faith attempts to reach agreement over a [***] period (or [***]), then either Party may, by written notice to the other, have such issue referred to the Executive Officers for resolution. If the Executive Officers are unable to resolve the matter within [***], or such other longer time that the Executive Officers may otherwise agree upon, after the matter is referred to

them, then either Party may refer such issue to arbitration under Section 14.3 (Long Form Arbitration) by providing written notice thereof to the other Party, unless such issue is subject to [***], each of which shall be resolved under Section 14.4 (Expediated Arbitration).

Section 14.3 Long Form Arbitration . Unless otherwise specified under this Agreement, any Dispute that is not resolved pursuant to Section 14.2 (Escalation to Executive Officers) will be resolved solely and exclusively by binding arbitration to be conducted as set forth below in this Section 14.3 (Long Form Arbitration).

14.3.1 In any proceeding under this Section 14.3 (Long Form Arbitration), there will be three (3) arbitrators. Within [***] after delivery of such notice, each Party will nominate one arbitrator in accordance with the Arbitration Rules. The two arbitrators so nominated will nominate a third arbitrator to serve as chair of the arbitration tribunal, such nomination to be made within [***] after the selection of the second arbitrator. The arbitrators will be neutral and independent of both Parties and all of their respective Affiliates, will have significant experience and expertise in licensing and partnering agreements in the pharmaceutical and biotechnology industries, will have appropriate experience with respect to the matter(s) to be arbitrated, and will have some experience in mediating or arbitrating issues relating to such agreements. In the case of any dispute involving an alleged failure to use Commercially Reasonable Efforts, each arbitrator will in addition be an individual with experience and expertise in the worldwide Development and Commercialization of pharmaceuticals and the business, legal and scientific considerations related thereto. In the case of a dispute involving a scientific or accounting matter or determination, an expert having applicable expertise and experience will be selected by the Parties to assist the arbitrators in such scientific or accounting matter or determination (and the arbitrators will select such expert if the Parties cannot agree on such expert within [***] following the selection of the arbitrators). The governing law in Section 15.5 (Governing Law) will govern such proceedings. No individual will be appointed to arbitrate a dispute pursuant to this Agreement unless he or she agrees in writing to be bound by the provisions of this Section 14.3 (Long Form Arbitration). The place of arbitration will be [***], unless otherwise agreed to by the Parties, and the arbitration will be conducted in English.

14.3.2 The arbitrators will set a date for a hearing that will be held no later than [***] following the appointment of the last of such three arbitrators. The Parties will have the right to be represented by counsel. Except as provided herein, the arbitration will be governed by [***] (the "**Arbitration Rules**") applicable at the time of the notice of arbitration pursuant to Section 14.2 (Escalation to Executive Officers), including the right of each Party to undertake document requests.

14.3.3 The arbitrators' decision and award will be made and delivered within [***] after completion of the hearing described in Section 14.3.2. The determination of the arbitrators as to the resolution of any dispute will be binding and conclusive upon the Parties. All rulings of the arbitrators will be in writing and will be delivered to the Parties as soon as is reasonably possible. Nothing contained herein will be construed to permit the arbitrators to award punitive, exemplary or any similar damages. Any arbitration award may be entered in and enforced by a court in accordance with Section 14.5 (Award) and Section 14.11 (Patent and Trademark Disputes).

Section 14.4 Expedited Arbitration. If the Parties (and the Executive Officers) are unable to agree an issue subject to [***], such disagreement will be resolved solely and exclusively by binding arbitration to be conducted as set forth below in this Section 14.4 (Expedited Arbitration) ("**Expedited Arbitration**").

14.4.1 In any proceeding under this Section 14.4 (Expedited Arbitration), there will be one (1) arbitrator selected by mutual agreement or, if the Parties are unable to agree on an arbitrator within [***] after such matter is referred to Expedited Arbitration, the Parties will request that [***]select the arbitrator, in each case satisfying the criteria set forth in Section 14.3.1 to the maximum extent possible.

14.4.2 Within [***] after appointment of the arbitrator, each Party will submit to the arbitrator its proposal and a written memorandum of no more than fifteen (15) pages in support thereof (the "**Opening Brief**"). The arbitrator will provide each Party's Opening Brief to the other Party after he or she receives the Opening Brief from both Parties. Within [***] after a Party receives the other Party's Opening Brief from the arbitrator, such receiving Party will have the right to submit to the arbitrator a response to the other Party's Opening Brief (each, a "**Response Brief**") which will not exceed ten (10) pages in total. The arbitrator will provide each Party's Response Brief to the other Party after he or she receives a Response Brief from both Parties (or at the expiration of such [***] period if any Party fails to submit a Response Brief).

14.4.3 There will be no discovery in the Expedited Arbitration (e.g., document requests, interrogatories, depositions, etc.). The arbitrator will, however, have the right to perform independent research and analysis and to request any Party provide additional documentary evidence that was Controlled by such Party prior to the arbitrator making such request.

14.4.4 The arbitrator will be instructed to select one Party's proposal no later than [***] following the receipt of both Parties' Response Briefs (or expiration of the aforementioned [***] period if any Party fails to submit a Response Brief) and to select the proposal that he or she determines is the most commercially reasonable under the circumstances and best gives effect to the intent of the Parties under this Agreement. The arbitrator will accept only one of the proposals submitted by the Parties (without making any changes to such proposal) and will render such proposal as the arbitrator's final decision. Notwithstanding anything to the contrary in this Agreement, the arbitrator will not have the authority to render any decision other than selecting one proposal submitted by a Party pursuant to this Section 14.4 (Expedited Arbitration). The arbitrator's decision will be final and binding on the Parties.

Section 14.5 Award. Any award to be paid by one Party to the other Party as determined by the arbitrators as set forth above under Section 14.3 (Long Form Arbitration) will be promptly paid in Dollars free of any tax, deduction or offset, unless otherwise required by applicable Law; and any costs, fees or taxes incident to enforcing the award will, to the maximum extent permitted by Law, be charged against the Party resisting enforcement. Each Party agrees to abide by the award rendered in any arbitration conducted pursuant to this Article 14 (Dispute Resolution), and agrees that, judgment may be entered upon the final award in a court of competent jurisdiction and that other courts may award full faith and credit to such judgment in order to enforce such award. Each Party consents to the jurisdiction of any federal court located in San Francisco, California, or, if such federal court lacks jurisdiction, any state court of California located in San Francisco,

for the purpose of enforcing the arbitration provisions of this Agreement and enforcing any arbitrator's award; ***provided, however,*** that to the extent necessary to avoid irreparable harm, any party may seek temporary or preliminary injunctive relief in accordance with Section 14.8 (Injunctive Relief) in any court of competent jurisdiction. With respect to money damages, nothing contained herein will be construed to permit the arbitrators or any court or any other forum to award punitive or exemplary damages. By entering into this agreement to arbitrate, the Parties expressly waive any claim for punitive or exemplary damages. The only damages recoverable under this Agreement are compensatory damages.

Section 14.6 Costs. Each Party will bear its own legal fees in connection with any arbitration procedure. Each Party shall bear an equal share of the arbitrators' cost, fees and expenses (and those any expert hired by the arbitrators) in relation to arbitration under any arbitration procedure.

Section 14.7 WAIVER OF JURY TRIAL. EXCEPT AS LIMITED BY APPLICABLE LAW, EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF ANY PARTY HERETO IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT HEREOF.

Section 14.8 Injunctive Relief. Nothing in this Article 14 (Dispute Resolution) will preclude either Party from seeking equitable relief or interim or provisional relief from a court of competent jurisdiction, including a temporary restraining order, preliminary injunction or other interim equitable relief, concerning a dispute either prior to or during any arbitration if necessary to protect the interests of such Party or to preserve the status quo pending the arbitration proceeding. For the avoidance of doubt, nothing in this Section 14.8 (Injunctive Relief) will otherwise limit a breaching Party's opportunity to cure a material breach as permitted in accordance with Section 13.2 (Termination for Material Breach). No remedy referred to in this Agreement is intended to be exclusive, but each will be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under applicable Law.

Section 14.9 Confidentiality. The arbitration proceeding will be confidential, and the arbitrators will issue appropriate protective orders to safeguard each Party's Confidential Information. Except as required by applicable Law, no Party will make (or instruct the arbitrators to make) any public announcement with respect to the proceedings or decision of the arbitrators without prior written consent of the other Party (which consent will not be unreasonably withheld, delayed or conditioned). The existence of any dispute submitted to arbitration, and any award, will be kept in confidence by the Parties and the arbitrators, except as required in connection with the enforcement of such award or as otherwise required by applicable Law. Notwithstanding the foregoing, each Party will have the right to disclose information regarding the arbitration proceeding to the same extent as it may disclose Confidential Information of the other Party under Article 12 (Confidentiality) above.

Section 14.10 Survivability. Any duty to arbitrate under this Agreement will remain in effect and be enforceable after termination of this Agreement for any reason.

Section 14.11 Patent and Trademark Disputes. Notwithstanding Section 14.3 (Long Form Arbitration), any dispute, controversy or claim relating to the inventorship, scope, validity, enforceability or infringement of any Patent Rights Covering the Manufacture, use, importation, offer for sale or sale of the Compound or the Products or of any Product Marks will be submitted to a court of competent jurisdiction in the country or Region in which such patent or trademark rights were granted or arose.

ARTICLE 15

MISCELLANEOUS

Section 15.1 Entire Agreement; Amendment. This Agreement 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 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 15.2 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 15.3 Independent Contractors. The relationship between Everest and Kezar 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 15.4 Force Majeure. Neither Party shall be held liable to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in performing any obligation under this Agreement to the extent such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party including embargoes, war, acts of war (whether war be declared or not), insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, fire, floods, pandemics, epidemics or other acts of God or any other deity (or

orders of any Governmental Authority related to any of the foregoing), or acts, omissions or delays in acting by any Governmental Authority. The affected Party shall notify the other Party of such force majeure circumstances as soon as reasonably practicable; the JDC shall review and discuss any such matter to the extent related to any Clinical Trials in the Territory, and the affected Party shall promptly undertake all reasonable efforts necessary to cure such force majeure circumstances.

Section 15.5 Governing Law . This Agreement and its effect are subject to and shall be construed and enforced in accordance with the laws of the State of New York, 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 or Region in which such patent was issued.

Section 15.6 Guarantee.

15.6.1 Guarantor hereby agrees that it shall take all actions necessary to enable Everest to perform its obligations under this Agreement as and when they become performable in accordance with the terms of this Agreement.

15.6.2 Guarantor hereby fully, unconditionally and irrevocably guarantees to Kezar the due and punctual payment of all monetary obligations of Everest as and when they become payable in accordance with the terms of this Agreement, including pursuant to Article 3 (Fees, Royalties & Payments) and Article 11 (Indemnification), and Guarantor shall cause Everest to take all actions as are necessary for it to perform all obligations to be performed by Everest hereunder, all in accordance with the terms of this Agreement. Guarantor hereby acknowledges that, with respect to all of Everest's obligations, the guarantee contemplated by this Section 15.6 (Guarantee) shall be a guaranty of payment and performance and not of collection and shall not be conditioned or contingent upon the pursuit of any remedies against Everest, provided that Guarantor's liability under this Section 15.6 (Guarantee) shall be no greater than Everest's liability under this Agreement was (or would have been).

15.6.3 To the fullest extent permitted by applicable Law, the obligations of Guarantor hereunder shall not be affected by any change in the existence (corporate or otherwise) of Guarantor or Everest or any insolvency, bankruptcy, reorganization or similar proceeding affecting any of them or their assets. Guarantor acknowledges that it will receive direct and indirect benefits from the consummation of the transactions contemplated by this Agreement and that the waivers set forth in this Section 15.6 (Guarantee) are knowingly made in contemplation of such benefits.

Section 15.7 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 email followed by delivery via either of the methods set forth in clauses (a) and (b) of this Section 15.7 (Notice), in each case, addressed as set forth below unless changed by notice so given:

If to Kezar Kezar Life Sciences, Inc.
4000 Shoreline Court, Suite 300
South San Francisco, CA 94080
Attention: Chief Executive Officer
Email: [***]

For notice under subsection (c), with copies (which shall not constitute notice) to:

Email: [***]; [***]

with copies (which shall not constitute notice) to:

Sidley Austin LLP
2850 Quarry Lake Drive, Suite 280
Baltimore, MD 21209
Attention: Asher M. Rubin; Adriana V. Tibbitts
Email: [***]

If to Everest Everest Medicines
F16, CITIC Square, West Nanjing Road 1168
Shanghai 200041, China
Attention: Chief Executive Officer
Email: [***]

with copies (which shall not constitute notice) to:

Ropes & Gray LLP
Three Embarcadero Center
San Francisco, CA 94111-4006
Attention: Geoffrey Lin
Email: [***]

If to Guarantor Everest Medicines
F16, CITIC Square, West Nanjing Road 1168
Shanghai 200041, China
Attention: Chief Executive Officer
Email: [***]

with copies (which shall not constitute notice) to:

Ropes & Gray LLP
Three Embarcadero Center
San Francisco, CA 94111-4006
Attention: Geoffrey Lin
Email: [***]

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 15.7 (Notice).

Section 15.8 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.

Section 15.9 Non-Use of Names. Kezar shall not use the name, trademark, logo, or physical likeness of Everest or any of its officers, directors or employees, or any adaptation of any of them, in any advertising, promotional or sales literature, without Everest's prior written consent. Kezar shall require its Affiliates to comply with the foregoing. Everest 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. Everest shall require its Affiliates and Sublicensees to comply with the foregoing.

Section 15.10 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 (a) 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 (b) 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, 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 15.10 (Successors and Assigns) shall be null and void.

Section 15.11 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 15.12 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 11 (Indemnification) (with respect to which the persons to which Article 11 (Indemnification) applies shall be Third Party beneficiaries for Article 11 (Indemnification) only in accordance with the terms and conditions of Article 11 (Indemnification)).

Section 15.13 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 15.14 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. The word "will" shall be construed to have the same meaning and effect as the word "shall". References to any specific law, rule or regulation, or article, section or other division thereof, shall be deemed to include the then-current amendments thereto or any replacement law, rule or regulation thereof. For purposes of (a) the last sentence of Section 10.2(d), and (b) Section 10.2(e), "knowledge" of Kezar means [***]. This Agreement is made in English. In the event that this Agreement includes terms in any other language, those terms shall be for reference purposes only and the English language version of this Agreement shall control for any interpretations of the provisions of this Agreement. 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 15.15 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. Counterparts may be delivered via electronic mail, including Adobe™ Portable Document Format (PDF) or any electronic signature complying with the U.S. Federal ESIGN Act of 2000, and any counterpart so delivered will be deemed to be original signatures, will be valid and binding upon the Parties, and, upon delivery, will constitute due execution of this Agreement.

Section 15.16 Performance by Affiliates. Each Party may discharge any obligations and exercise any right hereunder through any of its Affiliates and each Party hereby guarantees the performance by its Affiliates of such Party's obligations under this Agreement, without sublicense or assignment, and shall cause its Affiliates to comply with the provisions of this Agreement in connection with such performance. Any breach by such Affiliate of any of such Party's obligations under this Agreement shall be deemed a breach by such Party, and the other Party may proceed directly against such Party (or such Affiliate) without any obligation to first proceed against such Party's Affiliate (or such Party).

[signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

KEZAR LIFE SCIENCES, INC.	**EVEREST MEDICINES II (HK) LIMITED**
By: /s/ John Fowler	By: /s/ Yongqing Luo
Name: John Fowler	Name: Yongqing LUO
Title: Chief Executive Officer	Title: Chief Executive Officer

IN WITNESS WHEREOF, Guarantor, solely for purposes of Section 2.8.4 (Everest's Change of Control) and Section 15.6 (Guarantee), has executed this Agreement as of the date first set forth above.

EVEREST MEDICINES LIMITED

By: /s/ Yongqing Luo

Name: Yongqing LUO

Title: Chief Executive Officer

Exhibit A
Compound

[***]

Exhibit B
Licensed Patents (including the Onyx Patents)

[***]

Exhibit C
Product Sub-Structures

[***]

Exhibit D
Initial Development Plan

[***]

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher Kirk, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kezar Life Sciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

By: /s/ Christopher Kirk
Christopher Kirk
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc Belsky, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kezar Life Sciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

By: /s/ Marc Belsky
Marc Belsky
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Christopher Kirk, Chief Executive Officer of Kezar Life Sciences, Inc. (the "Company"), and Marc Belsky, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

(2) The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2023

/s/ Christopher Kirk
Christopher Kirk
Chief Executive Officer
(Principal Executive Officer)

/s/ Marc Belsky
Marc Belsky
Chief Financial Officer
(Principal Financial Officer)