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 June 30, 2021

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: 001-39370

Nkarta, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**47-4515206**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6000 Shoreline Court, Suite 102	
South San Francisco, CA	**94080**
(Address of principal executive offices)	**(Zip Code)**

(415) 582-4923
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	NKTX	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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, 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 August 9, 2021, the registrant had 32,906,550 shares of common stock, par value $0.0001 per share, outstanding.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, and the information incorporated herein by reference, particularly in the sections captioned “Risk Factors” under Part II, Item 1A, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under Part I, Item 2, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, you can identify forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “objective,” “ongoing,” “plan,” “predict,” “project,” “potential,” “should,” “will,” or “would,” or the negative of these terms, or other comparable terminology intended to identify statements about the future. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. In addition, these statements are based on our management’s beliefs and assumptions and on information currently available to our management as of the date of this Quarterly Report on Form 10-Q. While we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. You should read the sections titled “Risk Factor Summary” below and “Risk Factors” set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements, which such factors may be updated or supplemented from time to time by subsequent reports we file with the Securities and Exchange Commission.

Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. As a result of these factors, we cannot assure you that the forward-looking statements in this Quarterly Report on Form 10-Q will prove to be accurate. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

You should read this Quarterly Report on Form 10-Q, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

RISK FACTOR SUMMARY

Below is a summary of material factors that make an investment in our common stock speculative or risky. Importantly, this summary does not address all the risks and uncertainties that we face. Additional discussion of the risks and uncertainties summarized in this risk factor summary, as well as other risks and uncertainties that we face, can be found under Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q. The below summary is qualified in its entirety by the more complete discussion of such risks and uncertainties. You should consider carefully the risks and uncertainties described under Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q as part of your evaluation of an investment in our common stock.

- *We have a limited operating history and do not have any products approved for sale.*
- *We have incurred significant losses since our inception and we expect to continue to incur significant losses for the foreseeable future.*
- *We have never generated revenue from product sales and may never achieve or maintain profitability.*
- *We will require additional capital, which, if available, may cause dilution to our stockholders, restrict our operations or require us to relinquish rights to our product candidates.*
- *Our business and the business or operations of our research partners, including CRISPR, and other third parties with whom we conduct business could be adversely affected by the effects of health epidemics, including the recent COVID-19 pandemic, in regions where we or third parties on which we rely have business operations.*
- *Our business depends upon the success of our chimeric antigen receptor-natural killer cell, or CAR-NK, cell technology platform.*
- *Utilizing CAR-NK cells represents a novel approach to the treatment of cancer, and we must overcome significant challenges in order to develop, commercialize and manufacture our product candidates.*
- *Clinical development involves a lengthy and expensive process with an uncertain outcome, and we may encounter substantial delays due to a variety of reasons outside our control.*
- *Our business is highly dependent on the success of our product candidates, and on the success of NKX101 and NKX019 in particular, and we may fail to develop NKX101, NKX019 and/or our other product candidates successfully or be unable to obtain regulatory approval for them.*
- *Our preclinical programs may experience delays or may never advance to clinical trials, which would adversely affect our ability to obtain regulatory approvals or commercialize these programs on a timely basis or at all.*
- *The results of preclinical studies and early-stage clinical trials may not be predictive of future results. Initial success in any clinical trials may not be indicative of results obtained when these trials are completed or in later stage trials.*
- *If any of our product candidates, or any competing product candidates, demonstrate relevant, serious adverse events, we may be required to halt or delay further clinical development.*
- *If we fail to compete effectively with academic institutions and other biopharmaceutical companies that develop similar or alternatives to cellular immunotherapy product candidates, our business will be materially adversely affected.*
- *Our manufacturing process is novel and complex, and we may encounter difficulties in production, or difficulties with internal manufacturing, which would delay or prevent our ability to provide a sufficient supply of our product candidates for clinical trials or our products for patients, if approved.*
- *We rely on third parties to manufacture certain of our product candidates, and certain materials for use in the production of our product candidates, which increases the risk that we will not have sufficient quantities of such product candidates or materials, or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.*
- *We are reliant on a sole supplier for certain steps of our manufacturing process.*
- *Delays in commissioning and receiving regulatory approvals for our manufacturing facilities could delay our development plans and thereby limit our ability to develop our product candidates and generate revenues.*
- *If our license agreement with National University of Singapore and St. Jude's Children's Research Hospital, Inc. is terminated, we could lose our rights to key components enabling our NK cell engineering platform.*

- *If any patent protection we obtain is not sufficiently robust, our competitors could develop and commercialize products and technology similar or identical to ours.*
- *If any of our product candidates are approved for marketing and commercialization and we have not developed or secured marketing, sales and distribution capabilities, either internally or from third parties, we will be unable to successfully commercialize such products and may not be able to generate product revenue.*
- *Our product candidates, including NKX101 and NKX019, could be subject to regulatory limitations following approval, if and when such approval is granted.*
- *The market price for our common stock may be volatile, which could contribute to the loss of all or part of your investment.*
- *Concentration of ownership of our shares of common stock among our existing executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.*

Item 1. Financial Statements.

NKARTA, INC.
CONDENSED BALANCE SHEETS
(Unaudited, in thousands, except share data)

	June 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 24,421	$ 96,692
Short-term investments, available-for-sale	255,382	218,221
Prepaid expenses and other current assets	4,132	3,922
Total current assets	283,935	318,835
Restricted cash	452	413
Property and equipment, net	11,350	9,350
Operating lease right-of-use assets	12,050	8,505
Other long-term assets	1,324	547
Total assets	$ 309,111	$ 337,650
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 2,161	$ 1,176
Operating lease liabilities, current portion	2,287	1,402
Accrued and other current liabilities	5,808	6,253
Total current liabilities	10,256	8,831
Operating lease liabilities, net of current portion	10,408	7,517
Other long-term liabilities	65	82
Total liabilities	20,729	16,430
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock	—	—
Common stock	3	3
Additional paid-in capital	447,302	439,235
Accumulated other comprehensive income	6	3
Accumulated deficit	(158,929)	(118,021)
Total stockholders' equity	288,382	321,220
Total liabilities and stockholders' equity	$ 309,111	$ 337,650

The accompanying notes are an integral part of these condensed financial statements.

NKARTA, INC.
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited, in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating expenses				
Research and development	$ 15,957	$ 7,862	$ 29,496	$ 15,122
General and administrative	5,677	2,493	11,618	4,642
Total operating expenses	21,634	10,355	41,114	19,764
Loss from operations	(21,634)	(10,355)	(41,114)	(19,764)
Other income (expense), net:				
Change in fair value of preferred stock purchase right liability	—	(40,741)	—	(40,163)
Interest income	104	27	214	152
Other income (expense), net	(5)	4	(8)	4
Total other income (expense), net	99	(40,710)	206	(40,007)
Net loss	$ (21,535)	$ (51,065)	$ (40,908)	$ (59,771)
Comprehensive loss:				
Net loss	$ (21,535)	$ (51,065)	$ (40,908)	$ (59,771)
Other comprehensive gain (loss)	(28)	4	3	3
Comprehensive loss	$ (21,563)	$ (51,061)	$ (40,905)	$ (59,768)
Net loss per share, basic and diluted	$ (0.66)	$ (30.06)	$ (1.25)	$ (36.13)
Weighted average shares used to compute net loss per share, basic and diluted	32,827,365	1,698,560	32,783,730	1,654,304

The accompanying notes are an integral part of these condensed financial statements.

NKARTA, INC.
CONDENSED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited, in thousands, except share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2020	—	$ —	32,627,963	$ 3	$ 439,235	$ 3	$ (118,021)	$ 321,220
Vesting of shares of common stock subject to repurchase	—	—	15,802	—	9	—	—	9
Issuance of common stock upon exercise of stock option, net of repurchase	—	—	154,489	—	756	—	—	756
Share-based compensation expense	—	—	—	—	3,347	—	—	3,347
Unrealized gain on short-term investments	—	—	—	—	—	31	—	31
Net loss	—	—	—	—	—	—	(19,373)	(19,373)
Balance, March 31, 2021	—	$ —	32,798,254	$ 3	$ 443,347	$ 34	$ (137,394)	$ 305,990
Vesting of shares of common stock subject to repurchase	—	—	15,575	—	9	—	—	9
Issuance of common stock upon exercise of stock option, net of repurchase	—	—	39,032	—	256	—	—	256
Share-based compensation expense	—	—	—	—	3,690	—	—	3,690
Unrealized gain on short-term investments	—	—	—	—	—	(28)	—	(28)
Net loss	—	—	—	—	—	—	(21,535)	(21,535)
Balance, June 30, 2021	—	$ —	32,852,861	$ 3	$ 447,302	$ 6	$ (158,929)	$ 288,382

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance, December 31, 2019	27,283,973	$ 59,815	1,600,601	$ 1	$ 1,179	$ (2)	$ (26,660)	$ (25,482)
Vesting of shares of common stock subject to repurchase	—	—	17,494	—	14	—	—	14
Issuance of common stock upon exercise of stock option, net of repurchase			2,871	—	1			1
Share-based compensation expense	—	—	—	—	482	—	—	482
Unrealized loss on short-term investments						(1)		(1)
Net loss	—	—	—	—	—	—	(8,706)	(8,706)
Balance, March 31, 2020	27,283,973	$ 59,815	1,620,966	$ 1	$ 1,676	$ (3)	$ (35,366)	$ (33,692)
Vesting of shares of common stock subject to repurchase	—	—	19,110	—	12	—	—	12
Issuance of common stock upon exercise of stock option, net of repurchase	—	—	110,425	—	285	—	—	285
Share-based compensation expense	—	—	—	—	566	—	—	566
Unrealized loss on short-term investments	—	—	—	—	—	4	—	4
Net loss	—	—	—	—	—	—	(51,065)	(51,065)
Balance, June 30, 2020	27,283,973	$ 59,815	1,750,501	$ 1	$ 2,539	$ 1	$ (86,431)	$ (83,890)

The accompanying notes are an integral part of these condensed financial statements.

NKARTA, INC.
CONDENSED STATEMENT OF CASH FLOWS
(Unaudited, in thousands)

	Six Months Ended June 30,	
	2021	**2020**
Cash flows from operating activities		
Net loss	$ (40,908)	$ (59,771)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation expense	7,037	1,048
Depreciation and amortization	667	281
Accretion and amortization of premiums and discounts on investments, net	1,576	(32)
Non-cash lease expense	231	178
Change in fair value of preferred stock purchase right liability	—	40,163
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(987)	(368)
Accounts payable and accrued and other liabilities	285	(27)
Net cash used in operating activities	(32,099)	(18,528)
Cash flows from investing activities		
Purchases of property and equipment	(2,411)	(4,812)
Purchases of short-term investments	(86,234)	(3,577)
Maturities of short-term investments	47,500	16,100
Net cash provided by (used in) investing activities	(41,145)	7,711
Cash flows from financing activities		
Proceeds from stock option exercises	1,012	287
Proceeds from early exercise of stock options	—	12
Liability to related party	—	10,245
Payments of deferred offering costs	—	(2,440)
Net cash provided by financing activities	1,012	8,104
Net decrease in cash and cash equivalents	(72,232)	(2,713)
Cash, cash equivalents, and restricted cash beginning of period	97,105	20,875
Cash, cash equivalents, and restricted cash end of period	$ 24,873	$ 18,162
Reconciliation of cash, cash equivalents and restricted cash to the balance sheet:		
Cash and cash equivalents	24,421	$ 17,749
Restricted cash	452	413
Total cash, cash equivalents and restricted cash	$ 24,873	$ 18,162

The accompanying notes are an integral part of these condensed financial statements.

1. Organization and Description of Business

Description of the Business

Nkarta, Inc. ("Nkarta" or the "Company") was incorporated in the State of Delaware in July 2015. The Company is a biopharmaceutical company developing engineered natural killer ("NK") cells to treat cancer. The Company is focused on leveraging the natural potent power of NK cells to identify and kill abnormal cells and recruit adaptive immune effectors to generate responses that are specific and durable. Nkarta is combining its NK expansion platform technology with proprietary cell engineering technologies to generate an abundant supply of NK cells, engineer enhanced NK cell recognition of tumor targets, and improve persistence for sustained activity in the body for the treatment of cancer. Nkarta's goal is to develop off-the-shelf NK cell therapy product candidates to improve outcomes for patients. The Company's operations are based in South San Francisco, California and it operates in one segment.

Liquidity and Management Plans

The accompanying unaudited condensed financial statements have been prepared assuming that the Company will continue as a going concern. However, since inception, the Company has devoted substantially all of its efforts to organizing and staffing, business planning, raising capital, conducting preclinical studies and initiating clinical studies, and has not realized substantial revenues from its planned principal operations. In addition, the Company has a limited operating history, has incurred operating losses since inception and expects that it will continue to incur net losses into the foreseeable future as it continues its research and development activities. As of June 30, 2021, the Company had an accumulated deficit of $158.9 million and cash, cash equivalents, restricted cash and short-term investments of $280.3 million.

Management plans to continue to incur substantial costs in order to conduct research and development activities and additional capital will be needed to undertake these activities. The Company intends to raise such capital through debt or equity financings or other arrangements to fund operations. Management believes that the Company's current cash, cash equivalents, restricted cash and short-term investments will provide sufficient funds to enable the Company to meet its obligations for at least twelve months from the filing date of this report.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed financial statements as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020 have been prepared in accordance with U.S. generally accepted accounting principle ("U.S. GAAP") for interim financial information and pursuant to Article 10 of Regulation S-X of the Securities Act of 1933, as amended (the "Securities Act"). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed financial statements include only normal and recurring adjustments that the Company believes are necessary to fairly state the Company's financial position and the results of its operations and cash flows.

The results for the three and six months ended June 30, 2021 are not necessarily indicative of the results expected for the full year or any subsequent interim period. The condensed balance sheet at December 31, 2020 has been derived from the audited financial statements at that date but does not include all disclosures required by U.S. GAAP for complete financial statements. Because all of the disclosures required by U.S. GAAP for complete financial statements are not included herein, these unaudited condensed financial statements and the notes accompanying them should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020, contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed by the Company with the Securities and Exchange Commission (the "SEC") on March 25, 2021.

COVID-19 Pandemic

The COVID-19 pandemic has caused disruptions in the global economy and has affected and may continue to affect the Company's business and operations. The extent of the impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the development and spread of more contagious and/or vaccine-resistant variants, the effectiveness of actions taken in the United States and other countries to contain, vaccinate against, and treat the disease, and its impact on the Company's current and planned preclinical studies and clinical trials, employees and vendors, all of which are uncertain and cannot be predicted. The extent to which the COVID-19 pandemic may

impact the Company's financial condition or results of operations is uncertain. In response to the pandemic, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was signed into law on March 27, 2020. The CARES Act, among other things, includes tax provisions relating to refundable payroll tax credits, deferment of employer's social security payments, net operating loss utilization and carryback periods, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act had no impact on the Company's income tax provision for the year ended December 31, 2020. The Company continues to evaluate the impact of the CARES Act on its financial position, results of operations and cash flows. The Company currently does not expect to apply for loans or grants under the CARES Act.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates, including those related to preclinical studies, fair value of assets and liabilities, share-based compensation and income taxes. Management bases its estimates on historical experience, knowledge of current events and actions it may undertake in the future that management believes to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions.

Net Loss Per Share

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of common shares outstanding for the period, without consideration of potential dilutive securities. Diluted net loss per share is computed by dividing the net loss by the sum of the weighted average number of common shares plus the potential dilutive effects of potential dilutive securities outstanding during the period. Potential dilutive securities are excluded from diluted earnings or loss per share if the effect of such inclusion is antidilutive. The Company's potentially dilutive securities, which include convertible preferred stock prior to the conversion of such shares to common stock, unvested common stock, and outstanding stock options under the Company's equity incentive plan, have been excluded from the computation of diluted net loss per share as they would be anti-dilutive to the net loss per share. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss position.

Recent Accounting Pronouncements

Income Taxes. In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12—Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Topic 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates. This standard is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company adopted this standard in the first quarter of 2021 using the prospective method, and the adoption did not have a material impact on the Company's financial statements.

There were no other significant updates to the recently issued accounting standards other than as disclosed herewith for the six months ended June 30, 2021. Although there are several other new accounting pronouncements issued or proposed by the FASB, the Company does not believe any of those accounting pronouncements have had or will have a material impact on its financial position or operating results.

3. Net Loss Per Share

The following tables summarize the computation of the basic and diluted net loss per share (in thousands except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net loss	$ (21,535)	$ (51,065)	$ (40,908)	$ (59,771)
Denominator:				
Weighted average common shares outstanding	32,879,406	1,815,833	32,843,343	1,775,961
Less: weighted average unvested common stock issued upon early exercise of common stock options	(52,041)	(117,273)	(59,613)	(121,657)
Weighted average shares used to compute net loss per share, basic and diluted	32,827,365	1,698,560	32,783,730	1,654,304
Net loss per share, basic and diluted	$ (0.66)	$ (30.06)	$ (1.25)	$ (36.13)

The following table summarizes the outstanding potentially dilutive securities that have been excluded in the calculation of diluted net loss per share because their inclusion would be anti-dilutive:

	As of June 30,	
	2021	2020
Common stock options	4,293,442	2,424,747
Unvested common stock upon early exercise of common stock options	46,849	124,888
Convertible preferred stock	—	7,374,034
	4,340,291	9,923,669

4. Fair Value of Financial Instruments

The following tables summarize the fair value of the Company's financial instruments (in thousands):

		Fair Value Measurements Using		
	June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market funds	$ 21,331	$ 21,331	$ —	$ —
Short-term investments:				
Corporate debt securities	$ 89,989	$ —	$ 89,989	—
Commercial paper	44,981	—	44,981	—
U.S. Government securities	120,412	—	120,412	—
Total short-term investments	255,382	—	255,382	—
Total	$ 276,713	$ 21,331	$ 255,382	$ —

	December 31, 2020	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market funds	$ 94,631	$ 94,631	$ —	$ —
Short-term investments:				
Corporate debt securities	$ 48,614	$ —	$ 48,614	—
Commercial paper	63,445	—	63,445	—
U.S. Government securities	106,162	—	106,162	—
Total short-term investments	218,221	—	218,221	—
Total	$ 312,852	$ 94,631	$ 218,221	$ —

Cash Equivalents and Short-Term Investments

Financial assets measured at fair value on a recurring basis consist of the Company's cash equivalents and short-term investments. Cash equivalents consisted of money market funds and short-term investments consisted of commercial paper, U.S. Government securities and corporate bonds. The Company obtains pricing information from its investment manager and generally determines the fair value of investment securities using standard observable inputs, including reported trades, broker/dealer quotes, and bids and/or offers.

Investments are classified as Level 1 within the fair value hierarchy if their quoted prices are available in active markets for identical securities. Investments in money market funds of $21.3 million and $94.6 million as of June 30, 2021 and December 31, 2020, respectively, were classified as Level 1 instruments and were included in cash and cash equivalents.

Investments in marketable securities are valued using Level 2 inputs. Level 2 securities are initially valued at the transaction price and subsequently valued and reported upon utilizing inputs other than quoted prices that are observable either directly or indirectly, such as quotes from third-party pricing vendors. Fair values determined by Level 2 inputs, which utilize data points that are observable such as quoted prices, interest rates and yield curves, require the exercise of judgment and use of estimates, that if changed, could significantly affect the Company's financial position and results of operations. The marketable securities of $255.4 million and $218.2 million as of June 30, 2021 and December 31, 2020, respectively, were classified as Level 2 instruments and were included in short-term investments. Accrued interest receivable related to short-term investments was $1.4 million and $1.1 million as of June 30, 2021 and December 31, 2020, respectively, and included as part of prepaid expenses and other current assets in the condensed balance sheets.

The following tables summarize the Company's short-term investments accounted for as available-for-sale securities as of June 30, 2021 and December 31, 2020 (in thousands):

		June 30, 2021			
	Maturity (in years)	Amortized Cost	Unrealized Losses	Unrealized Gains	Estimated Fair Value
Corporate debt securities	1 year or less	$ 90,000	$ (14)	$ 3	$ 89,989
Commercial paper	1 year or less	44,981	—	—	44,981
U.S. Government securities	1 year or less	120,395		17	120,412
Total		$ 255,376	$ (14)	$ 20	$ 255,382

		December 31, 2020			
	Maturity (in years)	Amortized Cost	Unrealized Losses	Unrealized Gains	Estimated Fair Value
Corporate debt securities	1 year or less	$ 48,616	$ (6)	$ 4	$ 48,614
Commercial paper	1 year or less	63,445	—	—	63,445
U.S. Government securities	1 year or less	106,157	(7)	12	$ 106,162
Total		$ 218,218	$ (13)	$ 16	$ 218,221

The Company has classified all of its available-for-sale investment securities as current assets on the condensed balance sheets based on the highly liquid nature of these investment securities and because these investment securities are considered available for use in current operations.

The Company considers whether unrealized losses have resulted from a credit loss or other factors. The unrealized losses on the Company's available-for-sale securities as of June 30, 2021 and December 31, 2020 were caused by fluctuations in market value and interest rates as a result of the economic environment and not credit risk. The Company concluded that an allowance for credit losses was unnecessary as of June 30, 2021 and that there were no impairments as of December 31, 2020. It is neither management's intention to sell nor is it more likely than not that the Company will be required to sell these investments prior to recovery of their cost basis or recovery of fair value. Unrealized gains and losses are included in accumulated other comprehensive income.

There was no realized gain or loss on available-for-sale securities in the periods presented. The Company uses the specific identification method to determine the cost basis of investments sold.

5. Balance Sheet Components

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are comprised of the following (in thousands):

	June 30, 2021	December 31, 2020
Prepaid expenses	$ 2,420	$ 2,586
Other current assets	1,712	1,336
Total prepaid expenses and other current assets	$ 4,132	$ 3,922

Property and Equipment, Net

Property and equipment, net is comprised of the following (in thousands):

	June 30, 2021	December 31, 2020
Leasehold improvements	$ 3,413	$ 1,984
Furniture and fixtures	523	322
Research equipment	8,051	4,892
Computers and software	124	124
Construction in progress	1,337	3,459
Total property and equipment	13,448	10,781
Less accumulated depreciation and amortization	(2,098)	(1,431)
Total property and equipment, net	$ 11,350	$ 9,350

Depreciation and amortization expense were $0.4 million and $0.7 million for the three and six months ended June 30, 2021, respectively, and $0.1 million and $0.3 million for the three and six months ended June 30, 2020, respectively.

Accrued and Other Current Liabilities

Accrued other current liabilities are comprised of the following (in thousands):

	June 30, 2021	December 31, 2020
Accrued compensation	$ 3,422	$ 3,534
Accrued research and development costs	1,297	1,675
Accrued property and equipment	156	117
Other accrued and current liabilities	933	927
Total accrued and other liabilities	$ 5,808	$ 6,253

6. Leases

The Company has operating leases for its corporate office, laboratory space, manufacturing facility, and dedicated space in a vivarium in South San Francisco, California. Rent expense, which is recognized on a straight-line basis over the term of each lease, was $0.7 million and $1.2 million for the three and six months ended June 30, 2021, respectively, and $0.5 million and $0.9 million for the three and six months ended June 30, 2020, respectively. The total cash paid for operating leases included in the operating cash flows was $0.6 million and $1.0 million for the three and six months ended June 30, 2021, respectively, and $0.4 million and $0.8 million for the three and six months ended June 20, 2020, respectively. The weighted-average remaining lease term was 7.2 years for the corporate office and laboratory space leases as of June 30, 2021. The weighted-average discount rate was 9.2% as of June 30, 2021.

In May 2020, the Company signed an amendment to its office and laboratory facilities lease. The amended lease provides for an eight-year non-cancelable lease of additional office and laboratory space in the same building. The lease for additional office and laboratory space provides for abatement of rent during the first three months of the lease and contains rent escalations during the term of the lease. The lease for this additional space commenced in January 2021 and expires in January 2029. The lease amendment also includes an extension of the lease term for the existing office and laboratory space beginning on May 1, 2020 and expiring in January 2029. The lease agreement includes an option to extend the lease for an additional seven-year term.

In January 2021, the Company signed a third amendment to its corporate office and laboratory facilities lease which provides for lease of additional space in the same building. The lease of this additional space commenced in April 2021 and expires in March 2024. The other terms of the existing lease remain unchanged.

In July 2021, the Company entered into a new lease for corporate office, manufacturing and laboratory space located in South San Francisco, California. See Note 11, “Subsequent Events” for additional information.

Maturities of operating lease liabilities under existing operating leases as of June 30, 2021 were as follows (in thousands):

Year ending December 31,	Amount
2021 (remaining six months)	$ 1,201
2022	2,288
2023	2,285
2024	2,184
2025	2,200
2026 and thereafter	7,322
Total future minimum lease payments	17,480
Less imputed interest	(4,785)
Present value of net minimum lease payments	$ 12,695
Operating lease liabilities:	
Current	2,287
Non-current	10,408
Total lease liability	$ 12,695

7. Commitments & Contingencies

Guarantee Agreement

The Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company’s request in such capacity. The term of the indemnification period is for the officer’s or director’s lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits its exposure and enables the Company to recover a portion of any future amounts under certain circumstances and subject to deductibles and exclusions. The Company had no liabilities recorded for these agreements as of June 30, 2021 and December 31, 2020.

Letters of Credit

As of June 30, 2021, the Company has a $0.5 million letter of credit agreement with a financial institution that is used as collateral for the Company’s corporate headquarters’ operating lease. The letter of credit automatically renews annually without amendment unless cancelled by the financial institutions within 30 days of the annual expiration date.

8. CRISPR Collaboration Agreement

On May 5, 2021, the Company entered into a research collaboration agreement (the "CRISPR Agreement") with CRISPR Therapeutics ("CRISPR") to co-develop and co-commercialize an engineered CAR-NK product candidate targeting the CD70 tumor antigen and a second novel NK plus T cell ("NK+T") product candidate. In addition, the Company will receive a license from CRISPR for up to five CRISPR-Cas9 gene editing targets that can be engineered into an unlimited number of its own NK cell products. CRISPR also has an option to co-develop and co-commercialize a future CAR-NK program.

Under the terms of the CRISPR Agreement, the Company and CRISPR share equally all research and development costs and potential profits worldwide related to the CD70 CAR-NK product candidate, NK+T product candidate, and the potential future CAR-NK program (collectively, "Collaboration Products"). For the NK+T program, CRISPR is responsible for gene-editing activities and T cell related activities, and Nkarta is responsible for NK cell related activities. There were an insignificant amount of costs incurred pursuant to the CRISPR agreement in the quarter ended June 30, 2021. For each non-collaboration product candidate incorporating a gene editing target licensed from CRISPR, the Company would retain worldwide rights and may be required to make potential future payments based on the achievement of development and regulatory approval milestones totaling less than mid-twenty million dollars for each non-collaboration product, as well as tiered royalties up to the mid-single digits on net product sales of such product. As of June 30, 2021, the Company has not paid any amounts nor are any amounts owed under the agreement, and no milestones have been achieved.

9. Share-Based Compensation

Equity Incentive Plan

The Company's 2020 Performance Incentive Plan (the "2020 Plan") which was adopted by the Company's board of directors in June 2020 and approved by the Company's stockholders in July 2020, became effective upon the consummation of the Company's initial public offering ("IPO"). Upon the effectiveness of the 2020 Plan, no further grants may be made under the Company's 2015 Equity Incentive Plan (the "2015 Plan"). The Company's 2020 Plan allows for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, stock bonuses, restricted stock, stock units and other forms of awards including cash awards to its officers, directors, employees, consultants and advisors.

A total of 4,295,638 shares of the Company's common stock is authorized for issuance with respect to awards granted under the 2020 Plan. The share limit will automatically increase on the first trading day in January of each year (commencing in 2021) by an amount equal to the lesser of (1) 5% of the total number of outstanding shares of the Company's common stock on the last trading day in December in the prior year, or (2) such lesser number as determined by the Company's board of directors. Any shares subject to awards granted under the 2020 Plan or the 2015 Plan that are not paid, delivered or exercised before they expire or are canceled or terminated, or otherwise fail to vest, as well as shares used to pay the purchase or exercise price of such awards or related tax withholding obligations, will become available for new award grants under the 2020 Plan..

The following table summarizes the option activity under the 2020 Plan and 2015 Plan during the six months ended June 30, 2021:

	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual term (in years)
Outstanding at December 31, 2020	3,640,715	$ 11.00	9.0
Granted	862,847	48.74	
Exercised	(194,354)	5.21	
Forfeited	(15,766)	18.31	
Outstanding at June 30, 2021	4,293,442	$ 18.82	8.8
Exercisable at June 30, 2021	1,079,227	$ 11.15	8.4
Vested and expected to vest at June 30, 2021	4,293,442	$ 18.82	8.8

The weighted-average grant date fair value of stock option grants was $33.04 per share for the six months ended June 30, 2021.

Employee Stock Purchase Plan

The Company's 2020 Employee Stock Purchase Plan (the "ESPP"), which was adopted by the Company's board of directors in June 2020 and approved by the Company's stockholders in July 2020, became effective upon the consummation of the IPO. A total of

622,652 shares of the Company's common stock is initially available for issuance under the ESPP. The ESPP allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. The ESPP provides for six-month offering periods, and at the end of each offering period, employees are able to purchase shares at 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the last trading day of the offering period. As of June 30, 2021, no shares had been issued under the ESPP, and the full number of shares authorized under the ESPP Plan was available for issuance purposes.

Liability for Early Exercise of Restricted Stock Options

Shares subject to repurchase by the Company were 46,849 shares and 77,393 shares, with the related liability of $0.1 million and $0.1 million recorded under other long-term liabilities in the condensed balance sheets as of June 30, 2021 and December 31, 2020, respectively.

Share-Based Compensation Expense

Share-based compensation expense for the three and six months ended June 30, 2021 and 2020 was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Research and development	$ 1,744	$ 229	$ 3,314	$ 424
General and administrative	1,946	337	3,723	624
Total share-based compensation	$ 3,690	$ 566	$ 7,037	$ 1,048

The total unrecognized compensation cost related to unvested share-based awards was $43.5 million, which is expected to be recognized over a weighted-average remaining service period of 3.22 years as of June 30, 2021.

10. Income Taxes

There was no provision for income taxes recorded during the three and six months ended June 30, 2021 and 2020. The Company's deferred tax assets continue to be fully offset by a valuation allowance.

11. Subsequent Events

On July 9, 2021, the Company entered into a lease agreement for corporate office, manufacturing and laboratory space located in South San Francisco, California with an expiration date approximately twelve years after the lease commencement date. The Company will become responsible for paying rent on the lease commencement date. The Company's monthly installment of base rent for the new premises will start at approximately $0.6 million commencing on the lease commencement date and will increase on an annual basis up to a maximum monthly base rent of approximately $0.8 million. The Company expects to pay base rent of approximately $98.8 million over the lease term. In addition to base rent, the Company is responsible for payment of direct expenses, which include operating, insurance and tax expenses. The lease also provides for certain tenant improvement allowances of up to approximately $25.2 million for tenant improvements and certain infrastructure upgrades in connection with the initial buildout of the premises, approximately $4.4 million of which, if utilized, would need to be repaid by the Company over the lease term. The Company is required to deliver a security deposit in the form of a letter of credit of $1.6 million to the Landlord in connection with the lease agreement.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and with the audited financial statements and the related notes included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"), on March 25, 2021 for the fiscal year ended December 31, 2020, including information with respect to our plans and strategy for our business and related financing. The discussion and analysis below includes forward-looking statements that involve risks and uncertainties, including those risks and uncertainties set forth in the sections titled "Risk Factors" of this Quarterly Report on Form 10-Q, which may cause our actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. See "Cautionary Note Regarding Forward-Looking Statements" above. Unless the context otherwise requires, the terms "Company," "Nkarta, Inc.," "we," "us" or "our" refer to Nkarta, Inc. We do not have any subsidiaries.

Overview

We are a biopharmaceutical company focused on the discovery, development and commercialization of allogeneic, off-the-shelf engineered natural killer ("NK"), cell therapies to treat cancer. Our NK cell engineering platform builds on prior experience and success with engineering T cells and includes proprietary technologies that enable us to generate an abundant supply of NK cells, improve the persistence of these cells for sustained activity in the body, engineer enhanced NK cell recognition of tumor targets and to freeze, store and thaw our engineered NK cells for off-the-shelf use for the treatment of cancer. All of our product candidates are designed to be allogeneic, meaning they are produced using cells from a different person than the patient treated, as well as off-the-shelf, meaning they are produced in quantity, then frozen and therefore available for treating patients without delay, unlike existing autologous cell therapies, or cell therapies derived from a patient's own cells. Based on recently published data and data presented at medical conferences from a number of clinical trials of certain NK cell therapies, we believe that engineered NK cells have the potential to be an effective cancer therapy, be well tolerated, and avoid some of the toxicities observed with other cell therapies. Our two co-lead product candidates are NKX101 and NKX019.

Our NK cell engineering platform is designed to address the limitations and challenges of current technologies for engineering T cells and NK cells and is a result of our internal expertise and deep understanding of NK cell biology. Our platform includes proprietary technologies for NK cell expansion, persistence, targeting and cryopreservation. All of our product candidates incorporate each of the four components of our technology platform, which we believe provides the best opportunity for achieving clinically meaningful results in our development program.

Our Investigational New Drug Application ("IND") for NKX101 for the treatment of relapsed/refractory acute myeloid leukemia ("AML") and higher-risk myelodysplastic syndromes ("MDS") was accepted by the U.S. Food and Drug Administration (the "FDA") in July 2020. On November 12, 2020, we announced that the first patient was treated in the multi-center Phase 1 clinical trial of NKX101 for the treatment of relapsed/refractory AML or higher risk MDS. In the first quarter of 2021, the FDA approved a protocol amendment to the clinical trial of NKX101, which includes an overall shorter waiting period between enrollment of patients, an additional two-dose regimen which increases patient convenience and delivers more CAR NK cells earlier in each treatment cycle, and the earlier introduction of non haplo-related, off-the-shelf NKX101 in the ongoing dose finding cohort. This first-in-human study evaluates the safety, pharmacokinetics, and preliminary anti-tumor activity of NKX101, administered in a cycle of either three weekly infusions (Regimen A) or two weekly infusions (Regimen B) following lymphodepletion in multiple centers in the US. The clinical trial consists of parallel dose-finding in both Regimens followed by dose-expansion and is designed to identify the recommended Phase 2 dose.

Our IND for NKX019 for the treatment of B-cell malignancies was accepted by the FDA in April 2021, and the clinical trial notification was filed with Therapeutic Goods Administration - Australia ("TGA") following appropriate Human Research Ethics Committees ("HREC") approval in Australia in May 2021. We plan to begin dosing the first patient with NKX019 in the second half of 2021. This first-in-human study evaluates the safety, pharmacokinetics, and preliminary anti-tumor activity of NKX019, administered in a cycle of three weekly infusions following lymphodepletion in multiple centers in the U.S. and Australia. The clinical trial consists of dose-finding followed by dose-expansion and is designed to identify the recommended Phase 2 dose.

On May 5, 2021, we entered into a Research Collaboration Agreement (the "Agreement") with CRISPR Therapeutics AG ("CRISPR"). Pursuant to the Agreement, CRISPR and the Company will establish research plans for the purpose of collaboratively designing and advancing up to two (2) allogeneic, gene-edited NK cell therapies and one (1) allogeneic, gene-edited NK+T cell therapy for use in the treatment of oncology, autoimmune disease, and infectious disease up to the filing of an application to a regulatory authority to request the ability to start a clinical trial. Additionally, CRISPR will also grant non-exclusive licenses to us on up to five gene-editing targets to enable us to independently research, develop and commercialize NK cell therapies that have been gene-edited using CRISPR's gene-editing technology.

Since the commencement of our operations in 2015, we have devoted substantially all of our resources 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 have not generated any revenue from product sales and have funded our operations primarily from our initial public offering ("IPO") completed in July 2020, the issuance of convertible promissory notes, private placements of our preferred stock and with proceeds from our previous collaboration. We incurred a net loss of $91.4 million and $21.1 million during the years ended December 31, 2020 and 2019, respectively, and $40.9 million and $59.8 million during the six months ended June 30, 2021 and 2020, respectively, and we expect to continue to incur significant losses for the foreseeable future. As of June 30, 2021, we had an accumulated deficit of $158.9 million. At June 30, 2021, we had cash, cash equivalents, restricted cash and short-term investments of $280.3 million.

We expect our operating expenses to significantly increase as we continue to develop and seek regulatory approvals for our product candidates, engage in other research and development activities to expand our pipeline of product candidates, maintain and expand our intellectual property portfolio, and ultimately establish a commercial organization. We have also incurred increased operating expenses since becoming a public company, which we expect will further increase when we are no longer able to rely on certain "emerging growth company" exemptions we are afforded under the Jumpstart Our Business Startups Act (the "Jobs Act") as further described under "—Jobs Act" below. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending on the timing of our clinical trials, and our expenditures on other research and development activities.

We will need substantial additional funding to support our continuing operations and pursue our long-term development strategy. We may seek additional funding through the issuance of our common stock, other equity or debt financing or collaborations or partnerships with other companies. The amount and timing of our future funding requirements will depend on many factors, including the pace and results of our clinical development efforts for our product candidates and other research, development and manufacturing activities. We may not be able to raise additional capital on terms acceptable to us, or at all. Any failure to raise capital as and when needed would compromise our ability to execute on our business plan and may cause us to significantly delay, scale back or discontinue the development of some of our programs or curtail any efforts to expand our product pipeline.

We issued shares of our Series B convertible preferred stock for aggregate gross proceeds of $64.4 million on July 1, 2020 in connection with the exercise by the holders of at least one-third of our Series B convertible preferred stock prior to the completion of our IPO (the "Series B Milestone Closing"). On July 14, 2020, we completed our IPO. In connection with the IPO, we issued and sold 16,100,000 shares of our common stock, including 2,100,000 shares associated with the full exercise of the underwriters' option to purchase additional shares, at a price to the public of $18.00 per share. We received approximately $265.1 million in net proceeds, after deducting underwriting discounts and commissions and other offering costs of $24.7 million. The shares began trading on the Nasdaq Global Select Market on July 10, 2020. Upon completion of the IPO, all of our outstanding shares of convertible preferred stock converted into 14,689,215 shares of our common stock.

The COVID-19 pandemic has affected and may continue to affect our business and operations and those of third parties on which we rely, including by causing disruptions in the supply of our product candidates and the conduct of current and future clinical trials. We have taken certain precautionary measures to minimize exposure of our employees to the virus and to comply with directives from public health officials. This includes work from home policies for our employees as well as enhanced safety measures for our employees and other personnel working in our offices, labs and manufacturing facility. We have mandated vaccination for our employees working on site and have encouraged vaccination of our employees working remotely. Some of the third-party vendors that we use, including some of our contract manufacturing sites, and our contract research organizations ("CROs"), have experienced employee turnover/attrition, delays or other disruptions during this pandemic and the accompanying flexible work options and, in some instances, costs have increased. We have incorporated remote monitoring of clinical trial sites, where feasible, for our ongoing NKX101 Phase 1 trial in the U.S. and will utilize a similar approach for the upcoming NKX019 Phase 1 trial with sites in both the U.S. and Australia. In addition, we have experienced some internal delays due to COVID-19, including some delays in construction of our current good manufacturing practices ("cGMP") manufacturing facility and in our internal research efforts. COVID-19 has also caused global supply shortages of certain materials that we and our contract development and manufacturing organization ("CDMO") partners use for research and cGMP manufacturing, such as certain raw materials, cell culture media, and disposable plastics. We will continue to monitor the impact of COVID-19 and any additional waves of the pandemic on the Company's operations including continued enrollment in the NKX101 clinical trial and the current timeline for dosing of the first patient with NKX019, as well as on our CROs, CDMOs, and clinical trial sites with respect to COVID-19 related shutdowns, restrictions on travel, and restrictions on hospital visits for clinical trial participants or clinical research staff. In response to the pandemic, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was signed into law on March 27, 2020. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer's social security payments, net operating loss utilization and carryback periods, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. We continue to evaluate the impact of the CARES Act on our financial position, results of operations and cash flows. We currently do not believe the CARES Act will have a material impact on our financial condition, results of operations, or liquidity. A discussion of the risks and uncertainties that we face as a result of the COVID-19 pandemic can be found under Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q.

Financial Operations Overview

Operating Expenses

Research and Development

Research and development costs consist primarily of costs incurred for the discovery and clinical development of our drug candidates, which include:

- employee-related expenses, including salaries, related benefits, travel and share-based compensation expenses for employees engaged in research and development functions;
- expenses incurred in connection with research, laboratory consumables, sponsored research, and preclinical studies;
- expenses incurred in connection with conducting clinical trials including investigator grants and site payments for time and pass-through expenses and expenses incurred under agreements with CROs, other vendors or central laboratories and service providers engaged to conduct our trials;
- the cost of consultants engaged in research and development related services and the cost to manufacture drug products for use in our preclinical studies and clinical trials;
- facilities, depreciation and other expenses, which include allocated expenses for rent and maintenance of facilities, insurance and supplies;
- costs related to regulatory compliance; and
- the cost of annual license fees.

We typically have various early stage research and drug discovery projects as well as various product candidates undergoing clinical trials. Our internal resources, employees and infrastructure are not directly tied to any one research or drug discovery project and are typically deployed across multiple projects. As such, we do not maintain information regarding the costs incurred for these early stage research and drug discovery programs on a project-specific basis.

We expense research and development costs as they are incurred. Nonrefundable advance payments for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. The prepaid amounts are expensed as the related goods are delivered or the services are performed.

The following table summarizes our research and development expenses for the three and six months ended June 30, 2021 and 2020. The direct external development program expenses reflect external costs attributable to our clinical development candidates and preclinical candidates selected for further development. Such expenses include third-party contract costs relating to manufacturing, clinical trial activities, translational medicine and toxicology activities. The unallocated internal research and development costs include personnel, facility costs, laboratory consumables and discovery and research related activities associated with our pipeline.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Direct external development program expenses:				
NKX101	$ 3,066	$ 1,703	$ 5,074	$ 3,807
NKX019	1,489	77	2,474	87
Program 3	9	36	364	57
Program 4	352	—	352	—
Unallocated internal research and development costs:				
Personnel related (including share-based compensation)	6,973	3,928	13,901	7,094
Others	4,068	2,118	7,331	4,077
Total research and development costs	$ 15,957	$ 7,862	$ 29,496	$ 15,122

Research and development activities are central to our business model. There are numerous factors associated with the successful commercialization of any of our drug candidates, including future trial design and various regulatory requirements, many of which cannot be determined with accuracy at this time based on our stage of development. In addition, future regulatory factors beyond our control may impact our clinical development programs. Drug candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the preclinical and clinical development of any of our drug candidates. However, we expect that our research and development expenses will increase substantially in connection with our planned preclinical and clinical development activities in the near term and in the future.

The successful development of our drug candidates is highly uncertain. A change in the outcome of any of a number of variables with respect to the development of our drug candidates may significantly impact the costs and timing associated with the development of our drug candidates. A discussion of the risks and uncertainties that we face in the development and commercialization of our drug candidates can be found under Part II, Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q. We may never succeed in obtaining regulatory approval for any of our drug candidates.

General and Administrative

General and administrative expenses consist primarily of salaries and employee-related costs, including share-based compensation, for personnel in executive, finance and other administrative functions. Other significant costs include legal fees relating to intellectual property and corporate matters, professional fees for accounting and consulting services and facility-related costs.

We expect our general and administrative expenses will increase for the foreseeable future to support our increased research and development activities and to reflect increased costs associated with operating as a public company. These increased costs will likely include increased expenses related to audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums and investor relations costs.

Other Income (Expense)

Change in Fair Value of Preferred Stock Purchase Right Liability

In August 2019, we entered into a Series B Preferred Stock Purchase Agreement that contained future purchase rights that were required to be accounted for as liabilities and remeasured to fair value at each reporting date, with any change in the fair value reported as a component of other expense, net. We recorded adjustments to the estimated fair value of the preferred stock purchase rights until they were exercised in July 2020 in connection with our IPO. At that time, the convertible preferred stock purchase right liability was reclassified to additional paid-in capital and we will no longer record any related periodic fair value adjustments.

Interest Income

Interest income consists of interest earned on our cash, cash equivalents and short-term investments and adjustments related to amortization of purchase premiums and accretion of discounts of short-term investments.

Results of Operations

The following table summarizes our results of operations for the periods indicated (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Operating expenses:						
Research and development	$ 15,957	$ 7,862	$ 8,095	$ 29,496	$ 15,122	$ 14,374
General and administrative	5,677	2,493	3,184	11,618	4,642	6,976
Total operating expenses	21,634	10,355	11,279	41,114	19,764	21,350
Loss from operations	(21,634)	(10,355)	(11,279)	(41,114)	(19,764)	(21,350)
Other income (expense), net:						
Change in fair value of preferred stock purchase right liability	—	(40,741)	40,741	—	(40,163)	40,163
Interest income	104	27	77	214	152	62
Other expense, net	(5)	4	(9)	(8)	4	(12)
Total other income (expense), net	99	(40,710)	40,809	206	(40,007)	40,213
Net loss	$ (21,535)	$ (51,065)	$ 29,530	$ (40,908)	$ (59,771)	$ 18,863

Comparison of the Three and Six Months Ended June 30, 2021 and 2020

Research and development expenses. Research and development expenses were $16.0 million and $7.9 million for the three months ended June 30, 2021 and 2020, respectively. The increase of $8.1 million was primarily due to an increase in personnel costs of $3.1 million, including an increase in share-based compensation expense of $1.5 million as a result of continued growth in headcount, an increase of $3.1 million in program costs primarily relating to NKX101 and NKX019 and $1.9 million in other internal research costs, primarily consisting of research and laboratory supplies and facilities expenses.

Research and development expenses were $29.5 million and $15.1 million for the six months ended June 30, 2021 and 2020, respectively. The increase of $14.4 million was primarily due to an increase in personnel costs of $6.8 million, including an increase in share-based compensation expense of $2.9 million as a result of continued growth in headcount, an increase of $4.3 million in program costs primarily relating to NKX101 and NKX019 and $3.3 million in other internal research costs, primarily consisting of research and laboratory supplies and facilities expenses. We expect our research and development expenses will increase in future periods as we progress our product candidates and conduct our clinical trials and development activities.

General and administrative expenses. General and administrative expenses were $5.7 million and $2.5 million for the three months ended June 30, 2021 and 2020, respectively. The increase of $3.2 million was primarily due to an increase in personnel costs of $2.1 million, including an increase of $1.6 million in share-based compensation expense as a result of continued growth in headcount, a $0.3 million increase in professional services related to accounting services, corporate legal fees, other consulting and patent legal fees, and a $0.8 million increase in other general and administrative expenses that included insurance, rent, depreciation expense and other facilities expense.

General and administrative expenses were $11.6 million and $4.6 million for the six months ended June 30, 2021 and 2020, respectively. The increase of $7.0 million was primarily due to an increase in personnel costs of $4.1 million, including an increase of $3.1 million in share-based compensation expense as a result of continued growth in headcount, a $1.2 million increase in professional services related to accounting services, corporate legal fees, other consulting and patent legal fees, and a $1.7 million increase in other general and administrative expenses that included insurance, rent, depreciation expense and other facilities expense. We expect to incur additional expenses as a result of being a public company following the completion of our IPO in July 2020, which we expect will further increase when we no longer qualify as an “emerging growth company” under the JOBS Act. In addition, we have incurred and expect to continue to incur increased expenses related to additional insurance, investor relations and other increases related to needs for additional human resources and professional services associated with being a public company.

Change in fair value of preferred stock purchase right liability. We recognized a remeasurement adjustment for the change in fair value of preferred stock purchase right liability of $40.7 million in other expense and $40.2 million in other income for the three and six months ended June 30, 2020, respectively. This was related to the Series B Preferred Stock Purchase Agreement that we entered into in August 2019, which contained future purchase rights that were required to be accounted for as liabilities and remeasured to fair value at each reporting date, with any change in the fair value reported as a component of other expense, net. Upon the completion of the Series B Milestone Closing in July 2020, which resulted in the issuance of 27,066,206 shares of our Series B convertible preferred stock for an aggregate gross proceeds of $64.4 million, the final remeasurement adjustment of the preferred stock purchase right liability was recorded and reclassified to additional paid-in capital on the balance sheet upon the exercise of the preferred stock purchase right.

Interest income. Interest income was $0.1 million for the three months ended June 30, 2021. Interest income was not significant for the three months ended June 30, 2020. The slight increase in interest income was due to interest earned from short-term investments, partially offset by amortization of purchase premiums and accretion of discounts of short-term investments.

Interest income was $0.2 million and $0.2 million for the six months ended June 30, 2021 and 2020, respectively. The slight increase in interest income was due to interest earned from short-term investments, partially offset by amortization of purchase premiums and accretion of discounts of short-term investments.

Liquidity and Capital Resources

Sources of Liquidity

As of June 30, 2021, we had cash, cash equivalents, restricted cash and short-term investments of $280.3 million. In connection with our IPO which closed on July 14, 2020, we received $265.1 million in net proceeds, after deducting underwriting discounts and commissions and other offering expenses. We issued and sold 16,100,000 shares of our common stock, including 2,100,000 shares associated with the full exercise of the underwriters' option to purchase additional shares, at a price to the public of $18.00 per share. On July 1, 2020, we issued 27,066,206 shares of our Series B convertible preferred stock at a price of $2.37935 per share for gross proceeds of $64.4 million in connection with the Series B Milestone Closing.

Prior to our IPO, we funded our operations primarily through the issuance of convertible promissory notes and private placements of our convertible preferred stock with a total gross proceeds of $126.0 million, and from our previous collaboration agreement with GSK which terminated in December 2018 of $7.9 million.

We have incurred net losses and negative cash flows from operations since our inception and anticipate that we will continue to incur net losses for the foreseeable future. We expect to incur substantial expenditures as we develop our product pipeline and advance our drug candidates through clinical development, undergo the regulatory approval process and, if approved, launch commercial activities. Specifically, in the near term we expect to incur substantial expenses relating to initiating and completing our clinical trials, the development and validation of our manufacturing processes, and other development activities. Furthermore, we expect to incur additional costs associated with operating as a public company, including significant legal, accounting, investor relations and other expenses that we did not incur as a private company.

We will need substantial additional funding to support our continuing operations and pursue our development strategy. Until such time as we can generate significant revenue from sales of our drug candidates, if ever, we expect to finance our operations through the sale of equity, debt financings or other capital sources, including potential collaborations with other companies or other strategic transactions. Adequate funding may not be available to us on acceptable terms, or at all. If we fail to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back, or discontinue the development and commercialization of our drug candidates or delay our efforts to expand our product pipeline. We may also be required to sell or license to other parties' rights to develop or commercialize our drug candidates that we would prefer to retain.

We believe that our current cash, cash equivalents, restricted cash and short-term investments as of June 30, 2021 will be sufficient to meet our cash needs for at least 12 months following the issuance date of this Quarterly Report on Form 10-Q.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated (in thousands):

	Six Months Ended June 30,	
	2021	2020
Net cash used in operating activities	$ (32,099)	$ (18,528)
Net cash provided by (used in) investing activities	(41,145)	7,711
Net cash provided by financing activities	1,012	8,104
Net decrease in cash and cash equivalents	$ (72,232)	$ (2,713)

Operating Activities

Net cash used in operating activities was $32.0 million and $18.5 million for the six months ended June 30, 2021 and 2020, respectively. The net cash used in operating activities for the six months ended June 30, 2021 was primarily due to our net loss of $40.9 million, adjusted for $9.5 million of net non-cash charges consisting primarily of share-based compensation of $7.0 million, depreciation and amortization of $0.7 million, and investment accretion and amortization of $1.6 million, and a $0.7 million net change in operating assets and liabilities. The net cash used in operating activities for the six months ended June 30, 2020 was primarily due to our net loss of $59.8 million, adjusted for $41.6 million of net non-cash charges for share-based compensation of $1.0 million, depreciation and amortization of $0.3 million, change in fair value of our preferred stock purchase right liability of $40.2 million, and a $0.4 million net change in operating assets and liabilities.

Investing Activities

Net cash used in investing activities was $41.1 million and net cash provided by investing activities was $7.7 million for the six months ended June 30, 2021 and 2020, respectively. The net cash used in investing activities for the six months ended June 30, 2021 was primarily due to purchases of short-term investments of $86.2 million, partially offset by proceeds from maturities of short-term investments of $47.5 million and purchases of property and equipment of $2.4 million primarily related to the construction of our manufacturing facility. The net cash provided by investing activities for the six months ended June 30, 2020 was primarily due to proceeds from maturities of short-term investments of $16.1 million, partially offset by purchases of property and equipment of $4.8 million and purchases of short-term investments of $3.6 million.

Financing Activities

Net cash provided by financing activities was $1.0 million for the six months ended June 30, 2021, primarily due to proceeds from the exercise of stock options. Net cash provided by financing activities was $8.1 million for the six months ended June 30, 2020, primarily due to the proceeds of $10.2 million received from the issuance of our Series B convertible preferred stock, payments made for deferred offering costs of $2.4 million and proceeds of $0.3 million from the exercise of stock options.

Funding Requirements

Based upon our current operating plans, we believe that our existing cash, cash equivalents, restricted cash and short-term investments will be sufficient to fund our operations for at least the next 12 months from the date of this Quarterly Report on Form 10-Q. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. We have based this estimate on assumptions that may prove to be wrong, and we could deplete our capital resources sooner than we expect. Additionally, the process of testing therapeutic product candidates in clinical trials is costly, and the timing of progress and expenses in these trials is uncertain.

Our future capital requirements will depend on many factors, including:

- the type, number, scope, progress, expansions, results, costs and timing of, our clinical trials and preclinical studies for our product candidates or other potential product candidates or indications which we are pursuing or may choose to pursue in the future;
- the outcome, timing and costs of regulatory review of our product candidates;

- the costs and timing of manufacturing for our product candidates, including commercial manufacturing and the costs associated with building our manufacturing facility;
- our efforts to enhance operational systems and hire additional personnel to satisfy our obligations as a public company, including enhanced internal controls over financial reporting;
- the costs associated with hiring additional personnel and consultants as our preclinical and clinical activities increase;
- the costs and timing of establishing or securing sales and marketing capabilities if any product candidate is approved;
- our ability to achieve sufficient market acceptance, coverage and adequate reimbursement from third-party payors and adequate market share and revenue for any approved products;
- patients' willingness or ability to pay out-of-pocket for any approved products in the absence of coverage and/or adequate reimbursement from third-party payors;
- the terms and timing of establishing and maintaining collaborations, licenses and other similar arrangements, including payments required for meeting regulatory and commercial milestones or sales based royalties;
- the costs of obtaining, maintaining and enforcing our patent and other intellectual property rights; and
- costs associated with any product candidates, products or technologies that we may in-license or acquire.

Until such time as we can generate significant revenue from sales of our therapeutic product candidates, if ever, we expect to finance our cash needs through public or private equity or debt financings or other capital sources, including potential collaborations, licenses and other similar arrangements. We may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be or could be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing and equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through collaborations, or other similar arrangements with third parties, we may have to relinquish valuable rights to our product candidates, future revenue streams or research programs or may have to grant licenses on terms that may not be favorable to us and may reduce the value of our common stock. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market our product candidates even if we would otherwise prefer to develop and market such product candidates ourselves.

Contractual Obligations and Commitments

In May 2018, we entered into a lease agreement for our corporate office and laboratory space located in South San Francisco, California with an expiration date in May 2025. In April 2019, we executed the first amendment to the lease agreement for additional corporate space, laboratory space and manufacturing capabilities and an extension to the lease term through April 2026. The terms of the lease contain a rent abatement for the first month and rent escalation provisions. In addition to the base rent payments, we will be obligated to pay certain customary amounts for our share of operating expenses and tax obligations related to the facilities.

In May 2020, we executed the second amendment to the lease agreement for an eight-year non-cancelable lease for additional office and laboratory space in the same building. The lease for the additional space provided for abatement of rent during the first three months of the lease and contained rent escalations during the term of the lease. The lease for this additional space commenced in January 2021 and expires in January 2029. The lease also includes an extension of the lease term of our existing office and laboratory space beginning May 1, 2020 and expiring in January 2029, with an option to extend the lease for an additional seven-year term.

In January 2021, we executed the third amendment to the lease agreement for a three-year non-cancelable lease for additional office space in the same building. The lease for this additional space commenced in the second quarter of 2021 and expires in March 2024. The other terms of the existing lease remain unchanged.

In July 2021, we entered into a lease agreement for corporate office, manufacturing and laboratory space located in South San Francisco, California with an expiration date approximately twelve years after the lease commencement date. We will become responsible for paying rent on the lease commencement date. The Company expects to pay base rent of approximately $98.8 million over the lease term. In addition to the base rent payments, we will be obligated to pay certain customary amounts for our share of operating expenses and tax obligations related to the facilities. The lease also provides for certain tenant improvement allowances for

tenant improvements and certain infrastructure upgrades in connection with the initial buildout of the premises, a portion of which, if utilized, would need to be repaid by us over the lease term.

See Note 6 and Note 11 to our financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information regarding our lease liability.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any off-balance sheet arrangements as defined under the rules and regulations of the SEC.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in our financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses, preferred stock purchase right liability, and share-based compensation. We base our estimates and assumptions on historical experience, known trends and events, and various other factors that are believed to be reasonable and appropriate under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes in our critical accounting policies and estimates during the six months ended June 30, 2021, as compared to the critical accounting policies and estimates disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K.

Recently Issued Accounting Pronouncements

See Note 2 to our financial statements included elsewhere in this Quarterly Report on Form 10-Q for recently issued accounting pronouncements.

Indemnification

As permitted under Delaware law and in accordance with our bylaws, we indemnify our officers and directors for certain events or occurrences while the officer or director is or was serving in such capacity. We are also party to indemnification agreements with our officers and directors. We believe the fair value of the indemnification rights and agreements is minimal. Accordingly, we have not recorded any liabilities for these indemnification rights and agreements as of June 30, 2021 and December 31, 2020.

Segment Information

We have one business activity and operate in one reportable segment.

JOBS Act

We are an "emerging growth company" as described under the JOBS Act, and we could have taken advantage of an extended transition period for complying with new or revised accounting standards. This would have allowed us to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have chosen irrevocably to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. We intend to rely on other exemptions provided by the JOBS Act, including without limitation, not being required to comply with the auditor attestation requirements of Section 404(b) of The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act").

We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year following the fifth anniversary of the consummation of our IPO, (ii) the last day of the fiscal year in which we have total annual gross revenue of at least $1.07 billion, (iii) the last day of the fiscal year in which we are deemed to be a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which would occur if the market value of our common stock held by non-affiliates exceeded $700.0 million as of the last business day of the second fiscal quarter of such year, or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period. Even after we no longer qualify as an emerging growth company, we may still qualify as a smaller reporting company or a non-accelerated filer, which would allow us to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our prospectuses and in our periodic reports and proxy statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We hold certain financial instruments for which a change in prevailing interest rates may cause the principal amount of the marketable securities to fluctuate. Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash and short-term investments. We invest our excess cash primarily in money market funds, commercial paper and debt instruments of financial institutions, corporations, U.S. government-sponsored agencies and the U.S. Treasury. The primary objectives of our investment activities are to ensure liquidity and to preserve principal while at the same time maximizing the income we receive from our marketable securities without significantly increasing risk. Additionally, we established guidelines regarding approved investments and maturities of investments, which are designed to maintain safety and liquidity. For marketable investment securities with short-term maturities, we do not believe that an increase or decrease in market rates would have a significant impact on the realized values or the statements of operations and comprehensive loss. As such, we believe that if a 10.0% change in interest rates were to have occurred on June 30, 2021, this change would not have had a material effect on the fair value of our investment portfolio as of that date.

We are exposed to market risk related to changes in foreign currency exchange rates. We contract with vendors that are located outside the United States and certain invoices are denominated in foreign currencies. We are subject to fluctuations in foreign currency rates in connection with such arrangements. We do not currently hedge our foreign currency exchange risk.

Inflation generally affects us by increasing our cost of labor and research and development contract costs. We do not believe inflation has had a material effect on our results of operations during the periods presented.

We do not believe that inflation, interest rate changes, or exchange rate fluctuations had a significant impact on our results of operations for any periods presented herein.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management, with the participation of our chief executive and financial officers, evaluated the effectiveness of our disclosures controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of June 30, 2021. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate, 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. Based on the evaluation of our disclosure controls and procedures as of June 30, 2021, our chief executive officer and chief financial and business officer concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

Management determined that, as of June 30, 2021, there were no changes in our internal control over financial reporting that occurred during the fiscal quarter then ended that have 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 litigation or other legal proceedings relating to claims arising from the ordinary course of business. There are currently no claims or actions pending against us that, in the opinion of our management, are likely to have a material adverse effect on our business, results of operations, financial condition or growth prospects. There is one ongoing ex parte reexamination for one of our patents.

In 2018-2021, a third party requested ex parte reexaminations of U.S. Patent No. 9,511,092, which relates generally to chimeric receptor complexes that bind certain specific natural killer cell ligands and methods of using natural killer cells. U.S. Patent No. 9,511,092 does not relate to our current product candidates but may relate to future product candidates or alternative technologies. Two of the three reexaminations are pending. Although we plan to vigorously protect our intellectual property rights, as with all legal proceedings, there can be no guarantee as to the outcome, and, regardless of the merits of third-party challenges, such proceedings are time-consuming and costly. As a result of such reexaminations, our rights under the relevant patents could be narrowed or lost, and in the course of such proceedings, we may incur substantial costs and the time and attention of our management may be diverted from the development and commercialization of our product candidates.

Item 1A. Risk Factors.

An investment in shares of our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as all of the other information contained in this Quarterly Report on Form 10-Q, before making an investment decision. The risks described below are not the only ones facing us. The occurrence of any of the following risks, or of additional risks and uncertainties not presently known to us or that we currently believe to be immaterial, could significantly harm our business, financial condition, results of operations and growth prospects. In such case, the trading price of shares of our common stock could decline, and you may lose part or all of your investment. This Quarterly Report on Form 10-Q also contains forward-looking statements and estimates that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks and uncertainties described below. The risks relating to our business set forth in our Annual Report on Form 10-K for the year ended December 31, 2020 and filed with the SEC on March 25, 2021 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 and filed with the SEC on May 13, 2021, are set forth below and are unchanged substantively as of the date of this Quarterly Report on Form 10-Q, except for those risks designated by an asterisk (*).

We may disclose further changes to the factors below or disclose additional factors from time to time in our future filings with the SEC.

Risks Related to our Financial Position

We have a limited operating history and do not have any products approved for sale.

We are a development-stage biopharmaceutical company without any products approved for commercial sale, and have not generated any revenue from product sales. We are focused on developing genetically-engineered human cells as therapeutics and our technologies are new and largely unproven. Since our inception in 2015, we have invested most of our resources in developing our product candidates, building our intellectual property portfolio, developing our supply chain and in-house manufacturing capability, conducting business planning, raising capital and providing general and administrative support for these operations. Consequently, we have no meaningful operations upon which to evaluate our business, and predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history or a history of successfully developing and commercializing drug products. We have not yet demonstrated an ability to overcome many of the risks and uncertainties frequently encountered by companies in the rapidly evolving biotechnology industry. If we do not address these risks, our business, financial condition, results of operations and growth prospects will be materially adversely affected.

We have incurred significant losses since our inception and we expect to continue to incur significant losses for the foreseeable future.*

Since our inception in 2015, we have incurred significant operating losses. Our net losses were $40.9 million, $91.4 million and $21.1 million for the six months ended June 30, 2021 and the years ended December 31, 2020 and 2019, respectively. Our accumulated deficit was $158.9 million as of June 30, 2021. We expect to continue to incur increasing operating losses for the foreseeable future as we continue to develop our product candidates. In addition, we anticipate that our expenses will increase substantially if, and as, we:

- continue the clinical development of NKX101;
- advance additional product candidates to clinical trials, including NKX019;
- develop our current product candidates for additional disease indications;
- seek to discover and develop additional product candidates;
- establish and qualify our own clinical- and commercial-scale cGMP facilities;
- submit a biologics license application ("BLA"), or marketing authorization application, ("MAA"), for NKX101 and/or NKX019 and/or seek marketing approvals for any of our other product candidates that successfully complete clinical trials;
- seek regulatory approval of our product candidates in various jurisdictions for commercial sale;
- maintain, expand and protect our intellectual property portfolio;
- acquire or in-license other product candidates and technologies;
- incur additional costs associated with operating as a public company;
- increase our employee headcount and related expenses to support these activities; and
- develop or secure marketing, sales and distribution capabilities, either internally or with third parties, to support commercialization.

We may never succeed in any or all of these activities and, even if we do, we may never generate revenues that are significant or large enough to achieve profitability.

We have never generated revenue from product sales and may never achieve or maintain profitability.

We continue to incur significant research and development and other expenses related to ongoing operations and the development of our co-lead product candidates, NKX101 and NKX019. All of our product candidates will require substantial additional development time and resources before we would be able to apply for or receive regulatory approvals and begin generating revenue from product sales. Neither the FDA nor any other regulatory authority has approved NKX101, NKX019 or any of our other product candidates, and we do not anticipate generating revenues from product sales unless and until such time as NKX101, NKX019 or another of our product candidates has been approved by the FDA or another regulatory authority, if ever, and we are able to successfully market and sell a product candidate. Our ability to generate revenues from product sales depends on our, or potential future collaborators', success in:

- completing clinical development of our product candidates;
- seeking and obtaining regulatory approvals for product candidates for which we successfully complete positive clinical trials, if any;
- launching and commercializing product candidates, by establishing a commercial infrastructure or, alternatively, collaborating with a commercialization partner;
- qualifying for adequate coverage and reimbursement by government and third-party payors for our product candidates;
- establishing, maintaining and enhancing a sustainable, scalable, reproducible and transferable manufacturing process for each of our cell therapy product candidates;
- establishing and maintaining supply and manufacturing relationships with third parties that can provide adequate products and services, in both amount and quality, to support clinical development and the market demand for our product candidates, if approved;
- obtaining market acceptance of our product candidates as a viable treatment option;
- 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 in such collaborations;
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets, know-how, and trademarks;
- avoiding and defending against third-party interference or infringement claims; and
- attracting, hiring and retaining qualified personnel.

We anticipate incurring significant costs associated with commercializing any approved product candidate. Our expenses could increase beyond our current expectations if we are required by the FDA or other global regulatory authorities to perform clinical trials and other preclinical studies in addition to those that we currently anticipate.

Even if we are able to generate revenues from the sale of any approved products, we may not become profitable or be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable could decrease the value of our company and impair our ability to raise capital, thereby limiting our research and development programs and efforts to expand our business or continue our operations.

We will require additional capital, which, if available, may cause dilution to our stockholders, restrict our operations or require us to relinquish rights to our product candidates.*

We have financed our operations primarily through private placements of our preferred stock, proceeds from our previous collaboration with GlaxoSmithKline, or GSK, and from our IPO in July 2020. We intend to use the proceeds from our IPO to, among other uses, advance NKX101 and NKX019 through clinical development. Developing pharmaceutical products and conducting preclinical studies and clinical trials is expensive. As of June 30, 2021, we had cash, cash equivalents, restricted cash and short-term investments of $280.3 million. Our research and development expenses increased from $17.2 million for the year ended December 31, 2019 to $36.2 million for the year ended December 31, 2020 and increased from $15.1 million for the six months ended June 30, 2020 to $29.5 million for the six months ended June 30, 2021.

Until and unless we can generate substantial product revenue, we expect to finance our cash needs through the proceeds from our IPO, a combination of equity offerings and debt financings, and potentially through additional license and development agreements or strategic partnerships with third parties. Financing may not be available in sufficient amounts or on reasonable terms. In addition, market volatility resulting from the COVID-19 pandemic or other factors could adversely impact our ability to access capital as and when needed. We have no commitments for any additional financing, and will likely be required to raise such financing through the sale of additional securities. If we sell equity or equity-linked securities, our current stockholders may be diluted, and the terms may include liquidation or other preferences that are senior to or otherwise adversely affect the rights of our stockholders. Moreover, if we issue debt, we may need to dedicate a substantial portion of our operating cash flow to paying principal and interest on such debt and we may need to comply with operating restrictions, such as limitations on incurring additional debt, which could impair our ability to acquire, sell or license intellectual property rights which could impede our ability to conduct our business. Furthermore, the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our common stock to decline.

If we raise additional funds through licensing or collaboration arrangements with third parties, we may have to relinquish valuable rights to our product candidates, or grant licenses on terms that are not favorable to us. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans.

Attempting to secure additional financing may also divert our management from our day-to-day activities, which may impair or delay our ability to develop our product candidates. In addition, demands on our cash resources may change as a result of many factors currently unknown to us including, but not limited to, any unforeseen costs we may incur as a result of preclinical study or clinical trial delays due to the COVID-19 pandemic or other causes, and we may need to seek additional funds sooner than planned. If we are unable to obtain funding on a timely basis or at all, we may be required to significantly curtail or stop one or more of our research or development programs.

Our business and the business or operations of our research partners, including CRISPR, and other third parties with whom we conduct business could be adversely affected by the effects of health epidemics, including the recent COVID-19 pandemic, in regions where we or third parties on which we rely have business operations.*

The COVID-19 pandemic has disrupted economic activity and business operations worldwide, including the San Francisco Bay Area, where our primary operations are located. The coronavirus pandemic is evolving, and multiple variants of the virus that causes COVID-19 are circulating globally, including the more virulent and contagious Delta variant. To date the pandemic has led to the implementation of various responses, including government-imposed stay-at-home orders and quarantines, travel restrictions and other public health safety measures to mitigate the impact of the pandemic. We continue to monitor these changes and update our operations as necessary to comply with any state, county or local health orders.

In response to government-imposed stay-at-home orders and quarantines, we have implemented work-from-home policies for employees and adjusted our operations to maximize employee safety and to comply with directives from health authorities. The effects of quarantines, stay-at-home, executive and similar government orders, or the perception that such orders, shutdowns or other restrictions on the conduct of business operations could occur, in the United States and other countries, could negatively impact our operations and the operations of third parties we rely on, such as our contract manufacturing sites in Colorado, Ohio, and Ontario, and disrupt or delay the enrollment of patients at our clinical sites. For example, at some of our contract manufacturing sites, COVID-19-related restrictions, including temporary shutdowns, and instances of COVID-19 cases impacting personnel have resulted in some delays. Some of our CROs have also experienced employee turnover/attrition, delays, or disruptions during the pandemic. In addition, we experienced some delays in construction of our cGMP manufacturing facility and in our internal research efforts. COVID-19 has also caused global supply shortages of certain materials, such as certain raw materials, cell culture media, and disposable plastics, that we and our CDMOs use for research and GMP manufacturing. If we are not able to obtain sufficient quantities of cell culture media for our purposes due to the shortage, we may need to reduce the number of manufacturing runs we have planned. We will continue to monitor the impact of COVID-19 and any additional waves of the pandemic on our operations including continued enrollment in the NKX101 clinical trial and the current timeline for dosing of the first patient with NKX019, as well as on our collaboration partners, CROs, CDMOs, and clinical trial sites with respect to COVID-19 related shutdowns, restrictions on travel, and restrictions on hospital visits for clinical trial participants or clinical research staff. Although most COVID-19 restrictions have been lifted in the State of California and the County of San Mateo, restrictions similar to those previously imposed or new restrictions could be imposed again later.

In addition, the COVID-19 pandemic has significantly disrupted global financial markets and could continue to restrict the level of economic activity, and may limit our ability to access capital, which could in the future negatively affect our liquidity now or in the future. A recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common stock.

We cannot predict the potential future impacts of COVID-19, including its variants, on us and third parties with whom we conduct business. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the development and spread of more contagious and/or vaccine-resistant variants, the effectiveness of actions taken in the U.S. and other countries to contain, vaccinate against, and treat the disease, and its impact on our current and planned preclinical studies and clinical trials, employees and vendors, all of which are uncertain. As a result of the COVID-19 pandemic or other pandemic, epidemic or outbreak of an infectious disease, we may experience disruptions that could severely impact our business, preclinical studies and clinical trials, including:

- delays or difficulties in enrolling patients in our clinical trials, including our ongoing NKX101 clinical trial and our upcoming NKX019 clinical trial;
- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff and in training medical personnel on how to properly thaw and administer our product candidates;
- delays or difficulties in recruitment of key personnel;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;
- interruption of key clinical trial activities, such as clinical trial site data monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others or interruption of clinical trial subject visits and study procedures, which may impact the integrity of subject data and clinical study endpoints;
- interruption or delays in the operations of the FDA or other regulatory authorities, which may impact review and approval timelines, including the review of IND or other regulatory submissions for our product candidates;

- interruption of, or delays in receiving, supplies of our product candidates, or materials necessary for production of our product candidates, from our vendors or contract manufacturing organizations due to staffing shortages, production slowdowns or stoppages and disruptions in delivery or supply systems;
- interruption of, or delays in manufacture of our product candidates, including at our in-house manufacturing facility and CDMOs, due to staffing shortages, production slowdowns and disruptions or inability to procure critical raw materials or other supplies in a timely fashion;
- delays or disruptions in the planning, construction or qualification of our cGMP facility for commercial-scale manufacture of our product candidates;
- interruptions in preclinical studies due to restricted or limited operations at our laboratory facility;
- interruptions, or delays in receiving supplies and materials necessary for our business operations, and research and development activities;
- increases in the cost of services or supplies necessary for our research and development activities;
- limitations on employee resources that would otherwise be focused on the conduct of our preclinical studies and clinical trials, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people; and
- interruption or delays to our discovery and clinical activities.

The magnitude of these disruptions will depend, in part, on the length and severity of the COVID-19 restrictions and other limitations on our ability and the ability of others to conduct business in the ordinary course.

The ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain. These impacts will depend on future developments that are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak and the effectiveness of actions taken in the United States and other countries to contain, vaccinate against, and treat the disease. We do not yet know the full extent of potential delays or impacts on our business, our clinical trials, healthcare systems or the global economy as a whole, but these delays could have a material impact on our business, financial condition, and/or results of operations.

Risks Related to Our Business and Industry

Our business depends upon the success of our CAR-NK cell technology platform.

Our success depends on our ability to utilize our CAR-NK technology platform to generate product candidates, to obtain regulatory approval for product candidates derived from it, and to then commercialize our product candidates addressing one or more indications. A Phase 1 clinical trial to evaluate our first CAR NK product in humans has commenced. All of our product candidates developed from our technology platform will require significant additional clinical and non-clinical development, review and approval by the FDA or other regulatory authorities in one or more jurisdictions, substantial investment, access to sufficient commercial manufacturing capacity and significant marketing efforts before they can be successfully commercialized. If any of our product candidates encounter safety or efficacy problems, developmental delays or regulatory issues or other problems, such problems could impact the development plans for our other product candidates because all of our product candidates are based on the same core CAR-NK engineering technology.

Utilizing CAR-NK cells represents a novel approach to the treatment of cancer, and we must overcome significant challenges in order to develop, commercialize and manufacture our product candidates.*

We have concentrated our research and development efforts on utilizing CAR-NK cells as an immuno-oncology therapy. To date, the FDA has approved only a few cell-based therapies for commercialization and no NK-based cell therapy has been approved for commercial use by any regulatory authority. The processes and requirements imposed by the FDA or other applicable regulatory authorities may cause delays and additional costs in obtaining approvals for marketing authorization for our product candidates. Because our CAR-NK platform product candidates are novel, and cell-based therapies are relatively new, regulatory agencies may lack precedents for evaluating product candidates like our CAR-NK product candidates. This novelty may lengthen the regulatory review process, including the time it takes for the FDA to review our IND applications if and when submitted, increase our development costs and delay or prevent approval and commercialization of our CAR-NK platform product candidates. Additionally, advancing novel immuno-oncology therapies creates significant challenges for us, including:

- enrolling sufficient numbers of patients in clinical trials;

- training a sufficient number of medical personnel on how to properly thaw and administer our cells, especially in our planned solid tumor trial wherein the cells are given through a procedure by trained medical doctors;
- training a sufficient number of medical and clinical laboratory personnel in the proper collection and handling of clinical samples in our clinical trials to enable a sufficient understanding of CAR NK pharmacokinetics and pharmacodynamics for the design of an optimal dosing regimen;
- educating medical personnel regarding the potential side-effect profile of our cells and, as the clinical program progresses, on observed side effects with the therapy;
- developing a reliable and safe and an effective means of genetically modifying our cells;
- manufacturing and cryopreservation our cells on a large scale and in a cost-effective manner;
- sourcing starting material suitable for clinical and commercial manufacturing; and
- establishing sales and marketing capabilities, as well as developing a manufacturing process and distribution network to support the commercialization of any approved products.

We must be able to overcome these challenges in order for us to develop, commercialize and manufacture our product candidates utilizing CAR-NK cells.

Certain aspects of the function and production of CAR-NK cells are currently unknown or poorly understood, and may only become known through further preclinical testing and clinical trials. Any potential re-engineering required may result in delays and additional expenses.

Current clinical experience with NK cell therapy is predominantly based on cells from haplomatched donors, i.e., at least half of the major Human Leukocyte Antigen ("HLA"), types matched between donor and recipient. Our clinical development plan for NKX101 will seek to establish what degree of HLA matching, if any, is required for NKX101 to exhibit necessary levels of clinical activity and duration of response. While we believe that a high degree of HLA matching will not be required for clinically meaningful activity and durability of response, if it becomes apparent through preclinical testing or clinical trials that such matching is required, the production of NKX101 as standardized product for all patients will not be achievable. Instead, we would need to establish a bank of engineered CAR-NK cells for each of our product candidates where dozens of different donors will be required to achieve coverage of a large fraction of the addressable patient population.

Furthermore, the killer immunoglobulin-like receptor ("KIR"), is found on the surface of NK cells and recognizes certain HLA types. If there is a match between KIR and the HLA type, KIR acts as a natural inhibitor of NK activity, thereby serving to prevent immune reactions against an individual's own cells. If we discover that a KIR mismatch is required to achieve clinically meaningful activity and durability of response, we will need to factor KIR mismatch into the donor and product selection process for patients enrolled in our clinical trials.

In addition, tumors are sometimes able to evade detection by naturally occurring NK cells by shedding the NKG2D ligands found on malignant cells. While NKX101 has been engineered to overcome this shedding mechanism, there can be no guarantee that tumor cells will not retain or regain the ability to shed NKG2D ligand completely despite the presence of NKX101, which would give such tumors a degree of resistance against NKX101. If we discover that tumors develop a resistance to NKX101 as a result of such NKG2D ligand shedding, we will need to reengineer NKX101 to counteract this effect, or we may need to change or abandon our development efforts for NKX101.

Finally, there is limited history of CAR-NK cells manufacturing for clinical use, and our understanding of NK cell biology is continuously expanding. If we find that our current manufacturing processes are inadequate, or should we identify opportunities for material improvement, adaptation of process improvements may require significant periods of time. Process improvements might also necessitate new pre-clinical studies and clinical protocols to establish product comparability. If we are unable to show comparability after a process change, further changes to our manufacturing process and/or clinical trials will be required.

The foregoing processes would require us to redesign the clinical protocols and clinical trials for our product candidates, and could require significant additional time and resources to complete and the participation of a significant number of additional clinical trial participants and donors, any of which would delay the clinical development of our product candidates and their eventual commercialization.

Clinical development involves a lengthy and expensive process with an uncertain outcome, and we may encounter substantial delays due to a variety of reasons outside our control.*

Clinical trials are expensive, time consuming and subject to substantial uncertainty. Failure can occur at any time during the clinical trial process, due to scientific feasibility, safety, efficacy, changing standards of medical care and other variables. The results from preclinical testing or early clinical trials of a product candidate may not predict the results that will be obtained in later phase clinical trials of the product candidate. We, the FDA, or other applicable regulatory authorities may suspend or terminate clinical trials of a product candidate at any time for various reasons, including, but not limited to, a belief that subjects participating in such trials are being exposed to unacceptable health risks or adverse side effects, or other adverse initial experiences or findings. The FDA, or other applicable regulatory authorities may also require us to conduct additional preclinical studies or clinical trials due to negative or inconclusive results or other reasons, fail to approve the raw materials, manufacturing processes or facilities of third-party manufacturers upon which we rely, find deficiencies in the manufacturing processes or facilities upon which we rely, and change their approval policies or regulations or their prior guidance to us during clinical development in a manner rendering our clinical data insufficient for approval. In addition, data collected from clinical trials may not be sufficient to support the submission of a BLA, MAA or other applicable regulatory filings. We cannot guarantee that any clinical trials that we may plan or initiate will be conducted as planned or completed on schedule, if at all.

A failure of one or more of our clinical trials could occur at any stage, and any failure could prevent us from obtaining the FDA and other regulatory approvals necessary to commercialize our product candidates. Events that may prevent successful initiation, timely completion, or positive outcomes of our clinical development include, but are not limited to:

- delays in obtaining regulatory approval to commence a clinical trial;
- delays in reaching agreement on acceptable terms with prospective clinical trial sites or CROs, the terms of which can be subject to extensive negotiation and may vary significantly among different trial sites and CROs;
- our inability to recruit sufficient patients for our clinical trials in a timely manner or at all;
- delays in achieving a sufficient number of clinical trial sites or obtaining the required institutional review board (“IRB”), approval at each clinical trial site;
- imposition of a temporary or permanent clinical hold by us or by the FDA or other regulatory agencies based on emerging data;
- clinical sites deviating from trial protocol or dropping out of a trial;
- our inability to obtain long-term follow-up data due to patient drop out or in cases where patients elect to receive post-protocol treatment for their disease before it progresses;
- suspension or termination of a clinical trial by the IRB of the institutions in which such trials are being conducted or by the Data Safety Monitoring Board (“DSMB”) (where applicable);
- delays in sufficiently developing, characterizing or controlling a manufacturing process suitable for clinical trials, or production delays, shutdowns or setbacks at any of our contract manufacturers;
- delays due to additional regulatory, site and clinical trial participant approvals required if a product candidate, especially a product candidate custom manufactured for a specific patient, does not meet the required specifications;
- delays in reaching a consensus with regulatory agencies on the design or implementation of our clinical trials;
- changes in regulatory requirements or guidance that may require us to amend or submit new clinical protocols, or such requirements may not be as we anticipate;
- changes in the standard of care on which a clinical development plan was based, which may require new or additional trials;
- insufficient quantities or inadequate quality of our product candidates or other materials necessary to conduct preclinical studies or clinical trials of our product candidates;
- clinical trials of our product candidates producing negative or inconclusive results, which may result in our deciding, or regulators requiring us, to conduct additional clinical trials or abandon product development programs;
- failure of enrolled patients in foreign countries to adhere to clinical protocol as a result of differences in healthcare services or cultural customs, or additional administrative burdens associated with foreign regulatory schemes; or

- failure of ourselves or any third-party manufacturers, contractors or suppliers to comply with regulatory requirements, maintain adequate quality controls, or be able to provide sufficient product supply to conduct and complete preclinical studies or clinical trials of our product candidates.

In addition, disruptions caused by the COVID-19 pandemic may increase the likelihood that we encounter such difficulties or delays in initiating, enrolling, conducting or completing our planned and ongoing preclinical studies and clinical trials, as applicable. For example, the FDA temporarily postponed routine surveillance inspections of domestic manufacturing facilities in response to the COVID-19 pandemic, and in July 2020, it began to work toward resuming prioritized domestic inspections of mission-critical inspections on a case-by-case basis. The FDA has developed a rating system to assist in determining when and where it is safest to conduct prioritized domestic inspections. Should the FDA determine that an inspection is necessary for approval and an inspection cannot be completed during the review cycle due to restrictions on travel, the FDA has stated that it generally intends to issue a complete response letter. Further, if there is inadequate information to make a determination on the acceptability of a facility, the FDA may defer action on the application until an inspection can be completed. In 2020, several companies announced receipt of complete response letters due to the FDA's inability to complete required inspections for their applications. Regulatory authorities outside the U.S. may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic and may experience delays in their regulatory activities. If global health concerns continue to prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews or other regulatory activities, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions. If we experience delays in the initiation, enrollment or completion of any preclinical study or clinical trial of our product candidates, or if any preclinical studies or clinical trials of our product candidates are canceled, the commercial prospects of our product candidates may be materially adversely affected, and our ability to generate product revenues from any of these product candidates will be delayed or not realized at all. In addition, any delays in completing our clinical trials may increase our costs and slow down our product candidate development and approval process.

Our business is highly dependent on the success of our product candidates, and on the success of NKX101 and NKX019 in particular, and we may fail to develop NKX101, NKX019 and/or our other product candidates successfully or be unable to obtain regulatory approval for them.*

We cannot guarantee that NKX101 and NKX019, or any of our other product candidates, will be safe and effective, or will be approved for commercialization, on a timely basis or at all. Although certain of our employees have prior experience with clinical trials, regulatory approvals, and cGMP manufacturing, we have not previously completed any clinical trials or submitted a BLA to the FDA, or similar regulatory approval filings to comparable foreign authorities, for any product candidate, and we cannot be certain that NKX101 and NKX019 will be successful in clinical trials or receive regulatory approval. The FDA, and other comparable global regulatory authorities can delay, limit or deny approval of a product candidate for many reasons. For further details about such reasons, see "—Clinical development involves a lengthy and expensive process with an uncertain outcome, and we may encounter substantial delays due to a variety of reasons outside our control." Any delay in obtaining, or inability to obtain, applicable regulatory approval will delay or harm our ability to successfully commercialize NKX101 and NKX019 and materially adversely affect our business, financial condition, results of operations and growth prospects.

NKX101 is in an early-stage clinical trial and is subject to the risks inherent in drug development. In November 2020, the first patient in the first-in-human Phase 1 clinical trial of NKX101 for the treatment of relapsed/refractory AML or higher risk MDS was treated. If our Phase 1 or our later clinical trials of NKX101 encounter safety, efficacy, manufacturing problems, enrollment issues, development delays, regulatory issues, or other problems, our development plans for NKX101 could be significantly impaired, which could materially adversely affect our business, financial condition, results of operations and growth prospects.

Furthermore, because NKX101 is our most advanced product candidate, and because our other product candidates are based on similar technology, if our clinical trials of NKX101 encounter safety, efficacy, manufacturing problems, enrollment issues, development delays, regulatory issues, or other problems, our development plans for our other product candidates in our pipeline could also be significantly impaired, which could materially adversely affect our business, financial condition, results of operations and growth prospects.

We also plan to develop NKX101 for additional indications if we are able to obtain clinical proof-of-concept from our NKX101 Phase 1 trials for blood cancers including AML and MDS, as well as hepatocellular carcinomas and other cancers localized to the liver. We may not be able to advance any of these indications through the development process. Even if we receive regulatory approval to market NKX101 for the treatment of any of these additional indications, any such additional indications may not be successfully commercialized, widely accepted in the marketplace or more effective than other commercially available alternatives. If we are unable to successfully develop and commercialize NKX101 for these additional indications, our commercial opportunity will be limited.

Furthermore, the development of NKX101 for treating solid tumors is subject to a number of risks related to use of cell therapies in general including a hostile tumor micro-environment and trafficking to tumor site. Additional risks from direct liver delivery using a catheter through the hepatic artery generally include potential damage to arteries from the catheter placement itself, from use of imaging contrast, radiation exposure, and differences between catheter models potentially introducing variability into the observed clinical effects. The development of treatments to treat solid tumors often requires larger and more expensive clinical trials than for treating blood cancers.

Our IND for NKX019 for the treatment of B-cell malignancies was accepted by the FDA in April 2021, and the clinical trial notification was filed with TGA in Australia following appropriate HREC approval in May 2021. We plan to begin dosing the first patient with NKX019 in the second half of 2021. Due to the availability of seven commercially available agents that target CD19 including four autologous CAR-T products, two monoclonal antibody products, and one antibody-drug conjugate, we may have difficulty enrolling subjects into trials with NKX019 who have not previously been exposed to a CD19 directed agent. This could impact the ability to obtain data about NKX019 activity and slow enrollment. For these reasons, the Phase 1 clinical trial of NKX019 includes clinical trial sites outside the United States. If our Phase 1 or later clinical trials of NKX019 encounter safety, efficacy, manufacturing problems, enrollment issues, development delays, regulatory issues, or other problems, our development plans for NKX019 could be significantly impaired, which could materially adversely affect our business, financial condition, results of operations and growth prospects.

We intend to develop our product candidates both as monotherapy and potentially as combination therapy, a common form of cancer treatment, with one or more currently approved cancer therapies. Even if any product candidate we develop were to receive marketing approval or be commercialized for use in combination with other existing therapies, we would continue to be subject to the risks that the FDA or similar regulatory authorities outside of the United States could revoke approval of the combination therapy used with our product candidate or that safety, efficacy, manufacturing or supply issues could arise with these existing therapies. This could result in our own products being removed from the market or being less successful commercially.

We may also evaluate our product candidates in combination with one or more other cancer therapies that have not yet been approved for marketing by the FDA or similar regulatory authorities outside of the United States. If the FDA or similar regulatory authorities outside of the United States do not approve these other drugs or revoke their approval of, or if safety, efficacy, manufacturing, or supply issues arise with, the drugs we choose to evaluate in combination with any product candidate we develop or combination therapy, we may be unable to obtain approval of or market our product candidates.

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. Clinical trials of a new product candidate require the enrollment of a sufficient number of patients, including patients who are suffering from the disease that the product candidate is intended to treat and who meet other eligibility criteria. The rates of patient enrollment, a significant component in the timing of clinical trials, are affected by many factors, including:

- our ability to open clinical trial sites;
- the size and nature of the patient population;
- the design and eligibility criteria of the clinical trial;
- the proximity of subjects to clinical sites;
- the patient referral practices of physicians;
- changing medical practice patterns or guidelines related to the indications we are investigating;
- competing clinical trials or approved therapies which present an attractive alternative to patients and their physicians;
- perceived risks and benefits of the product candidate under study, including as a result of adverse effects observed in similar or competing therapies;
- our ability to obtain and maintain patient consents due to various reasons, including but not limited to, patients' unwillingness to participate due to the ongoing COVID-19 pandemic;
- the risk that enrolled subjects will drop out or die before completion of the trial;
- patients failing to complete a clinical trial or returning for post-treatment follow-up; and

- our ability to manufacture the requisite materials for a patient and clinical trial, including to custom manufacture haplomatched clinical trial material.

In addition, we need to compete with many ongoing clinical trials to recruit patients into our expected clinical trials. Our clinical trials may also compete with other clinical trials of product candidates that are in a similar cellular immunotherapy area as our product candidates, and this competition could reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Since the number of qualified clinical investigators is limited, we may conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials at such clinical trial site. If we are unable to enroll a sufficient number of patients in our clinical trials in a timely manner, our completion of clinical trials may be delayed or may not be achieved, which would prevent us from commercializing our product candidates.

Our preclinical programs may experience delays or may never advance to clinical trials, which would adversely affect our ability to obtain regulatory approvals or commercialize these programs on a timely basis or at all.*

In order to obtain FDA or other regulatory authority approval to market a new biological product we must demonstrate proof of safety, purity, potency and efficacy in humans. To meet these requirements, we will have to conduct adequate and well-controlled clinical trials. Before we can commence clinical trials for a product candidate, we must complete extensive preclinical testing and studies that support our planned INDs in the United States. We began clinical development for our first product candidate, NKX101 in 2020, we plan to begin dosing the first patient with our second product candidate, NKX019, in the second half of 2021, and the rest of our programs are in preclinical development. We cannot be certain of the timely completion or outcome of our preclinical testing and studies and cannot predict if the FDA will accept our proposed clinical programs or if the outcome of our preclinical testing and studies will ultimately support the further development of our programs. As a result, we cannot be sure that we will be able to submit INDs or similar applications for our preclinical programs on the timelines we expect, if at all, and we cannot be sure that submission of INDs or similar applications will result in the FDA or other regulatory authorities allowing clinical trials to begin.

Conducting preclinical testing is a lengthy, time-consuming and expensive process. The length of time may vary substantially according to the type, complexity and novelty of the program, and often can be several years or more per program. Any delays in preclinical testing and studies conducted by us or potential future partners may cause us to incur additional operating expenses. The commencement and rate of completion of preclinical studies and clinical trials for a product candidate may be delayed by many factors, including, for example:

- inability to generate sufficient preclinical or other in vivo or in vitro data to support the initiation of clinical trials;
- delays in reaching a consensus with regulatory agencies on acceptable clinical trial design or manufacturing process; and
- the FDA not allowing us to rely on previous findings of safety and efficacy for other similar but approved products and published scientific literature.

Moreover, because standards for pre-clinical assessment are evolving and may change rapidly, even if we reach an agreement with the FDA on a pre-IND proposal, the FDA may not accept the IND submission as presented, in which case patient enrollment would be placed on partial or complete hold and treatment of enrolled patients could be discontinued while the product candidate is re-evaluated. Even if clinical trials do begin for our preclinical programs, our clinical trials or development efforts may not be successful.

The results of preclinical studies and early-stage clinical trials may not be predictive of future results. Initial success in any clinical trials may not be indicative of results obtained when these trials are completed or in later stage trials.

The results of preclinical studies may not be predictive of the results of clinical trials, and the results of any early stage clinical trials we commence may not be predictive of the results of the later-stage clinical trials. For example, preclinical models as applied to cell therapy in oncology do not adequately represent the clinical setting, and thus cannot predict clinical activity nor all potential risks, and may not provide adequate guidance as to appropriate dose or administration regimen of a given therapy. In addition, initial success in clinical trials may not be indicative of results obtained when such trials are completed. Interim or top line data from clinical trials that we may conduct are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Preliminary data such as interim or top line data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously announced. Negative differences between preliminary or interim data and final data could materially adversely affect the prospects of any product candidate that is impacted by such data updates.

If any of our product candidates, or any competing product candidates, demonstrate relevant, serious adverse events, we may be required to halt or delay further clinical development.*

Undesirable side effects that may be caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label than anticipated or the delay or denial of regulatory approval by the FDA or comparable foreign regulatory authorities. Results of our clinical trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics.

As of the date of this Quarterly Report on Form 10-Q, only one of our product candidates (NKX101) has been tested in cancer patients. The first patient was dosed with NKX101 in November 2020. Prior to initiation of that clinical trial, we had only evaluated our product candidates in preclinical mouse models and had observed fatalities in mice as a result of lung toxicity when NKX101 was administered in extremely high doses that were significantly higher than those we would expect to use in humans. We therefore do not yet know if NKX101, NKX019, or our other product candidates will have an acceptable safety profile in humans. As such, there can be no guarantee that any toxicity, or other adverse events, will not occur in human subjects during clinical trials. Results of our clinical trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics.

While studies indicate that NK cell-based therapies may be better-tolerated as compared to T cell-based therapies due to biologic differences between these cell types, there can be no assurance that patients will not experience cytokine release syndrome, or CRS, neurotoxicity, graft-versus-host disease ("GVHD"), or other serious adverse events. Severe adverse events associated with our product candidates NKX101 or NKX019 or lymphodepleting chemotherapy may also develop. NKX101 targets NKG2D ligands, which is not yet a well-characterized modality. NKG2D targets multiple ligands, and the landscape of ligand expression is currently not fully understood. For example, there are risks that ligands may be expressed on either known or an as-yet-underappreciated population of healthy cells. Therefore, such cells may also be targeted by NKX101 and lead to adverse events of unknown frequency and severity. Such adverse events may cause delays in completion of our clinical programs. If unacceptable side effects arise in the development of our product candidates such that there is no longer a positive benefit-risk profile, we, the FDA, the IRBs at the institutions in which our trials are conducted, or the DSMB could suspend or terminate our clinical trials or the FDA or comparable foreign regulatory authorities could order us to cease clinical trials or deny approval of our product candidates for any or all targeted indications. Treatment-related side effects could also affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. In addition, these side effects may not be appropriately recognized or managed by the treating medical staff, and inadequate training in recognizing or managing the potential side effects of our product candidates could result in patient injury or death.

We may seek special designations by the regulatory authorities to expedite regulatory approvals, but may not be successful in receiving such designations, and even if received, they may not benefit the development and regulatory approval process.

We may seek various expedited programs available through regulatory authority such as Regenerative Medicine Advanced Therapy ("RMAT"), designation, Breakthrough Therapy Designation, Fast Track Designation, or PRIority Medicine ("PRIME"), from regulatory authorities, for any product candidate that we develop. A product candidate may receive RMAT designation from the FDA if it is a regenerative medicine therapy that is intended to treat, modify, reverse or cure a serious or life threatening condition, and preliminary clinical evidence on a clinically meaningful endpoint, indicates that the product candidate has the potential to address an unmet medical need for such condition. A breakthrough therapy is defined by the FDA as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over currently approved therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. If a product is intended for the treatment of a serious or life-threatening condition and preclinical or clinical data demonstrate the potential to address an unmet medical need for this condition, the product sponsor may apply for Fast Track Designation by the FDA. PRIME is a voluntary scheme launched by the European Medicines Agency ("EMA"), to strengthen support for the development of medicines that target an unmet medical need through enhanced interaction and early dialogue with developers of promising medicines in order to optimize development plans and speed up evaluation to help such medicines reach patients earlier.

Seeking and obtaining these designations is dependent upon results of our clinical program, and we cannot guarantee whether and when we may have the data from our clinical programs to support an application to obtain any such designation. The FDA and the EMA, as applicable, have broad discretion whether or not to grant any of these designations, so even if we believe a particular product candidate is eligible for one or more of these designations, we cannot assure you that the applicable regulatory authority would decide to grant it. Even if we do receive the designations we may apply for, we may not experience a faster development process, review or approval compared to conventional FDA or EMA procedures, as applicable. The FDA or EMA, as applicable, may rescind any granted designations if it believes that the designation is no longer supported by data from our clinical development program.

We may seek Orphan Drug Designation for our product candidates, and we may be unsuccessful or may be unable to maintain the benefits associated with Orphan Drug Designation, including the potential for market exclusivity.

Regulatory authorities in some jurisdictions, including the United States and Europe, may designate drugs for relatively low prevalence populations as orphan drugs. Under the Orphan Drug Act, 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 generally defined as a patient population of fewer than 200,000 individuals annually in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the United States. In the United States, Orphan Drug Designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers.

Similarly, in Europe, the European Commission grants Orphan Drug Designation after receiving the opinion of the EMA Committee for Orphan Medicinal Products on an Orphan Drug Designation application. Orphan Drug Designation is intended to promote the development of drugs that are intended for the diagnosis, prevention or treatment of life-threatening or chronically debilitating conditions affecting not more than 5 in 10,000 persons in Europe and for which no satisfactory method of diagnosis, prevention, or treatment has been authorized (or the product would be a significant benefit to those affected). Additionally, designation is granted for drugs intended for the diagnosis, prevention, or treatment of a life-threatening, seriously debilitating or serious and chronic condition and when, without incentives, it is unlikely that sales of the drug in Europe would be sufficient to justify the necessary investment in developing the drug. In Europe, Orphan Drug Designation entitles a party to a number of incentives, such as protocol assistance and scientific advice specifically for designated orphan medicines, and potential fee reductions depending on the status of the sponsor.

Generally, if a drug with an Orphan Drug Designation subsequently receives the first marketing approval for the indication for which it has such designation, the drug is entitled to a period of marketing exclusivity, which precludes the EMA or the FDA from approving another marketing application for the same drug and indication for that time period, except in limited circumstances (“sameness”). The applicable period is seven years in the United States and ten years in Europe. The European exclusivity period can be reduced to six years if a drug no longer meets the criteria for Orphan Drug Designation or if the drug is sufficiently profitable such that market exclusivity is no longer justified.

Even if we obtain orphan drug exclusivity for our product candidates, that exclusivity may not effectively protect those product candidates from competition because different therapies can be approved for the same condition and the same therapies can be approved for different conditions but used off-label. Even after an orphan drug is approved, the FDA can subsequently approve another drug for the same condition if the FDA concludes that the later drug is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care. In addition, a designated orphan drug may not receive orphan drug exclusivity if it is approved for a use that is broader than the indication for which it received orphan designation. Moreover, orphan drug exclusive marketing rights in the United States 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. Orphan Drug Designation neither shortens the development time or regulatory review time of a drug nor gives the drug any advantage in the regulatory review or approval process. While we may seek Orphan Drug Designation for applicable indications for our product candidates, we may never receive such designations. Even if we do receive such designations, there is no guarantee that we will enjoy the benefits of those designations.

Public opinion and scrutiny of cell-based immuno-oncology therapies for treating cancer may impact public perception of our company and product candidates, or impair our ability to conduct our business.

Our platform utilizes a relatively novel technology involving the genetic modification of human NK cells and utilization of those modified cells in other individuals, and no NK cell-based immunotherapy has been approved to date. Public perception may be influenced by claims, such as claims that cell-based immunotherapy is unsafe, unethical, or immoral and, consequently, our approach may not gain the acceptance of the public or the medical community. Negative public reaction to cell-based immunotherapy in general could result in greater government regulation and stricter labeling requirements of cell-based immunotherapy products, including any of our product candidates, and could cause a decrease in the demand for any products we may develop. Adverse public attitudes may adversely impact our ability to enroll clinical trials. More restrictive government regulations or negative public opinion could have an adverse effect on our business or financial condition and may delay or impair the development and commercialization of our product candidates or demand for any products we may develop.

We may not identify or discover other product candidates and may fail to capitalize on programs or product candidates that may present a greater commercial opportunity or for which there is a greater likelihood of success.

Our business depends upon our ability to identify, develop and commercialize product candidates. A key element of our strategy is to discover and develop additional product candidates based upon our NK cell engineering platform. We are seeking to do so through our internal research programs, and may also explore strategic collaborations for the discovery of new product candidates. Research programs to identify product candidates require substantial technical, financial and human resources, whether or not any product candidates are ultimately identified. In addition, targets for different cancers may require changes to our NK manufacturing platform, which may slow down development or make it impossible to manufacture our product candidates. Our research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development for many reasons, including the following:

- the research methodology or technology platform used may not be successful in identifying potential product candidates;
- competitors may develop alternatives that render our product candidates obsolete or less attractive;
- we may choose to cease development if we determine that clinical results do not show promise;
- product candidates we develop may nevertheless be covered by third parties' patents or other exclusive rights;
- a product candidate may be shown to have harmful side effects or other characteristics that indicate it is unlikely to be effective or otherwise does not meet applicable regulatory criteria; and
- a product candidate may not be accepted as safe and effective by patients, the medical community or third-party payors.

Because we have limited resources, we must choose to pursue and fund the development of specific types of treatment, or treatment for a specific type of cancer, and we may forego or delay pursuit of opportunities with certain programs or product candidates or for indications that later prove to have greater commercial potential. Our estimates regarding the potential market for our product candidates could be inaccurate, and if we do not accurately evaluate the commercial potential for a particular product candidate, we may relinquish valuable rights to that product candidate through strategic collaboration, licensing or other arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate. Alternatively, we may allocate internal resources to a product candidate in a therapeutic area in which it would have been more advantageous to enter into a partnering arrangement.

If any of these events occur, we may be forced to abandon or delay our development efforts with respect to a particular product candidate or fail to develop a potentially successful product candidate.

If third parties that we rely on to conduct clinical trials do not successfully carry out their contractual duties, comply with regulatory requirements or meet expected deadlines, we may not be able to obtain marketing approval for or commercialize our product candidates.

We do not have the ability to independently conduct clinical trials. We rely on medical institutions, clinical investigators, contract laboratories, and other third parties, such as CROs to conduct or otherwise support clinical trials for our product candidates. We rely heavily on these parties for execution of clinical trials for our product candidates and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our clinical trials is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on CROs and other third parties will not relieve us of our regulatory responsibilities. For any violations of laws and regulations during the conduct of our clinical trials, we could be subject to untitled letters, warning letters or enforcement action that may include civil penalties up to and including criminal prosecution.

We and the third parties on which we rely for clinical trials are required to comply with regulations and requirements, including GCPs for conducting, monitoring, recording and reporting the results of clinical trials to ensure that the data and results are scientifically credible and accurate, and that the trial patients are adequately informed of the potential risks of participating in clinical trials and their rights are protected. These regulations are enforced by the FDA, the competent authorities of the European Union member states, and comparable foreign regulatory authorities for any drugs in clinical development. The FDA enforces GCP requirements through periodic inspections of clinical trial sponsors, principal investigators and trial sites. If we or these third parties fail to comply with applicable 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. We cannot assure you that, upon inspection, the FDA will determine that any of our future clinical trials not deviate from GCP. In addition, our clinical trials must be conducted with product candidates produced under cGMP regulations. Our failure or the failure of these third parties to comply with these regulations may require us to repeat clinical trials, which would delay the marketing approval process and could also subject us to enforcement action. The COVID-19 pandemic and government measures taken in response have also had a significant impact on our CROs, and we expect that they will face further disruption, which may affect our ability to initiate and complete our preclinical studies and clinical trials. We also are required to register certain ongoing clinical trials and provide certain information, including information relating to the trial's protocol, on a government-sponsored database, ClinicalTrials.gov, within specific timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

Although we intend to design the clinical trials for our product candidates, we plan to rely on third parties to conduct our clinical trials. As a result, many important aspects of our clinical development, including their conduct and timing, will be outside of our direct control. Our reliance on third parties to conduct future clinical trials will also result in less direct control over the management of data developed through clinical trials than would be the case if we were relying entirely upon our own staff. Communicating with outside parties can also be challenging, potentially leading to mistakes as well as difficulties in coordinating activities. Outside parties may:

- have staffing difficulties;
- fail to comply with contractual obligations;
- experience regulatory compliance issues;
- undergo changes in priorities or become financially distressed; or
- form relationships with other entities, some of which may be our competitors.

If third parties do not perform our clinical trials in a satisfactory manner, breach their obligations to us or fail to comply with regulatory requirements, we would be unable to rely on clinical data collected by these third parties and may be required to repeat, extend the duration of, or increase the size of any clinical trials we conduct, which could significantly delay commercialization and require significantly greater expenditures.

If any of our relationships with these third parties terminate, we may not be able to enter into arrangements with alternative third parties on commercially reasonable terms, or at all. If third parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain are compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, any clinical trials such third parties are associated with may be extended, delayed or terminated, and we may not be able to obtain marketing approval for or successfully commercialize our product candidates. As a result, we believe that our financial results and the commercial prospects for our product candidates in the subject indication would be harmed, our costs could increase and our ability to generate revenue could be delayed.

If we are not able to establish pharmaceutical or biotechnology collaborations on commercially reasonable terms, or at all, we may have to alter our development and commercialization plans.*

The advancement of our product candidates and development programs and the potential commercialization of our current and future product candidates will require substantial additional cash to fund expenses. For some of our programs, we may seek to collaborate with pharmaceutical and biotechnology companies to develop and commercialize such product candidates, such as our recent collaboration with CRISPR. Any of these relationships, including our relationship with CRISPR, may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing stockholders, relinquish valuable rights to our product candidates, or disrupt our management and business.

We face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Whether we reach a definitive agreement for new collaborations will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of clinical trials, the progress of our clinical trials, the likelihood of approval by the FDA or similar regulatory authorities outside the United States, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge and industry and market conditions generally. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with us for our product candidate. Further, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for future product candidates because they may be deemed to be at too early of a stage of development for collaborative effort or third parties may not view them as having the requisite potential to demonstrate safety and efficacy. Any delays in entering into new collaborations or strategic partnership agreements related to any product candidate we develop could delay the development and commercialization of our product candidates, which would harm our business prospects, financial condition, and results of operations.

We have entered into a research collaboration with CRISPR regarding certain product candidates, and we may enter into additional collaborations with third parties to develop or commercialize other product candidates. Our prospects with respect to those product candidates will depend in significant part on the success of those collaborations, and we may not realize the benefits of such collaborations.*

We may form strategic alliances or create joint ventures or collaborations with respect to our product candidates that we believe will complement or augment our existing business. We routinely engage, and are engaged, in partnering discussions with a range of pharmaceutical and biotechnology companies and could enter into new collaborations at any time. If we enter into a collaboration, strategic alliance or license arrangement, there is no guarantee that the collaboration will be successful, or that any future partner will commit sufficient resources to the development, regulatory approval, and commercialization effort for such products, or that such alliances will result in us achieving revenues that justify such transactions.

On May 5, 2021, we entered into a research collaboration agreement with CRISPR to establish research plans for the purpose of collaboratively designing and advancing allogeneic, gene-edited NK cell therapies and an allogeneic, gene-edited NK+T cell therapy for use in the treatment of oncology, autoimmune disease, or infectious disease up to the filing of an application to a regulatory authority to request the ability to start a clinical trial. The parties will share equally the costs incurred in connection with the research activities for the product candidates under the collaboration. Under our agreement with CRISPR, we have also agreed to negotiate to reach agreement regarding the terms governing co-development and co-commercialization of the NK cell or NK+T cell therapies that are advanced under the research collaboration. If CRISPR, or any potential future collaboration partner, does not perform in the manner that we expect or fulfill their responsibilities in a timely manner or at all, the research, clinical development, regulatory approval and commercialization efforts related to the product candidates that are the subject of the collaboration with CRISPR, or that potential future collaboration partner, could be delayed or terminated.

If we terminate the agreement in its entirety or with respect to a particular product candidate under the research collaboration with CRISPR, due to a material breach by CRISPR or CRISPR's insolvency, then we have the right to negotiate a license from CRISPR to continue research, development, and commercialization of the terminated product candidate(s) on our own at our sole expense. We would need to pay CRISPR milestones and royalties for the terminated product candidate(s), and we may not be able to negotiate terms to the license that are favorable to us. Furthermore, assumption of sole responsibility for further development would greatly increase our expenditures and may mean we would need to limit the size and scope of one or more of our programs, seek additional funding and/or choose to stop work altogether on one or more of the affected product candidates. This could result in a limited potential to generate future revenue from such product candidates, and our business could be materially and adversely affected.

Whenever we enter into collaborations with third parties, we could face the following risks:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators could independently develop, or develop with third parties, products and processes that compete directly or indirectly with our products or product candidates;

- collaborators may not properly enforce, maintain or defend our intellectual property rights or may use our proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation, or other intellectual property proceedings;
- disputes may arise between a collaborator and us that cause the delay or termination of the research, development or commercialization of the product candidate, or that result in costly litigation or arbitration that diverts management attention and resources;
- if a present or future collaborator of ours were to be involved in a business combination, the continued pursuit and emphasis on our product development or commercialization program under such collaboration could be delayed, diminished or terminated; and
- collaboration agreements may restrict our right to independently pursue new product candidates.

If conflicts arise between our collaborators and us, including CRISPR, our collaborators may act in a manner adverse to us and could limit our ability to implement our strategies. CRISPR or future collaborators may develop, either alone or with others, products in related fields that are competitive with the products or potential products that are the subject of these collaborations. Competing products, either developed by the collaborators or to which the collaborators have rights, may result in the withdrawal of support for our product candidates. Our collaborators may preclude us from entering into collaborations with their competitors, fail to obtain timely regulatory approvals, terminate their agreements with us prematurely or fail to devote sufficient resources to the development and commercialization of products. Any of these developments could harm our product development efforts.

As a result, we may not be able to realize the benefit of new or existing collaboration agreements and strategic partnerships if we are unable to successfully integrate them with our existing operations, which could delay our timelines or otherwise adversely affect our business. We also cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income that justifies such transaction.

If we fail to compete effectively with academic institutions and other biopharmaceutical companies that develop similar or alternatives to cellular immunotherapy product candidates, our business will be materially adversely affected.*

The development and commercialization of new cellular immunotherapy products is highly competitive. We face competition from existing and future competitors with respect to each of our product candidates currently in development, and will face competition with respect to other product candidates that we may seek to develop or commercialize in the future. For example, the autologous cell therapies Kymriah®, Yescarta®, Tecartus™ and Breyanzi®, which have been commercially approved, are direct competitors to our product candidate NKX019. Our known biopharmaceutical competitors developing allogeneic CAR-NK or CAR-T therapies currently include Allogene, Cellectis, Celularity, Celyad, CRISPR Therapeutics, Gamida Cell, Glycostem, Sanofi, Fate Therapeutics, ImmunityBio, Precision BioSciences and Takeda, each of which has clinical-stage allogeneic programs, as well as numerous other biopharmaceutical companies including Astellas, Artiva Biosciences, Bristol-Myers Squibb, NKGen, ONK Therapeutics, Surface Oncology, Novartis and Gilead with earlier-stage allogeneic programs. Furthermore, many companies are seeking to harness NK biology through engagers that seek to direct a patient's own NK cells to the site of a tumor. Such competitors include Affimed, Amgen, Compass, Cytovia, Dragonfly Therapeutics, Genentech, A Roche Group company, GT Biopharma, Innate Pharma, QureBio, Servier, and Synaffix. In addition, numerous academic institutions are conducting preclinical and clinical research in these areas, as well as with other white blood cell types including NKT cells and gamma-delta T cells. It is also possible that new competitors, including those developing similar or alternatives to cellular immunotherapy product candidates, may emerge and acquire significant market share. Such competitors may have an advantage over us due to their greater size, resources or institutional experience, or may develop product candidates that are safer, more effective, more widely accepted, more cost-effective or enable higher patient quality of life than ours. More established biopharmaceutical companies may also develop and commercialize their product candidates at a faster rate, which could render our product candidates obsolete or non-competitive before they are fully developed or commercialized. If we are not able to compete effectively against our existing and potential competitors, our business, financial condition, results of operations and growth prospects may be materially adversely affected.

We will need to increase the size of our organization, and we may experience difficulties in managing growth.*

As of June 30, 2021, we had 116 full-time employees. We will need to continue to expand our managerial, operational, clinical, quality, human resources, legal, manufacturing, finance, commercial and other resources in order to manage our operations and clinical trials, continue our development activities and eventually commercialize our product candidates. Our management and personnel, systems and facilities currently in place may not be adequate to support this future growth. Our need to effectively execute our growth strategy requires that we:

- discover new product candidates, develop the process and analytical methods for IND-enabling studies and FDA submissions, complete the required IND-enabling studies for each, and receive approval from the FDA and other regulatory authorities to initiate clinical trials for such product candidates;
- manage our clinical trials effectively;
- identify, recruit, retain, incentivize and integrate additional employees;
- expand into additional office and laboratory space as we grow our employee base;
- complete the qualification of our in-house clinical GMP manufacturing facility and establish and validate a commercial GMP manufacturing facility; and
- continue to improve our operational, financial and management controls, reports systems and procedures.

If we are unable to attract skilled employees, increase the size of our organization or manage our future growth effectively, it will impair our ability to execute our business strategy and our business, financial condition, results of operations and growth prospects will be materially adversely affected.

If we fail to attract and retain senior management, clinical, and key scientific personnel, we may be unable to successfully develop our product candidates, conduct our clinical trials and commercialize our product candidates.

Our success depends in part on our continued ability to attract, retain and motivate highly qualified management, clinical and scientific personnel. We are highly dependent upon our senior management, particularly our chief executive officer, as well as other members of our senior management team. The loss of services of any of these individuals could delay or prevent the successful development of our product pipeline, initiation or completion of our planned clinical trials or the commercialization of our future product candidates. We do not have employment agreements with our senior management team.

Competition for qualified personnel in the biotechnology and pharmaceuticals field is intense due to the limited number of individuals who possess the skills and experience required by our industry. We will need to hire additional personnel as we expand our clinical development and manufacturing activities, if we initiate commercial activities. We may not be able to attract and retain quality personnel on acceptable terms, or at all. If we are unable to hire and retain the qualified personnel we need to operate our business, our business, financial condition, results of operations and growth prospects would be materially adversely affected. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or that they have divulged proprietary or other confidential information, or that their former employers own their research output.

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 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.

Any such outcomes could materially adversely affect our business, financial condition, results of operations and growth prospects.

Our insurance policies may be inadequate, may not cover all of our potential liabilities and may potentially expose us to unrecoverable risks.

We do not carry insurance for all categories of risk that our business may encounter. Although we maintain product liability insurance coverage that also covers our clinical trials, such insurance may not be adequate to cover all liabilities that we may incur, and we may be required to increase our product liability insurance coverage. We anticipate that we will need to increase our insurance coverage each time we commence a clinical trial and if we successfully commercialize any product candidate. Insurance availability, coverage terms and pricing continue to vary with market conditions. We endeavor to obtain appropriate insurance coverage for insurable risks that we identify. However, we may fail to correctly anticipate or quantify insurable risks, we may not be able to obtain appropriate insurance coverage and insurers may not respond as we intend to cover insurable events that may occur. Any significant uninsured liability may require us to pay substantial amounts, which would materially adversely affect our business, financial condition, results of operations and growth.

In addition, although we are dependent on certain key personnel, we do not have any key man life insurance policies on any such individuals. Therefore, if any of our chief executive officer or other executive officers die or become disabled, we will not receive any compensation to assist with such individual's absence. The loss of such person could materially adversely affect our business, financial condition, results of operations and growth prospects.

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

Our research and development activities and our third-party manufacturers' and suppliers' activities involve the controlled storage, use and disposal of hazardous materials owned by us. We and our manufacturers and suppliers are subject to laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. In some cases, these hazardous materials and various wastes resulting from their use are stored at our manufacturers' facilities pending their use and disposal.

We cannot eliminate the risk of contamination, which could cause an interruption of our research and development efforts and business operations, environmental damage resulting in costly clean-up and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. Although we believe that the safety procedures utilized by our third-party manufacturers and suppliers for handling and disposing of these materials generally comply with the standards prescribed by these laws and regulations, we cannot guarantee that this is the case or eliminate the risk of accidental contamination or injury from these materials. In such an event, we may be held liable for any resulting damages and such liability could exceed our resources and state or federal or other applicable authorities may curtail our use of certain materials and/or interrupt our business operations. Furthermore, environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. We cannot predict the impact of such changes and cannot be certain of our future compliance. We do not currently carry biological or hazardous waste insurance coverage. Any contamination by such hazardous materials could therefore materially adversely affect our business, financial condition, results of operations and growth prospects.

Risks Related to Manufacturing

Our manufacturing process is novel and complex, and we may encounter difficulties in production, or difficulties with internal manufacturing, which would delay or prevent our ability to provide a sufficient supply of our product candidates for clinical trials or our products for patients, if approved.*

Our product candidates are genetically engineered human cells, and the process of manufacturing such product candidates, as well as engineered K562 cells and viral vectors, is complex, highly regulated and subject to numerous risks. Manufacturing our product candidates involves harvesting white blood cells from a donor, isolating the NK cells, activating and expanding the NK cells, introducing a gamma-retrovirus with genes encoding the proteins we wish to express, cryopreservation, storage and eventually shipment. As a result of these complexities, the cost to manufacture our cellular product candidates, engineered K562 cells and viral vector is generally higher than traditional small-molecule chemical compounds or biologics, and the manufacturing process is presently less reliable and more difficult to reproduce. Furthermore, for certain patients in the early portion of our Phase 1 study of NKX101, we plan to dose patients with haplomatched NKX101. This requires custom manufacturing for each patient, which is especially complex.

Our manufacturing process will be susceptible to product loss or failure, or product variation that may negatively impact patient outcomes, due to logistical issues associated with the collection of starting material from the donor, shipping such material to the manufacturing site, shipping the final product to the clinical trial recipient, preparing the product for administration, manufacturing issues or different product characteristics resulting from the differences in donor starting materials, variations between reagent lots, interruptions in the manufacturing process, contamination, equipment or reagent failure, improper installation or operation of equipment, vendor or operator error, inconsistency in cell growth and variability in product characteristics.

Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects and other supply disruptions. If microbial, viral or other contaminations are discovered in our product candidates or in any of the manufacturing facilities in which products or other materials are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We will be required to maintain a chain of identity with respect to materials as they move from the donor to the manufacturing facility, through the manufacturing process and to the clinical trial recipient. Maintaining a chain of identity is difficult and complex, and failure to do so could result in adverse patient outcomes, loss of product or regulatory action, including withdrawal of our products from the market, if licensed. Any failure in the foregoing processes could render a batch of product unusable, could affect the regulatory approval of such product candidate, could cause us to incur fines or penalties or could harm our reputation and that of our product candidates.

Our manufactured product candidates may fail to meet the required specifications for any of a variety of reasons, including variability in starting material, deviations from normal manufacturing process, or insufficient optimization of specific process steps. This failure to meet specifications could result in delays related to obtaining additional regulatory, site and patient approvals to continue dosing the patient in the clinical trial. If the required additional approvals cannot be obtained, additional delays may occur as manufacturing would need to be restarted and/or the patient may be unable to remain in the study. We may lose the starting material for a manufactured product for one of our clinical trial patients at any point in the process, the manufacturing process for that patient would need to be restarted and the resulting delay could require restarting the manufacturing process or could result in such patient no longer participating in our clinical trial. Any delay in the clinical development or commercialization of NKX101, NKX019, or our other product candidates could materially adversely affect our business, financial condition, results of operations and growth prospects.

We may make changes to our manufacturing process at various points during development, and even after commercialization, for various reasons, such as to control costs, achieve scale, decrease processing time, increase manufacturing success rate or for other reasons. Changes to our manufacturing process carry the risk that they will not achieve their intended objectives, and any of these changes could cause our product candidates to perform differently and affect the results of our ongoing clinical trials, or the performance of the product once commercialized. Changes to our process made during the course of clinical development could require us to show the comparability of the product candidate used in earlier clinical phases or at earlier portions of a trial to the product candidate used in later clinical phases or later portions of the trial. It is difficult to establish comparability of cell therapy products, and this may complicate efforts to validate process changes during the scale up to commercialization. Other changes to our manufacturing process made before or after commercialization could require us to show the comparability of the resulting product to the product candidate used in the clinical trials using earlier processes. Such showings could require us to collect additional nonclinical or clinical data from any modified process prior to obtaining marketing approval for the product candidate produced with such modified process. If such data are not ultimately comparable to that seen in the earlier trials or earlier in the same trial in terms of safety or efficacy, or if regulatory authorities do not agree that comparability has been established, we may be required to make further changes to our process and/or undertake additional clinical testing, either of which could significantly delay the clinical development or commercialization of the associated product candidate, which would materially adversely affect our business, financial condition, results of operations and growth prospects.

Although we are manufacturing NKX019 in our own internal manufacturing facility for the NKX019 Phase 1 clinical trial, and plan to manufacture other product candidates in our internal manufacturing facilities in the future, we may encounter problems with the internal production of our product candidates. We have completed the construction of a cGMP facility for the production of certain of our product candidates for our early-stage clinical trials, but we do not yet have a cGMP facility for the commercial-scale manufacture of our product candidates. Our manufacturing facilities will be subject to compliance with regulatory requirements, which we may struggle to meet. Building a commercial-scale facility and manufacturing product candidates in our own facilities will require an increase in staff and significant internal resources. We may encounter problems with properly staffing our internal manufacturing facilities due to hiring challenges or other issues. For example, factors such as the COVID-19 pandemic and COVID-19-related restrictions could impact our ability to properly staff production of our product candidates. We may also encounter problems with training the staff we have to effectively manage and control the complex manufacturing process required to produce our product candidates and comply with all necessary regulations. In addition, we may find it difficult to properly manage supply chain issues critical to the manufacturing process. If we are unable to build, maintain, and properly staff our manufacturing facilities, manage and control the manufacturing process, and comply with regulations, the clinical development or commercialization of our product candidates could be significantly delayed, which would materially adversely affect our business, financial condition, results of operations and growth prospects.

We rely on third parties to manufacture certain of our product candidates, and certain materials for use in the production of our product candidates, which increases the risk that we will not have sufficient quantities of such product candidates or materials, or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.*

Although we are planning to build a commercial-scale manufacturing facility, we do not yet operate our own cGMP facility for the production of commercial supplies of the product candidates that we are developing or evaluating in our development programs. We have limited personnel with experience in drug manufacturing and currently lack the resources and the capabilities to manufacture any of our product candidates on a commercial scale. If we are unable to successfully build, maintain and staff our own commercial-scale cGMP facility, we will need to rely on third parties for commercial-scale manufacture of our product candidates. We also currently rely on a third-party manufacturer for our clinical supply of NKX101. We expect to continue to outsource NKX101 manufacturing even though we have an internal cGMP facility for clinical supply, at least for a certain amount of time. We compete with other companies for access to third party cGMP facilities and cannot assure continued access.

In addition, we currently outsource manufacturing of certain critical materials necessary for production of our product candidates, including K562 cells and viral vectors. Even though we have established our own internal cGMP facility for clinical supply of certain product candidates, and even if we successfully establish our own cGMP manufacturing facility for manufacture of our product candidates on a commercial scale, we will continue to outsource manufacturing of certain materials necessary for production of our product candidates, at least for a certain amount of time.

In order to conduct clinical trials of product candidates, we will need to have them manufactured in potentially large quantities. Our third-party manufacturers may be unable to increase the manufacturing capacity for any of our product candidates or other necessary materials in a timely or cost-effective manner, or at all. In addition, quality issues may arise during scale-up activities and at any other time. If these third-party manufacturers are unable to, or do not, scale up the manufacture of our product candidates or other necessary materials in sufficient quality and quantity, the development, testing and clinical trials of that product candidate may be delayed or infeasible, and regulatory approval or commercial launch of that product candidate may be delayed or not obtained, which could significantly harm our business.

We do not currently have any agreements with third-party manufacturers for long-term commercial supply. We may be unable to enter into agreements with third-party manufacturers for commercial supplies of any product candidate or any material necessary for production of a product candidate that we develop, or may be unable to do so on acceptable terms. Even if we establish and maintain arrangements with third-party manufacturers, reliance on third-party manufacturers for either clinical or commercial supply entails risks, including:

- reliance on the third-party for regulatory compliance and quality assurance;
- the possible breach of the manufacturing agreement by the third-party;
- the possible misappropriation of our proprietary information, including our trade secrets and know-how; and
- the possible termination or nonrenewal of the agreement by the third-party at a time that is costly or inconvenient for us.

Third-party manufacturers may not be able to comply with cGMP requirements or similar regulatory requirements outside the United States. The failure of our third-party manufacturers to comply with applicable requirements could result in sanctions being imposed on us, including fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and/or criminal prosecutions, any of which could significantly and adversely affect supplies of our product candidates.

If the third parties that we engage to supply any materials or to manufacture any products for our preclinical tests and clinical trials should cease to continue to do so for any reason, including due to the effects of the COVID-19 pandemic and the actions undertaken by governments and private enterprises to contain COVID-19, we likely would experience delays in advancing these tests and trials while we identify and qualify replacement suppliers or manufacturers and we may be unable to obtain replacement supplies on terms that are favorable to us. In addition, if we are not able to obtain adequate supplies of our product candidates or the substances used to manufacture them, it will be more difficult for us to develop our product candidates and compete effectively. At some of our contract manufacturing sites, COVID-19-related restrictions, including temporary shutdowns, and instances of COVID-19 cases impacting personnel have resulted in some delays.

Our current and anticipated dependence upon others for the manufacture of our product candidates and materials necessary for production of our product candidates may adversely affect our profit margins and our ability to develop product candidates and commercialize any products that receive marketing approval on a timely and competitive basis.

We are reliant on a sole supplier for certain steps of our manufacturing process.

Our manufacturing process for NKX101 and for NKX019 depends on the use of the Miltenyi CliniMACS Plus system, and related reagents, all of which are only available from Miltenyi as the sole supplier. In addition, some of these reagents, at the time of procurement, typically expire after approximately four to six months. This short expiration period means that stocking the reagents in large quantities for future needs would not be an effective strategy to mitigate against the risk of shortage due to disruption of the supply chain.

Furthermore, while many of the reagents and consumables used in our manufacturing process are available from more than one commercial supplier, we have not confirmed the suitability of the use of all such reagents and consumables in our manufacturing process. Even if we are able to replace any raw materials or consumables with an alternative, such alternatives may cost more, result in lower yields or not be as suitable for our purposes. In addition, some of the raw materials that we use are complex materials, which may be more difficult to substitute. Therefore, supply disruptions could result in delays and additional regulatory submissions and prevent us from being able to manufacture our product candidates due to the unsuitability of the substituted reagent or consumable that we are able to procure.

Any disruption in supply of these instruments and reagents could result in delays in our clinical trials, which would materially adversely affect our business, financial condition, results of operations and growth prospects.

Delays in commissioning and receiving regulatory approvals for our manufacturing facilities could delay our development plans and thereby limit our ability to develop our product candidates and generate revenues.*

We believe that internal cGMP manufacturing is important to facilitate clinical product supply, lower the risk of manufacturing disruptions and enable more cost-effective manufacturing. We have completed the construction of a cGMP facility in South San Francisco, California that will allow us to supply the product candidates needed for our early-stage clinical trials. We have also leased a property where we plan to build a facility for the commercial-scale manufacture of our product candidates. The design, construction, qualification and regulatory approvals for such facilities require substantial capital and technical expertise and any delay would limit our development activities and our opportunities for growth.

Furthermore, our manufacturing facilities will be subject to ongoing, periodic inspection by the FDA and other comparable regulatory agencies to ensure compliance with cGMP. Our failure to follow and document our adherence to these regulations or other regulatory requirements may lead to significant delays in the availability of products for clinical use or may result in the termination of or a hold on a clinical study. Failure to comply with applicable regulations could also result in sanctions being imposed on us, including fines, injunctions, civil penalties, a requirement to suspend or put on hold one or more of our clinical trials, failure of regulatory authorities to grant marketing approval of our drug candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of drug candidates, operating restrictions and criminal prosecutions, any of which could materially adversely affect our business, financial condition, results of operations and growth prospects.

We also may encounter problems with the following:

- complying with regulations regarding evolving donor infectious disease testing, traceability, manufacturing, release of product candidates and other requirements from regulatory authorities outside the United States;
- achieving adequate or clinical-grade materials that meet regulatory agency standards or specifications with consistent and acceptable production yield and costs;
- bacterial, fungal or viral contamination in our manufacturing facilities;
- disruptions due to natural disasters or supply chain interruptions; and
- shortages of qualified personnel, raw materials or key contractors.

Our product candidates, if approved by applicable regulatory authorities, may require significant commercial supply to meet market demand. In these cases, we may need to increase, or "scale up," the production process by a significant factor over the initial level of production. If we fail to develop sufficient manufacturing capacity and experience, whether internally or with a third party, are delayed in doing so, or fail to manufacture our product candidates economically or on reasonable scale or volumes, or in accordance with cGMP, or if the cost of this scale-up is not economically feasible, our development programs and commercialization of any approved products will be materially adversely affected and we may not be able to produce our product candidates in a sufficient quantity to meet future demand and our business, financial condition, results of operations and growth prospects may be materially adversely affected.

The optimal donor and manufacturing parameters for our product candidates have not been definitively established, which may hinder our ability to optimize our product candidates or to address any safety or efficacy issues that may arise.

If any of our clinical trials reveal issues with the safety or efficacy of any of our product candidates, modification of the donor selection criteria or the manufacturing process may be necessary to address such issues. Alternatively, we may choose to modify the manufacturing process in an effort to improve the efficiency of the process or efficacy of the product candidates. However, we have not, at present, fully characterized or identified how donor characteristics and manufacturing process parameters affect the optimal cancer cell killing ability for our engineered NK cell product candidates for in vitro and animal efficacy studies or how such potency differences may translate into efficacy to be seen in human clinical trials, including both the proportion of patients who achieve a meaningful clinical response, and the duration of any such clinical responses. As a result, our ability to improve our manufacturing process or product potency, safety, or efficacy according to such parameters is limited and may require significant trial and error, which may cause us to incur significant costs or could result in significant delays to the clinical development and eventual commercialization of our product candidates.

We are dependent on third parties to store our CAR-NK cells, viral vector, master and working cell banks of the engineered K562 cells, and any damage or loss would cause delays in replacement, and our business could suffer.

The CAR-NK cells, the viral vector, and the master and working cell banks of the engineered K562 cells are stored in freezers at third-party biorepositories and will also be stored in our freezers at our production facility. If these materials are damaged at these facilities, including by the loss or malfunction of these freezers or our back-up power systems, as well as by damage from fire, power loss or other natural disasters, we would need to establish replacement CAR-NK cells, viral vector, and master and working cell banks of the engineered K562 cells, which would impact clinical supply and delay our patients' treatments. If we are unable to establish replacement materials, we could incur significant additional expenses and liability to patients whose treatment is delayed, and our business could suffer.

We have not yet developed a validated methodology for freezing and thawing commercial-scale quantities of CAR-NK cells, which we believe will be required for the storage and distribution of our CAR-NK product candidates.

We have not yet demonstrated that CAR-NK cells, which can be frozen and thawed in smaller quantities, can also be frozen and thawed in commercial scale quantities without damage, in a cost-efficient manner and without degradation over time. We may encounter difficulties not only in developing freezing and thawing methodologies for large scale use, but also in obtaining the necessary regulatory approvals for using such methodologies in treatment. If we cannot adequately demonstrate similarity of our frozen product to the unfrozen form to the satisfaction of the FDA, we could face substantial delays in our regulatory approvals. If we are unable to freeze CAR-NK cells for shipping purposes, our ability to promote adoption and standardization of our products, as well as achieve economies of scale by centralizing our production facility, will be limited. Even if we are able to successfully freeze and thaw CAR-NK cells in large quantities, we will still need to develop a cost-effective and reliable distribution and logistics network, which we may be unable to accomplish.

Furthermore, we have not yet demonstrated long-term stability of cryopreserved CAR-NK cells and therefore do not know if we will be able to store the cryopreserved cells for extended periods of time. If we are unable to demonstrate long-term stability, we will need to reduce the manufacturing batch size to ensure that the material we produce will be used before it expires. In that case, the scaling of our production processes will not deliver the efficiencies we expect, and the cost per dose of our product candidates will be substantially higher.

For these and other reasons, we have not yet established the long-term stability of our cryopreserved CAR-NK Cells and we may not be able to commercialize CAR-NK cells on a large scale or in a cost-effective manner. If such product is found to be instable, we would be required to conduct more frequent manufacturing runs, which could cause us to incur significant additional expenses.

Risks Related to Our Intellectual Property

If our license agreement with National University of Singapore and St. Jude's Children's Research Hospital, Inc. is terminated, we could lose our rights to key components enabling our NK cell engineering platform.

In August 2016, we entered into a license agreement with the National University of Singapore and St. Jude Children's Research Hospital, Inc., (the "Licensors"). Pursuant to this license, the Licensors granted to us an exclusive, worldwide, royalty-bearing, sublicensable license under specified patents and patent applications related to NK cell technology in the field of therapeutics. We make single-digit royalty payments, patent expenses, license maintenance fees and milestone payments to the Licensors. The term of the license agreement extends until expiration of the last of the patent rights licensed to us by the Licensors, which is currently expected to occur in approximately 2039. The Licensors may terminate the license agreement upon the occurrence of certain events, such as an uncured material breach by us, the cessation of our business or our insolvency, liquidation or receivership. If the Licensors terminate or narrow the license agreement, we could lose the use of intellectual property rights that may be material or necessary to the development or production of our product candidates, which could impede or prevent our successful commercialization of such product candidates and materially adversely affect our business, financial condition, results of operations and growth prospects.

Furthermore, our patent license agreement with the Licensors is field-specific and has been granted to us in the field of therapeutics. This license agreement permits to Licensors to practice the licensed rights, and to allow non-profit academic third parties to practice the licensed rights for certain academic purposes. As such, certain patents in a patent family that is licensed to us by the Licensors have been licensed to at least one other third party. Although these patents should not be overlapping with our licensed patents, there is a risk that inadvertent overlap may occur, and thus resources may have to be expended to resolve any such overlap and to prevent other licensees from practicing under our licensed patents rights. If any of the foregoing were to occur, it could delay our development and commercialization of our product candidates, which in turn could materially adversely affect our business, financial condition, results of operations and growth prospects.

Our development and commercialization rights to our current and future product candidates and technology are subject, in part, to the terms and conditions of licenses granted to us by others.*

Our patent portfolio consists of a combination of issued patents and pending patent applications licensed from third parties, jointly owned with third parties and assigned solely to us based on our ongoing development activities. We are reliant upon certain of these rights and proprietary technology from third parties for the engineering and development of our current and future product candidates. However, these and other licenses may not provide exclusive rights to use such intellectual property and technology in all relevant fields of use and in all territories in which we choose to develop or commercialize our technology and products in the future. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in territories included in all of our licenses.

We also engage in collaborations with scientists at academic and non-profit institutions to access technologies and materials that are not otherwise available to us. Although the agreements that govern these collaborations may include an option to negotiate an exclusive license to the institution's rights in any inventions that are created in the course of these collaborations, we may not be able to come to a final agreement for an exclusive license with an institution.

We also may in some instances enter into collaboration or license agreements with commercial entities to access technologies and materials that are not otherwise available to us. Our agreements with such entities may provide licenses to technology useful for the discovery, development, or commercialization of our product candidates. These licenses may in some instances, be non-exclusive. For example, we have entered into an agreement with CRISPR, which grants us a non-exclusive license on up to five gene-editing targets to enable us to independently research, develop and commercialize NK cell therapies that have been gene-edited using CRISPR's gene-editing technology.

Such licenses and other contracts may be the subject of disagreements with the grantors and/or various third parties regarding the interpretation of such licenses and contracts. The resolution of any such disagreements that may arise could affect the scope of our rights to the relevant technology, or affect financial or other obligations under the relevant agreement, either of which could inhibit our ability to utilize the underlying technology in a cost-effective manner to develop and commercialize our product candidates, which in turn could have materially adversely affect our business, financial condition, results of operations and growth prospects.

Under certain circumstances such as a material breach of terms, our licensors could terminate our license agreements. If these in-licenses are terminated, or if the underlying patents fail to provide the intended exclusivity, competitors would have the freedom to seek regulatory approval of, and to market, products identical to ours. In addition, we may seek to obtain additional licenses from our licensors and, in connection with obtaining such licenses, we may agree to amend our existing licenses in a manner that may be more favorable to the licensors, including by agreeing to terms that could enable third parties (potentially including our competitors) to receive licenses to a portion of the intellectual property that is subject to our existing licenses.

In addition, we may not have the right to control the preparation, filing, prosecution, maintenance, enforcement and defense of patents and patent applications directed to the technology that we license from third parties. Therefore, we cannot be certain that these patents and patent applications will be prepared, filed, prosecuted, maintained, enforced and defended in a manner consistent with our best interests. If our licensors fail to prosecute, maintain, enforce and defend such patents, or lose rights to those patents or patent applications, the rights we have licensed may be reduced or eliminated, and our right to develop and commercialize any of our products that are the subject of such licensed rights could be impaired. Additionally, we may be required to reimburse our licensors for all of their expenses related to the prosecution, maintenance, enforcement and defense of patents and patent applications that we in-license from them.

Furthermore, our licensors may have relied on third-party consultants or collaborators or on funds from third parties such that our licensors are not the sole and exclusive owners of the patents we in-licensed. If other third parties have ownership rights to our in-licensed patents, they may be able to license such patents to our competitors, and our competitors could market competing products and technology. This could harm our competitive position, and our business.

Duration of patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time, and the expiration of our patents may subject us to increased competition.*

As of June 30, 2021, the patent portfolio that is assigned to us, jointly owned with others or licensed to us includes nine issued U.S. patents, one issued European patent, one issued Chinese patent, one issued Japanese patent, one issued Korean patent, one issued Australian patent, ten pending U.S. patent applications and approximately 49 pending international patent applications, across our Platform, NKX101 and NKX019 families. Our portfolio of issued patents, excluding pending patent applications, has expiration dates between 2024 and 2035. Our portfolio, including issued patents, and including pending applications if they issue, has expiration dates between 2024 and 2042. At least 50 of our issued patents and pending patent applications relate to supporting commercialization of our current product candidates, while the remaining issued patents and pending patent applications relate to future product candidates and alternative technologies. We plan to file additional patent applications that could potentially allow for further increase of the exclusive market protection for use of NKX101 and NKX019. However, we can provide no assurance that we will be able to file or receive additional patent protection for these or other product candidates.

Patent expiration dates may be shortened or lengthened by a number of factors, including terminal disclaimers, patent term adjustments, supplemental protection certificates and patent term extensions. Patent term extensions and supplemental protection certificates, and the like, may be impacted by the regulatory process and may not significantly lengthen patent term. Our patent protection could also be reduced or eliminated for noncompliance with various procedural, document submission, fee payment and other requirements imposed by government patent agencies. 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 patent rights.

Given the amount of time required for the development, testing and regulatory review of product candidates, patents protecting such candidates might expire before or shortly after such product candidates are commercialized. We expect to seek extensions of patent terms in the United States and, if available, in other countries where we have or will obtain patent rights. 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; provided that the patent is not enforceable for more than 14 years from the date of drug approval, which is limited to the approved indication (or any additional indications approved during the period of extension). Furthermore, only one patent per approved product can be extended and only those claims directed to the approved product, a method for using it or a method for manufacturing it may be extended. However, the applicable authorities, including the FDA and the United States Patent and Trademark Office, or 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 we are responsible for patent prosecution and maintenance of patent rights in-licensed to us, we could be exposed to liability to the applicable patent owner. If we or our licensors fail to maintain the patents and patent applications covering our product candidates and technologies, we may not be able to prevent a competitor from marketing products that are the same as or similar to our product candidates. Further, others commercializing products similar or identical to ours, and 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 product earlier than might otherwise be the case, which could increase competition for our product candidates and materially adversely affect our business, financial condition, results of operations and growth prospects.

If any patent protection we obtain is not sufficiently robust, our competitors could develop and commercialize products and technology similar or identical to ours.

The market for cell therapy is highly competitive and subject to rapid technological change. Our success depends, in large part, on our ability to maintain a competitive position in the development and protection of technologies and products for use in these fields and to obtain and maintain patent protection in the United States and other countries with respect to our product candidates and our technology. We have sought, and intend to seek, to protect our proprietary position by filing patent applications in the United States and abroad related to our product candidates and our technology that are important to our business. If we are unable to protect our intellectual property, our competitive position could be materially adversely affected, as third parties may be able to make, use or sell products and technologies that are substantially the same as ours without incurring the sizeable development and licensing costs that we have incurred. This, in turn, would materially adversely affect our ability to compete in the market.

The patent position of biotechnology and pharmaceutical companies generally is uncertain, involves complex legal and factual questions and has, in recent years, been the subject of much litigation. 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 that protect our technology or product candidates or effectively prevent others from commercializing competitive technologies and product candidates.

The patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patent applications at a reasonable cost or in a timely manner. We may also fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection.

Claim scope in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if the patent applications we license or own do issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us or otherwise provide us with any competitive advantage. Our competitors or other third parties may be able to circumvent our patents by developing similar or alternative products in a non-infringing manner.

Even after issuance, our owned and in-licensed patents may be subject to challenge, which if successful could require us to obtain licenses from third parties, which may not be available on commercially reasonable terms or at all, or to cease the use of the underlying technology, which could materially adversely affect our business.*

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patents, even after issuance, may be challenged in the courts or patent offices in the United States and abroad. Third-party challenges may result in a loss of exclusivity or in our patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to prevent others from using or commercializing similar or identical technology and products, or could limit the duration of the patent protection of our technology and product candidates.

Even if our patents are determined to be valid and enforceable, they may not be interpreted sufficiently broadly to prevent others from marketing products similar to ours or designing around our patents.

In 2018-2021, a third party requested ex parte reexaminations of U.S. Patent No. 9,511,092, which relates generally to chimeric receptor complexes that bind certain specific natural killer cell ligands and methods of using natural killer cells. U.S. Patent No. 9,511,092 does not relate to our current product candidates but may relate to future product candidates or alternative technologies. Two of the three reexaminations are pending. Although we plan to vigorously protect our intellectual property rights, as with all legal proceedings, there can be no guarantee as to the outcome, and, regardless of the merits of third-party challenges, such proceedings are time-consuming and costly. As a result of such reexaminations, our rights under the relevant patents could be narrowed or lost, and in the course of such proceedings, we may incur substantial costs, and the time and attention of our management may be diverted from the development and commercialization of our product candidates.

We may not identify relevant third-party patents or may incorrectly interpret the relevance, scope or expiration of a third-party patent, which could materially adversely affect our ability to develop, manufacture and market our product candidates.

There are many patents issued or applied for in the biotechnology industry, and we may not be aware of patents or patent applications held by others that relate to our business. We cannot guarantee that any of our or our licensors' patent searches or analyses, including but not limited to the identification of relevant patents, analysis of the scope of relevant patent claims or determination of the expiration of relevant patents, are complete or thorough, nor can we be certain that we have identified each and every third-party patent and pending application in the United States and elsewhere that is relevant to or necessary for the development and commercialization of our product candidates in any jurisdiction.

For example, patent applications in the United States and many international jurisdictions are typically not published until 18 months after the filing of certain priority documents (or, in some cases, are not published until they issue as patents) and publications in the scientific literature often lag behind actual discoveries. Thus, we cannot be certain that others have not filed patent applications or made public disclosures relating to our technology or our contemplated technology. A third party may have filed, and may in the future file, patent applications directed to our products or technology similar to ours. Any such patent application may have priority over our patent applications or patents, which could further require us to obtain rights to patents directed to such technologies. If third parties have filed such patent applications, an interference proceeding in the United States can be initiated by such third party, or by the USPTO itself, to determine who was the first to invent any of the subject matter recited by the patent claims of our applications.

Furthermore, after issuance, the scope of patent claims remains subject to construction as determined by an interpretation of the law, the written disclosure in a patent and the patent's prosecution history. Our interpretation of the relevance or the scope of a patent or a pending application may be incorrect, and we may incorrectly determine that our product candidates are not covered by a third party patent or may incorrectly predict whether a third party's pending application will issue with claims of relevant scope. Our determination of the expiration date of any patent in the United States or elsewhere that we consider relevant may also be incorrect. If we fail to correctly identify or interpret relevant patents, we may be subject to infringement claims. We cannot guarantee that we will be able to successfully settle or otherwise resolve such infringement claims. If we fail in any such dispute, in addition to being forced to pay monetary damages, we may be temporarily or permanently prohibited from commercializing our product candidates. We may also be forced to attempt to redesign our product candidates in a manner that no longer infringes third-party intellectual property rights. Any of these events, even if we were ultimately to prevail, could require us to divert substantial financial and management resources that we would otherwise be able to devote to the development and commercialization of our product candidates.

Claims brought against us for infringing, misappropriating or otherwise violating intellectual property rights of third parties or engaging in unfair competition, would be costly and time-consuming and could prevent or delay us from successfully developing or commercializing our product candidates.

Our success depends in part on our ability to develop, manufacture and market our technology and use our technology without infringing the proprietary rights of third parties. As the relevant product industries expand and more patents are issued, the risk increases that there may be patents issued to third parties that relate to our products and technology of which we are not aware or that we may need to challenge to continue our operations as currently contemplated. As a result, our technology and any future products that we commercialize could be alleged to infringe patent rights and other proprietary rights of third parties, which may require costly litigation and, if we are not successful, could cause us to pay substantial damages and/or limit our ability to commercialize our product candidates.

We may face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties. We employ individuals who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Accordingly, we may be subject to claims that these employees, or we, have used or disclosed trade secrets or other proprietary information of their former employers. Litigation may make it necessary to defend ourselves by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. Regardless of whether any such claims that we are infringing patents or other intellectual property rights have merit, such claims can be time consuming, divert management attention and financial resources and are costly to evaluate and defend.

Results of any such litigation are difficult to predict and may require us to stop treating certain conditions, obtain licenses or modify our product candidates while we develop non-infringing substitutes, or may result in significant settlement costs. Litigation can involve substantial damages for infringement (and if the court finds that the infringement was willful, we could be ordered to pay treble damages and the patent owner's attorneys' fees), and the court could prohibit us from selling or require us to take a license from a third party, which the third party is not required to do at a commercially reasonable price or at all. If a license is available from a third party, we may have to pay substantial royalties, upfront fees, milestone fees, or grant cross-licenses to intellectual property rights for our products. We may also have to redesign our products so they do not infringe third-party intellectual property rights, which may not be possible or may require substantial monetary expenditures and time, during which our products may not be available for manufacture, use, or sale.

We may not be able to effectively monitor unauthorized use of our intellectual property and enforce our intellectual property rights against infringement, and may incur substantial costs as a result of bringing litigation or other proceedings relating to our intellectual property rights.

Monitoring unauthorized use of our intellectual property is difficult and costly. From time to time, we review our competitors' products for potential infringement of our rights. We may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Any inability to meaningfully monitor unauthorized use of our intellectual property could result in competitors offering products that incorporate our product or service features, which could in turn reduce demand for our products.

We may also, from time to time, seek to enforce our intellectual property rights against infringers when we determine that a successful outcome is probable and may lead to an increase in the value of the intellectual property.

If we choose to enforce our patent rights against a party, that party could counterclaim that our patent is invalid and/or unenforceable. The defendant may challenge our patents through proceedings before the Patent Trial and Appeal Board ("PTAB"), including inter partes and post-grant review. Proceedings to challenge patents are also available internationally, including, for example, opposition proceedings and nullity actions. In patent litigation in the United States, counterclaims alleging invalidity and/or unenforceability and PTAB challenges are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. Third parties may also raise similar claims before the PTAB, even outside the context of litigation. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we may lose at least part, and perhaps all, of the patent protection on our product candidates.

In addition, such lawsuits and proceedings are expensive and would consume time and resources and divert the attention of managerial and scientific personnel even if we were successful in stopping the infringement of such patents. Litigation is inherently unpredictable, and there is a risk that the court will decide that such patents are not valid and that we do not have the right to stop the other party from using the inventions. Furthermore, some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. There is also the risk that, even if the validity of such patents is upheld, the court will refuse to stop the other party on the ground that such other party's activities do not infringe our intellectual property rights.

There could also be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could materially adversely affect the price of our common stock. Finally, any uncertainties resulting from the initiation and continuation of any litigation could materially adversely affect our ability to raise the funds necessary to continue our operations.

We will not seek to protect our intellectual property rights in all jurisdictions throughout the world and we may not be able to adequately enforce our intellectual property rights even in the jurisdictions where we seek protection.

We have a number of international patents and patent applications and expect to continue to pursue patent protection in many of the significant markets in which we intend to do business. However, filing, prosecuting and defending patents relating to our product candidates, including all of our in-licensed patent rights, in all countries throughout the world would be prohibitively expensive. We must ultimately seek patent protection on a country-by-country basis, which is an expensive and time-consuming process with uncertain outcomes. Accordingly, we may choose not to seek patent protection in certain countries, and we will not have the benefit of patent protection in such countries.

Furthermore, the protection offered by intellectual property rights in certain countries outside of the United States may be less extensive than those in the United States. Consequently, we may not be able to prevent third parties from utilizing proprietary technology in all countries outside of the United States, even if we pursue and obtain issued patents in particular foreign jurisdictions, or from selling or importing products made using our proprietary technology in and into the United States or other jurisdictions. Such products may compete with our products, and our patent rights or other intellectual property rights may not be effective or sufficient to prevent them from competing. If such competing products arise in jurisdictions where we are unable to exercise intellectual property rights to combat them, our business, financial condition, results of operations and growth prospects could be materially adversely affected.

Changes in U.S. patent law or the patent law of other jurisdictions could decrease the certainty of our ability to obtain patents and diminish the value of patents in general, thereby impairing our ability to protect our current and any future product candidates.

The U.S. Supreme Court and the Court of Appeals for the Federal Circuit have made, and will likely continue to make, changes in how the patent laws of the United States are interpreted. For example, in recent years the U.S. Supreme Court modified some tests used by the USPTO in granting patents over the past 20 years, which may decrease the likelihood that we will be able to obtain patents and increase the likelihood of a challenge of any patents we obtain or license. Similarly, international courts have made, and will likely continue to make, changes in how the patent laws in their respective jurisdictions are interpreted. Those changes may materially adversely affect our patent rights and our ability to obtain issued patents.

Changes in either the patent laws or interpretation of the patent laws in the United States could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. Under the Leahy-Smith America Invents Act, or the America Invents Act, assuming that other requirements for patentability are met, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. The America Invents Act also includes a number of significant changes that affect the way patent applications are prosecuted and also may affect patent litigation. These include allowing third-party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO-administered post-grant proceedings, including post-grant review, inter partes review and derivation proceedings. However, the America Invents 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 materially adversely affect our business, financial condition, results of operations and growth prospects.

In addition, 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 own, have licensed or 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 own or have licensed or that we may obtain in the future, which in turn could materially adversely affect our business, financial condition, results of operations and growth prospects.

We may fail to obtain or enforce assignments of intellectual property rights from our employees and contractors.

While it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing an enforceable agreement with each party who in fact conceives or develops intellectual property that we regard as our own. Furthermore, our assignment agreements may not be self-executing or may be breached, and we may be forced to bring or defend claims to determine the ownership of what we regard as our intellectual property, and we may not be successful in such claims. If we fail in bringing or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Such an outcome could materially adversely affect our business, financial condition, results of operations and growth prospects. Even if we are successful in defending against such claims, litigation could result in substantial costs and distraction to management and other employees.

If we are not able to adequately prevent disclosure of trade secrets and other proprietary information, the value of our technology and products could be materially diminished.

Trade secrets are difficult to protect. We rely on trade secrets to protect our proprietary information and technologies, especially where we do not believe patent protection is appropriate or obtainable, or where such patents would be difficult to enforce. We rely in part on confidentiality agreements with our employees, consultants, contractors, outside scientific collaborators and other advisors to protect our trade secrets and other proprietary information. We cannot guarantee that we have entered into such agreements with each party that may have had access to our proprietary information or technologies, or that such agreements, even if in place, will not be circumvented. These agreements may not effectively prevent disclosure of proprietary information or technology and may not provide an adequate remedy in the event of unauthorized disclosure of such information or technology. In addition, others may independently discover our trade secrets and proprietary information, in which case we may have no right to prevent them from using such trade secrets or proprietary information to compete with us. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could materially adversely affect our business, financial condition, results of operations and growth prospects.

The U.S. government could choose to exercise certain rights in technology developed under government-funded research, which could eliminate our exclusive use of such technology or require us to commercialize our product candidates in a way we consider sub-optimal.

The U.S. government has certain rights in some of our licensed patents (including U.S. Patent Nos. 7,435,596, 8,026,097 and certain related U.S. patent applications) in accordance with the Bayh-Dole Act of 1980. These rights in certain technology developed under government-funded research include, for example, a nonexclusive, nontransferable, irrevocable, paid-up license to use those inventions for governmental purposes. In addition, the U.S. government has the right to require us to grant exclusive licenses to such inventions to a third party if the U.S. government determines that: (i) adequate steps have not been taken to commercialize the invention; (ii) government action is necessary to meet public health or safety needs; or (iii) government action is necessary to meet requirements for public use under federal regulations.

The U.S. government also has the right to take title to such technology if we fail to disclose the invention of such technology to the government and fail to file an application to register the intellectual property within specified time limits. In addition, the U.S. government may acquire title to patent rights in any country in which a patent application is not filed within specified time limits. To the extent any of our owned or future in-licensed intellectual property is generated through the use of U.S. government funding, these provisions of the Bayh-Dole Act may apply.

Intellectual property generated under a government-funded program is also subject to certain reporting requirements. In addition, the U.S. government requires that any products embodying any of these inventions or produced through the use of any of these inventions be manufactured substantially in the United States. If we are unable to obtain a waiver from the government agency that provided the underlying research funding, we may be limited in our ability to contract with non-U.S. product manufacturers for products related to such intellectual property.

The exercise of any of the foregoing rights of the U.S. government over technology that we own or use in the development and commercialization of our product candidates could prevent us from enjoying the exclusive use of such technology, or could cause us to incur additional expenses in the commercialization of our product candidates. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and growth prospects.

Risks Related to Commercialization

If any of our product candidates are approved for marketing and commercialization and we have not developed or secured marketing, sales and distribution capabilities, either internally or from third parties, we will be unable to successfully commercialize such products and may not be able to generate product revenue.

We currently have no sales, marketing or distribution organizational infrastructure. We will need to develop internal sales, marketing and distribution capabilities to commercialize any product candidate that gains FDA or other regulatory authority approval, which would be expensive and time-consuming, or enter into partnerships with third parties to perform these services. If we decide to market any approved products directly, we will need to commit significant financial and managerial resources to develop a marketing and sales force with technical expertise and supporting distribution, administration and compliance capabilities. If we rely on third parties to market products or decide to co-promote products with partners, we will need to establish and maintain marketing and distribution arrangements with third parties, and there can be no assurance that we will be able to enter into such arrangements on acceptable terms or at all. In entering into third-party marketing or distribution arrangements, any product revenue we receive will depend upon the efforts of the third parties and we cannot assure you that such third parties will establish adequate sales and distribution capabilities or be successful in gaining market acceptance for any approved product. If we are not successful in commercializing any product approved in the future, if any, either on our own or through third parties, our business, financial condition, results of operations and growth prospects could be materially adversely affected.

Our product candidates, including NKX101 and NKX019, could be subject to regulatory limitations following approval, if and when such approval is granted.*

Following approval of a product candidate, if any, we must comply with comprehensive government regulations regarding the manufacture, labeling, marketing, distribution and promotion of biologic products. We must comply with the FDA's labeling protocols, which prohibits promoting "off-label uses." We may not be able to obtain the labeling claims necessary or desirable to successfully commercialize our products, including NKX101 and NKX019 or other product candidates in development.

The FDA and foreign regulatory authorities could impose significant restrictions on use of an approved product including potentially restricting its use to limited clinical centers as well as through the product label, as well as on advertising, promotional and distribution activities associated with such approved product. The FDA or a foreign regulatory authority could also condition their approval on the performance of post-approval clinical trials, patient monitoring or testing, which could be time-consuming and expensive. If the results of such post-marketing trials are not satisfactory, the FDA or such foreign regulatory authority could withdraw marketing authorization or may condition continued marketing on commitments from us or our partners that may be expensive and/or time-consuming to fulfill.

In addition, if we or others identify side-effects after any of our products are on the market, if our products fail to maintain a continued acceptable safety profile after approval, if manufacturing problems occur subsequent to regulatory approval, or if we, our manufacturers or our partners fail to comply with regulatory requirements, including those mentioned above, we or our partners could be subject to the following:

- restrictions on our ability to conduct clinical trials, including full or partial clinical holds on ongoing or planned clinical trials;
- restrictions on such products' manufacturing processes;
- changes to the product label;
- restrictions on the marketing of a product;
- restrictions on product distribution;
- requirements to conduct post-marketing clinical trials;
- Untitled or Warning Letters from the FDA;
- withdrawal of the product from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;

- fines, restitution or disgorgement of profits or revenue;
- suspension or withdrawal of regulatory approvals;
- refusal to permit the import or export of our products;
- product seizure;
- injunctions; or
- imposition of civil or criminal penalties.

Any one or a combination of these penalties could prevent us from achieving or maintaining market acceptance of the affected product, or could substantially increase the costs and expenses of commercializing such product, which in turn could delay or prevent us from generating any revenue or profit from the sale of such product and could materially adversely affect our business, financial condition, results of operations and growth prospects. In addition, third-party payors may impose limitations on centers and personnel that may administer our products, including but not limited to requiring third-party accreditation to be obtained before the use of our products is reimbursed in such a center, which could materially adversely affect our potential commercial success and lead to slower market acceptance.

The market opportunities for our product candidates, if and when approved, may be limited, and if such market opportunities are smaller than we expect, our revenues could be materially adversely affected and our business could suffer.

Our initial clinical trials evaluate NKX101 and NKX019 in relapsed/refractory patients who have been previously treated with other anti-cancer therapies. We do not know at this time whether either NKX101 or NKX019 or any of our product candidates will be safe for use in humans or whether they will demonstrate any anti-cancer activity. If the activity is sufficient, we may initially seek approval of any product candidates we develop as a therapy for patients who have received one or more prior treatments. Depending on the activity we note in the initial clinical trials, we plan to conduct additional clinical trials in less heavily pretreated populations in order to expand use of our product in a broader group of patients and increase market opportunities. However, there is no guarantee that product candidates we develop, even if approved for later lines of therapy, would be approved for earlier lines of therapy, and, prior to any such approvals, we will have to conduct additional clinical trials.

The number of patients who have the cancers we are targeting may turn out to be lower than expected. Additionally, the potentially addressable patient population for our current programs or future product candidates may be limited. Potentially addressable patient populations for of our product candidates are only estimates. These estimates could prove to be incorrect, and the estimated number of potential patients in the United States and elsewhere could be lower than expected. It may also be that such patients may not be otherwise amenable to treatment with our product candidates, or patients could become increasingly difficult to identify and access for a variety of reasons including other drugs being approved, any of which could materially adversely affect our business, financial condition, results of operations and growth prospects.

The commercial success of any of our product candidates will depend upon such product candidate's degree of market acceptance by physicians, patients, third-party payors and others in the medical community.

Our product candidates may not be commercially successful. Even if requisite approvals are obtained from the FDA in the United States and other regulatory authorities internationally, the commercial success of our product candidates will depend, in part, on the acceptance by physicians, patients and healthcare payors of cell therapy products in general, and our product candidates in particular, as medically necessary, cost-effective and safe. Physicians, patients, healthcare payors and others in the medical community may not accept any product that we commercialize. If these products 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 cell therapy products and, in particular, our product candidates, if approved for commercial sale, will depend on several factors, including:

- the efficacy and safety of such product candidates as demonstrated in clinical trials;
- the potential and perceived advantages of product candidates over alternative treatments;
- the cost of treatment relative to alternative treatments;
- the clinical indications for which the product candidate is approved by the FDA;
- the willingness of physicians to refer patients and prescribe new therapies;
- the willingness of the target patient population to try new therapies;

- the nature, prevalence and severity of any side effects;
- product labeling or product insert requirements imposed by the FDA or other regulatory authorities, including any limitations or warnings contained in a product's approved labeling;
- relative convenience and ease of administration;
- the timing of market introduction of competitive products;
- adverse publicity concerning our product candidates or favorable publicity about competing products and treatments;
- sufficient third-party payor coverage, any limitations in terms of center or personnel training requirement imposed by third parties and adequate reimbursement;
- limitations or warnings contained in the FDA-approved labeling for our product candidates;
- any FDA requirement to undertake a REMS;
- the effectiveness of our sales, marketing and distribution efforts; and
- potential product liability claims.

Even if a product candidate displays a favorable efficacy and safety profile in preclinical studies and clinical trials, market acceptance of the product will not be fully known until after such product is launched. Our product candidates may not achieve broad market acceptance.

Furthermore, the FDA's and other regulatory authorities' policies may change and additional government regulations may be enacted that could prevent, limit or delay marketing approval of a product. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. 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.

The insurance coverage and reimbursement status of newly approved products is uncertain. Failure to obtain or maintain adequate coverage and reimbursement for our product candidates, if approved, could limit our ability to market such products and to generate product revenue.

We expect the cost of a single administration of one of our cell therapy product candidates to be substantial, when and if they achieve regulatory approval. We expect that coverage and reimbursement by government and private payors will be essential for most patients to be able to afford these treatments. Accordingly, sales of our products, if approved, will depend substantially, both domestically and internationally, on the extent to which the costs of our product candidates will be reimbursed by government authorities, private health coverage insurers and other third- party payors. Coverage and reimbursement by a third-party payor could depend upon several factors, including the third-party payor's determination that use of a product is (i) a covered benefit under its health plan, (ii) safe, effective and medically necessary, (iii) appropriate for the specific patient, (iv) cost-effective and (v) neither experimental nor investigational.

Obtaining coverage and reimbursement for a product from third-party payors is a time-consuming and costly process that could require us to provide to the payor supporting scientific, clinical and cost-effectiveness data. We may not be able to provide data sufficient to gain acceptance with respect to coverage and reimbursement. If coverage and reimbursement are not available, or are available only at limited levels, we may not be able to successfully commercialize our product candidates. Even if coverage is provided, the approved reimbursement amount may not be adequate to realize a sufficient return on our investment.

There is significant uncertainty related to third-party coverage and reimbursement of newly approved drug products. In the United States, third-party payors, including government payors such as Medicare and Medicaid, play an important role in determining the extent to which new drugs and biologics will be covered and reimbursed. Medicare and Medicaid are increasingly used as models for the development of private payors' and government payors' coverage and reimbursement policies. Currently, few cell therapy products have been approved for coverage and reimbursement by the CMS the agency responsible for administering Medicare. It is difficult to predict what CMS will decide with respect to coverage and reimbursement for fundamentally novel products such as ours, since there is no body of established protocols and precedents for these types of drug products. Moreover, reimbursement agencies in other countries, such as those in Europe, may be more conservative than CMS. It is difficult to predict what third-party payors will decide with respect to the coverage and reimbursement for our product candidates.

Outside the United States, international operations vary significantly by country and are subject to extensive government price controls and other market regulations, and increasing emphasis on cost-containment initiatives in the European countries, Canada and other countries could place pricing pressure on us. In many countries, the prices of medical products are subject to varying price control mechanisms as part of national health systems. It can also take a significant amount of time after approval of a product to secure pricing and reimbursement for such product in many counties outside the United States. In general, the prices of medicines under such systems are substantially lower than in the United States. Other countries allow companies to fix their own prices for medical products, but monitor and control company profits. Additional foreign price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our product candidates. Accordingly, in markets outside the United States, the reimbursement for our products may be reduced compared with the United States and may be insufficient to generate commercially reasonable product revenues.

Moreover, increasing efforts by government and third-party payors in the United States and abroad to cap or reduce healthcare costs could limit coverage and the level of reimbursement for our product candidates. Payors are increasingly considering new metrics as the basis for reimbursement rates, such as average sales price, or ASP, average manufacturer price, or AMP, and Actual Acquisition Cost. The existing data for reimbursement based on some of these metrics is relatively limited, although certain states have begun to survey acquisition cost data for the purpose of setting Medicaid reimbursement rates, and CMS has begun making pharmacy National Average Drug Acquisition Cost and National Average Retail Price data publicly available on at least a monthly basis. Therefore, it may be difficult to project the impact of these evolving reimbursement metrics on the willingness of payors to cover candidate products that we or our partners are able to commercialize. Furthermore, most third-party payors currently require additional accreditation for approved cell therapy drugs, which limits the centers that can administer the drugs, and similar limitations may also be imposed on the product candidates that we are developing. We expect to experience pricing pressures in connection with the sale of our product candidates, if any, due to the trend toward managed healthcare, the increasing influence of health maintenance organizations and additional legislative changes. The downward pressure on healthcare costs in general, and on prescription drugs and surgical procedures in particular, has become intense. As a result, increasingly high barriers to entry are developing for new drug products such as ours.

Healthcare reform initiatives and other administrative and legislative proposals may harm our business.

In the United States, the European Union and other jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes and proposed changes to the healthcare system that could affect our results of operations. In particular, there have been and continue to be a number of initiatives at the U.S. federal and state levels that seek to reduce healthcare costs and improve the quality of healthcare. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, ("the ACA"), was enacted, which substantially changed the way healthcare is financed by both governmental and private payors. Among the provisions of the ACA, those of greatest importance to the pharmaceutical and biotechnology industries include the following:

- an annual, non-deductible fee payable by any entity that manufactures or imports certain branded prescription drugs and biologic agents (other than those designated as orphan drugs), which is apportioned among these entities according to their market share in certain government healthcare programs;
- new requirements to report certain financial arrangements with physicians and teaching hospitals, including reporting "transfers of value" made or distributed to prescribers and other healthcare providers and reporting investment interests held by physicians and their immediate family members;
- 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;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- a licensure framework for follow-on biologic products;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research; and
- establishment of the CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA. For example, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was enacted, which includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate". Further, the 2020 federal spending package eliminated, effective January 1, 2020, the ACA-mandated "Cadillac" tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminated the health insurer. On December 14, 2018, a U.S. District Court Judge in the Northern District of Texas ruled that the individual mandate is an inseverable feature of the ACA, and therefore, because it was repealed as part of the Tax Act, the remaining provisions of the ACA are invalid as well. The U.S. Supreme Court is currently reviewing this case, but it is unknown when a decision will be reached. Although the U.S. Supreme Court has not yet ruled on the constitutionality of the ACA, on January 28, 2021, President Biden issued an executive order to initiate a special enrollment period from February 15, 2021 through May 15, 2021 for purposes of obtaining health insurance coverage through the ACA marketplace. The executive order also instructs 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 ACA. It is unclear how the Supreme Court ruling, other such litigation, and the healthcare reform measures of the Biden administration will impact the ACA and our business.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. In August 2011, the Budget Control Act of 2011, among other things, led to aggregate reductions of Medicare payments to providers of 2% per fiscal year. These reductions went into effect in April 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2030 unless additional action is taken by Congress. However, the Medicare sequester reductions under the Budget Control Act of 2011 have been suspended from May 1, 2020 through March 31, 2021 due to the COVID-19 pandemic. Proposed legislation, if passed, would extend this suspension until the end of the COVID-19 pandemic. In January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws or any other similar laws introduced in the future may result in additional reductions in Medicare and other health care funding, which could negatively affect our customers and accordingly, our financial operations.

There have also been a number of proposals in the United States to control the escalating cost of healthcare, including the cost of drug treatments, patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and we expect that coverage and reimbursement for new therapies will be increasingly restricted. Recent U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs and reform government program reimbursement methodologies for drugs. Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. On May 11, 2018, the Trump administration issued a plan to lower drug prices.

We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action in the United States, the European Union or any other jurisdiction. If we or any third parties we may engage are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we or such third parties are not able to maintain regulatory compliance, our product candidates may lose any regulatory approval that may have been obtained and we may not achieve or sustain profitability. Furthermore, future price controls or other changes in pricing regulation or negative publicity related to the pricing of pharmaceutical drugs could restrict the amount that we are able to charge for our drug products, which could render our product candidates, if approved, commercially unviable and materially adversely affect our ability to raise additional capital on acceptable terms. On July 24, 2020 and September 13, 2020, former President Trump signed several executive orders aimed at lowering drug prices. As a result, the FDA released a final rule on September 24, 2020, effective November 30, 2020, providing guidance for states to build and submit importation plans for drugs from Canada. Further, on November 20, 2020, the HHS finalized a regulation removing safe harbor protection for price reductions from pharmaceutical manufacturers to plan sponsors under Part D, either directly or through pharmacy benefit managers, unless the price reduction is required by law. The implementation of the rule has been delayed by the Biden administration from January 1, 2022 to January 1, 2023 in response to ongoing litigation. The rule also creates a new safe harbor for price reductions reflected at the point-of-sale, as well as a new safe harbor for certain fixed fee arrangements between pharmacy benefit managers and manufacturers, the implementation of which have also been delayed pending review by the Biden administration until March 22, 2021. On November 20, 2020, CMS issued an interim final rule implementing President Trump's Most Favored Nation executive order, which would tie Medicare Part B payments for certain physician-administered drugs to the lowest price paid in other economically advanced countries, effective January 1, 2021. On December 28, 2020, the United States District Court in Northern California issued a nationwide preliminary injunction against implementation of the interim final rule. It is unclear whether the Biden administration will work to reverse these measures or pursue similar policy initiatives. 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. These changes may adversely impact the prices we or our future collaborators may charge for our products candidates, if commercialized.

Obtaining and maintaining marketing approval or commercialization of our product candidates in one jurisdiction does not mean that we will be successful in obtaining marketing approval of our product candidates in other jurisdictions.

Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from, and greater than, those in the United States, including additional preclinical studies or clinical trials as clinical trials conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions. In many jurisdictions outside the United States, a product candidate must be approved for reimbursement before it can be approved for sale in that jurisdiction. In some cases, the price that we intend to charge for our products is also subject to approval.

If we market approved products outside the United States, we expect that we will be subject to additional risks in commercialization, including:

- different regulatory requirements for approval of therapies in foreign countries;
- reduced protection for intellectual property rights;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation, or political instability in particular foreign economies and markets;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenues, and other obligations incident to doing business in another country;
- foreign reimbursement, pricing and insurance regimes;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geopolitical actions, including war and terrorism, natural disasters including earthquakes, typhoons, floods and fires, and other public health crises, illnesses, epidemics or pandemics, such as the potential impact of the COVID-19 outbreak.

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 which we may operate, with which we will need to comply. Any of the foregoing difficulties, if encountered, could materially adversely affect our business, financial condition, results of operations and growth prospects.

Our business operations and relationships with investigators, healthcare professionals, consultants, third-party payors, patient organizations and customers will be subject to applicable fraud and abuse and other healthcare laws and regulations, which could expose us to penalties.

These laws may constrain the business or financial arrangements and relationships through which we conduct our operations, including how we research, market, sell and distribute our product candidates, if approved. Such laws include, the U.S. federal Anti-Kickback Statute, the U.S. federal civil and criminal false claims and civil monetary penalties laws, including the civil False Claims Act, the Health Information Technology for Economic and Clinical Health Act, the U.S. Physician Payments Sunshine Act and its implementing regulations, U.S. state laws and regulations, including, state anti-kickback and false claims laws, laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources, laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information, laws requiring the registration of pharmaceutical sales representatives, laws governing the privacy and security of health information in certain circumstances, and similar healthcare laws and regulations in other jurisdictions, including reporting requirements detailing interactions with and payments to healthcare providers.

It is not always possible to identify and deter 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. Ensuring that our internal operations and future business arrangements with third parties comply with applicable healthcare laws and regulations will also involve substantial costs. If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that may apply to us, we may be subject to significant penalties, including civil, criminal and administrative penalties, damages, fines, exclusion from government-funded healthcare programs, such as Medicare and Medicaid or similar programs in other countries or jurisdictions, integrity oversight and reporting obligations to resolve allegations of non-compliance, disgorgement, individual imprisonment, contractual damages, reputational harm, diminished profits and the curtailment or restructuring of our operations. If any of the physicians or other providers or entities with whom we expect to do business are found to not be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs and imprisonment, which could affect our ability to operate our business. Further, defending against any such actions can be costly, time-consuming and may require significant personnel resources. Any of the foregoing could significantly harm our business, financial condition, results of operations and growth prospects.

We may fail to comply with evolving European and other privacy laws.

If we conduct clinical trials in the European Economic Area, ("EEA"), we may be subject to additional privacy laws. The General Data Protection Regulation, (EU) 2016/679, ("GDPR"), imposes a broad range of strict requirements on companies subject to the GDPR, including requirements relating to having legal bases for processing personal information relating to identifiable individuals and transferring such information outside the EEA, including to the United States, providing details to those individuals regarding the processing of their personal information, keeping personal information secure, having data processing agreements with third parties who process personal information, responding to individuals' requests to exercise their rights in respect of their personal information, reporting security breaches involving personal data to the competent national data protection authority and affected individuals, appointing privacy and data protection officers, conducting data protection impact assessments, and record-keeping. The GDPR increases substantially the penalties to which we could be subject in the event of any non-compliance, including fines of up to 10,000,000 Euros or up to 2% of our total worldwide annual turnover for certain comparatively minor offenses, or up to 20,000,000 Euros or up to 4% of our total worldwide annual turnover for more serious offenses. Given the limited enforcement of the GDPR to date, we face uncertainty as to the exact interpretation of the new requirements on our trials and we may be unsuccessful in implementing all measures required by data protection authorities or courts in interpretation of the new law.

In particular, national laws of member states of the European Union are in the process of being adapted to the requirements under the GDPR, thereby implementing national laws which may partially deviate from the GDPR and impose different obligations from country to country, so we do not expect to operate in a uniform legal landscape in the EU. Also, as it relates to processing and transfer of genetic data, the GDPR specifically allows national laws to impose additional and more specific requirements or restrictions, and European laws have historically differed quite substantially in this field, leading to additional uncertainty.

In the event we conduct clinical trials in the EEA, we must also ensure that we implement and maintain adequate safeguards to enable the transfer of personal data outside of the EEA, in particular to the United States, in compliance with European data protection laws. We expect that we will continue to face uncertainty as to whether our efforts to comply with our obligations under European privacy laws will be sufficient. If we are investigated by a European data protection authority, we may face fines and other penalties. Any such investigation or charges by European data protection authorities could have a negative effect on our existing business and on our ability to attract and retain new clients or pharmaceutical partners. We may also experience hesitancy, reluctance, or refusal by European or multi-national clients or pharmaceutical partners to continue to use our products and solutions due to the potential risk exposure as a result of the current and, in particular, future data protection obligations imposed on them by certain data protection authorities in interpretation of current law, including the GDPR. Such clients or pharmaceutical partners may also view any alternative approaches to compliance as being too costly, too burdensome, too legally uncertain, or otherwise objectionable and therefore decide not to do business with us. Any of the foregoing could materially harm our business, prospects, financial condition and results of operations.

Risks Related to Our Common Stock

The market price for our common stock may be volatile, which could contribute to the loss of all or part of your investment.

The trading price of our common stock is likely to be highly volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control.

Factors affecting the trading price of our common stock may include, but are not limited to:

- our decision to initiate a clinical study, not to initiate a clinical study or to terminate an existing clinical study;
- adverse regulatory decisions, including failure to receive regulatory approval for our products;
- success or failure of competitive products, immunotherapy drugs or cellular therapies more generally;
- adverse developments concerning our manufacturers or our strategic partnerships;
- adverse safety or other clinical results, such as those that have occurred in the past or that may occur in the future, related to cellular therapies being developed by other companies that are or may be perceived to be similar to our cellular therapies;
- operating and stock price performance of other companies that investors deem comparable to us;
- sales of substantial amounts of common stock by our directors, executive officers or significant stockholders or the perception that such sales could occur;
- general economic and political conditions such as recessions, interest rates, fuel prices, elections, drug pricing policies, international currency fluctuations, acts of war or terrorism, and other public health crises, illnesses, epidemics or pandemics, such as the potential impact of the COVID-19 outbreak; and
- other factors discussed in these risk factors.

Any of the factors listed above could materially adversely affect your investment in our common stock, and our common stock may trade at prices significantly below the initial public offering price or the price at which you purchased the stock, which could contribute to a loss of all or part of your investment. In such circumstances the trading price of our common stock may not recover and may experience a further decline.

In addition, broad market and industry factors could materially adversely affect the market price of our common stock, irrespective of our operating performance. The stock market in general, and Nasdaq and the market for biotechnology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of ours, may not be predictable. For example, the trading prices for common stock of other biopharmaceutical and biotechnology companies have been highly volatile as a result of the COVID-19 pandemic. The COVID-19 outbreak continues to rapidly evolve. The extent to which the outbreak may impact our business, preclinical studies and clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence. A loss of investor confidence in the market for biotechnology or pharmaceutical stocks or the stocks of other companies which investors perceive to be similar to us, the opportunities in the biotechnology and pharmaceutical market or the stock market in general, could depress our stock price regardless of our business, financial condition, results of operations or growth prospects.

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

As of August 9, 2021, our directors and executive officers, and entities affiliated with them, as well as holders of more than 5% of our outstanding shares of common stock, in the aggregate beneficially own 63% of our common stock. These stockholders, acting together, are able to control or 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.

Some of these persons or entities may have interests different from yours. For example, because many of these stockholders purchased their shares at prices substantially below the price at which shares were sold in the IPO and have held their shares for a longer period, they may be more interested in selling our company to an acquirer than other investors, or they may want us to pursue strategies that deviate from the interests of other stockholders.

A significant portion of our total outstanding shares are eligible to be sold into the market, which could cause the market price of our common stock to drop significantly.*

Sales of a substantial number of shares of our common stock in the public market, or the perception in the market that the holders of a large number of stockholders intend to sell shares of our common stock, could reduce the market price of our common stock. As of August 9, 2021, we had 32,906,550 shares of common stock outstanding.

Holders of an aggregate of 14,689,215 shares of common stock, including with respect to shares of our convertible preferred stock that converted into shares of our common stock upon the completion of the IPO, have rights, subject to specified conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders, until such shares can otherwise be sold without restriction under Rule 144 under the Securities Act, or until the rights terminate pursuant to the terms of the stockholders agreement between us and such holders. We have also registered all shares of common stock subject to equity awards issued or reserved for future issuance under our equity compensation plans on registration statements on Form S-8, and these shares can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates under Rule 144 under the Securities Act. Any sales of securities by these stockholders could have a negative impact on the trading price of our common stock.

We are an "emerging growth company" under the Jumpstart Our Business Startups Act, or JOBS Act, and a "smaller reporting company" and we rely on exemptions from certain disclosure and governance requirements applicable to emerging growth companies and smaller reporting companies, as a result of which our common stock may be less attractive to investors.*

We may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including: not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As a result, our stockholders may not have access to certain information they may deem important.

We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier to occur of (1) the last day of the fiscal year (a) following the fifth anniversary of our IPO, (b) in which we have total annual gross revenue of at least $1.07 billion or (c) in which we are deemed to be a "large accelerated filer" under the rules of the SEC, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30; and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

We have taken advantage of reduced reporting burdens in this Quarterly Report on Form 10-Q. In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. An emerging growth company can, therefore, delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have an irrevocable election not to take advantage of the benefits of this extended transition period.

We are also a "smaller reporting company," meaning that the market value of our stock held by non-affiliates is less than $700 million and our annual revenue is less than $100 million during the most recently completed fiscal year. We may continue to be a smaller reporting company after either (i) the market value of our stock held by non-affiliates is less than $250 million or (ii) our annual revenue is less than $100 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than $700 million. Even after we no longer qualify as an emerging growth company, we may still qualify as a smaller reporting company and would be permitted to continue to take advantage of many of the same reporting exemptions, including exemption from compliance with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act as long as we do not otherwise also qualify as an "accelerated filer" or "large accelerated filer" for SEC reporting purposes and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive if we rely on emerging growth company or smaller reporting company 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 stock price may be more volatile.

Our severance and change in control agreements with our executive officers may require us to pay severance benefits to any of those persons who are terminated, which could materially adversely affect our financial condition or results of operations.

Our executive officers are parties to agreements that contain certain change in control and severance provisions. The agreements provide for cash payments for severance and other benefits in the event of a termination of employment that is not in connection with a change in control of us. They also provide for cash payments for severance and other benefits and acceleration of stock options vesting in the event of a termination of employment in connection with a change in control of us. The accelerated vesting of options could result in dilution to our existing stockholders and could materially adversely affect the market price of our common stock. The payment of these severance benefits could materially adversely affect our financial condition and results of operations. In addition, these potential severance payments may discourage or prevent third parties from seeking a business combination with us.

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

As described above under "—We have incurred significant losses since our inception and we expect to continue to incur significant losses for the foreseeable future," we have incurred net losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future. Under the Internal Revenue Code of 1986 ("the Code"), a corporation is generally allowed a deduction for net operating losses ("NOLs") carried over from a prior taxable year. Under that provision, we can carry forward our NOLs to offset our future taxable income, if any, until such NOLs are used or expire, in the case of NOLs generated prior to 2018. The same is true of other unused tax attributes, such as tax credits. The amounts of our unused carryovers of NOLs and tax credits as of December 31, 2017, and a description of the valuation allowance we have recorded with respect to those items, are set forth below under "Management's Discussion and Analysis of Financial Condition and Results of Operations." In addition, under the Tax Act, the amount of post-2017 NOLs that we are permitted to deduct in any taxable year is limited to 80% of our taxable income in such year, where taxable income is determined without regard to the NOL deduction itself. The Tax Act generally eliminates the ability to carry back any NOL to prior taxable years, while allowing post-2017 unused NOLs to be carried forward indefinitely. Recently enacted legislation, the Coronavirus Aid, Relief and Economic Security Act, or the CARES Act, temporarily reverses the limitations imposed by the Tax Act by suspending the 80% taxable income limitation to permit a corporation to offset without limitation its taxable income in 2019 or 2020 with NOL carryforwards generated in prior years. The CARES Act also allows NOLs generated in tax years 2018-2020 to be carried back up to five years.

Furthermore, if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, Sections 382 and 383 of the Code limit the corporation's ability to use carryovers of its pre-change NOLs, credits and certain other tax attributes to reduce its tax liability for periods after the ownership change. Our issuance of common stock pursuant to our IPO may result in a limitation under Sections 382 and 383 of the Code, either separately or in combination with certain prior or subsequent shifts in the ownership of our common stock. As a result, our ability to use carryovers of our pre-change NOLs and credits to reduce our future U.S. federal income tax liability may be subject to limitations. This could result in increased U.S. federal income tax liability for us if we generate taxable income in a future period. Limitations on the use of NOLs and other tax attributes could also increase our state tax liability. The use of our tax attributes will also be limited to the extent that we do not generate positive taxable income in future tax periods. To the extent our ability to utilize our NOLs and other tax assets going forward is limited, in part or altogether, our tax liability for future periods may be greater than expected, and our business, financial condition, results of operations and growth prospects may be materially adversely affected.

We do not expect to pay any cash dividends to the holders of our common stock for the foreseeable future.

We currently intend to invest our future earnings, if any, to fund our growth. 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. There is no guarantee that our common stock will appreciate in value or even maintain the price at which our stockholders have purchased our common stock. Investors seeking cash dividends should not purchase our common stock.

Provisions in our certificate of incorporation, our bylaws and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management.

Our certificate of incorporation, bylaws and Delaware law contain provisions that may have the effect of delaying or preventing a change in control of us or changes in our management. Our certificate of incorporation and bylaws include provisions that:

- authorize "blank check" preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- establish a classified board of directors such that not all members of the board are elected at one time, which may delay the ability of our stockholders to change the membership of a majority of our board of directors;
- specify that only our board of directors, the Chairperson of our board of directors, our Chief Executive Officer or the President, or holders of greater than 10% of our common stock can call special meetings of our stockholders;
- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;
- provide that a majority of directors then in office, even though less than a quorum, may fill vacancies on our board of directors;
- specify that no stockholder is permitted to cumulate votes at any election of directors;
- expressly authorize our board of directors to modify, alter or repeal our bylaws; and
- require supermajority votes of the holders of our common stock to amend specified provisions of our Certificate of Incorporation and bylaws.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

In addition, because we are incorporated in the State of Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us.

Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit your opportunity to receive a premium for your shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Our certificate of incorporation includes a forum selection clause, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our Certificate of Incorporation provides that, subject to limited exceptions, the Court of Chancery of the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) will be the exclusive forum for any:

- derivative action or proceeding brought on our behalf;
- action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders;
- action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our bylaws; or
- other action asserting a claim against us that is governed by the internal affairs doctrine.

This exclusive forum provision is intended to apply to claims arising under Delaware state law and is not intended to apply to claims brought pursuant to the Exchange Act or the Securities Act, or any other claim for which the federal courts have exclusive jurisdiction. This exclusive forum provision will not relieve us of our duties to comply with the federal securities laws and the rules and regulations thereunder, and our stockholders will not be deemed to have waived our compliance with these laws, rules and regulations.

Our certificate of incorporation further provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. The Delaware Supreme Court recently determined that the exclusive forum provision of federal district courts of the United States of America for resolving any complaint asserting a cause of action arising under the Securities Act is permissible and enforceable under Delaware law, reversing an earlier decision from the Court of Chancery of the State of Delaware that had ruled that such provisions were not enforceable. Nevertheless, there is uncertainty as to whether a federal district court would enforce any exclusive forum provision with respect to claims under the Securities Act.

Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our bylaws described above. This choice of forum provision 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 such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our Certificate of Incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially adversely affect our business, financial condition, results of operation and growth prospects.

General Risk Factors

Any acquisitions or strategic collaborations may increase our capital requirements, dilute our stockholders, cause us to incur debt or assume contingent liabilities or 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. Any potential acquisition or strategic partnership may entail numerous risks, including, but not limited to:

- increased operating expenses and cash requirements;
- the assumption of indebtedness or contingent or unknown liabilities;
- assimilation of operations, intellectual property and drugs of an acquired company, including difficulties associated with integrating new personnel;
- adequately prosecuting and maintaining protection of any acquired intellectual property rights;
- 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 about 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 drugs, intellectual property rights, technologies, and/or businesses 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 acquisitions or strategic partnerships, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses or 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 growth or limit access to technology or drugs that may be important to the development of our business.

We could be subject to securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a period of volatility or decline in the market price of its securities. This risk is especially relevant for us because biotechnology companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could materially adversely affect our business, financial condition, results of operation and growth prospects.

If securities analysts do not publish research or reports about our business or if they publish negative reports or downgrade our stock, the price of our common stock could decline.

The trading market for our common stock relies in part on the research and reports that industry or financial analysts publish about us, our business, our markets and our competitors. We do not control these analysts. If securities analysts do not cover our common stock, the lack of research coverage may materially adversely affect the market price of our common stock. Furthermore, if one or more of the analysts who do cover us downgrade our stock or if those analysts issue other unfavorable commentary about us or our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fails to regularly publish reports on us, we could lose visibility in the market and interest in our stock could decrease, which in turn could cause our stock price or trading volume to decline and may also impair our ability to expand our business with existing customers and attract new customers.

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

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act and rules of the SEC and those of Nasdaq have imposed various requirements on public companies including that we establish and maintain effective disclosure and financial controls. Our management and other personnel have devoted and will continue to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased and will continue to increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures following an initial transition period available to public companies. In particular, beginning with our fiscal year ending December 31, 2021, we must evaluate our systems and procedures, and test our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. In addition, we will be required to have our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting the later of our second annual report on Form 10-K or the first annual report on Form 10-K following the date on which we are no longer an emerging growth company unless we are a smaller reporting company and do not otherwise also qualify as an "accelerated filer" or "large accelerated filer" for SEC reporting purposes. Our compliance with Section 404 of the Sarbanes-Oxley Act will require that we incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group, and we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. If we do not comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities, which would require additional financial and management resources.

To successfully implement our business plan and comply with Section 404, we must prepare timely and accurate financial statements. We expect that we will need to continue to improve existing procedures and controls, and implement new operational and financial systems, to manage our business effectively. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, may cause our operations to suffer, and we may be unable to conclude that our internal control over financial reporting is effective and to obtain an unqualified report on internal controls from our auditors as required under Section 404 of the Sarbanes-Oxley Act. This, in turn, could materially adversely affect the trading prices for our common stock and our ability to access the capital markets.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would materially adversely affect our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. Pursuant to Section 404 of the Sarbanes-Oxley Act, our management will be required to report upon the effectiveness of our internal control over financial reporting beginning with the annual report for our fiscal year ending December 31, 2021. When we lose our status both as an emerging growth company and a smaller reporting company, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could materially adversely affect the trading price of our common stock.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

We are subject to the periodic reporting requirements of the Exchange Act. We designed our disclosure controls and procedures to reasonably assure that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. For example, our directors or executive officers could inadvertently fail to disclose a new relationship or arrangement causing us to fail to make any related party transaction disclosures. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

Changes to, or interpretations of, financial accounting standards may affect our results of operations and could cause us to change our business practices.

We prepare our financial statements in accordance with U.S. GAAP. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, the SEC and various bodies formed to interpret and create accounting rules and regulations. Changes in accounting rules can have a significant effect on our reported financial results and may affect our reporting of transactions completed before a change is announced. Changes to those rules or the questioning of current practices may materially adversely affect our financial results, including those contained in this filing, or the way we conduct our business.

Computer system interruptions or security breaches could significantly disrupt our product development programs and our ability to operate our business.

Our internal computer systems, cloud-based computing services and those of our current and any future collaborators and other contractors or consultants are vulnerable to damage or interruption from computer viruses, ransomware, malware, data corruption, cyber-based attacks, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. If a significant system failure, accident or security breach were to occur and cause interruptions in our operations, it could result in a disruption of our development programs and our business operations, whether due to a loss of our trade secrets or other proprietary information, the disclosure of protected personally identifiable patient information or other similar disruptions. 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. Furthermore, federal, state and international laws and regulations, such as the GDPR, which took effect in May 2018, and the California Consumer Protection Act (“CCPA”) which took effect on January 1, 2020, as well as the California Consumer Privacy Act, which was passed in November 2020 and makes a number of significant amendments to the CCPA, can expose us to enforcement actions and investigations by regulatory authorities, and potentially result in regulatory penalties and significant legal liability, if our information technology security efforts fail or if our privacy practices do not meet the requirements of such laws. Other states are considering similar laws that could impact our use of research data with respect to

individuals in those states. There are extensive documentation obligations and transparency requirements, which may impose significant costs on us. In addition, our software systems include cloud-based applications that are hosted by third-party service providers with security and information technology systems subject to similar risks. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability, our competitive position could be harmed and the further development and commercialization of our product candidates could be delayed, any of which could materially adversely affect our business, financial condition, results of operations and growth prospects.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities during the period covered by this report.

Use of Proceeds

On July 14, 2020, we completed our IPO. Our registration statement on Form S-1 (File No. 333-239301) relating to the IPO was declared effective by the SEC on July 9, 2020.

There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC on July 13, 2020 pursuant to Rule 424(b)(4) under the Securities Act. As of June 30, 2021, we have not used any of the proceeds from our IPO. We invested the funds received in cash equivalents and other marketable securities in accordance with our investment policy.

Repurchase of Shares of Company Equity Securities

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Nkarta, Inc.	8-K	001-39370	3.1	7/14/2020
3.2	Amended and Restated Bylaws of Nkarta, Inc.	8-K	001-39370	3.2	7/14/2020
10.1*#	Research Collaboration Agreement, dated May 5, 2021, by and between Nkarta, Inc. and CRISPR Therapeutics AG				
10.2	Lease, dated July 9, 2021, by and between HCP BTC, LLC and Nkarta, Inc.	8-K	001-39370	10.1	7/14/2021
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+	Certification of Principal Executive 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				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

* Filed herewith.

\# Portions of this exhibit have been omitted in accordance with Item 601(b)(10)(iv) of Regulation S-K. The Company undertakes to provide to the Securities and Exchange Commission or its staff, if requested and on a supplemental basis, an unredacted copy of this exhibit.

\+ This certification is being furnished solely to accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing of the registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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.

Nkarta, Inc.

Date: August 12, 2021

By: /s/ Paul J. Hastings

Paul J. Hastings
Chief Executive Officer
(Principal Executive Officer)

Date: August 12, 2021

By: /s/ Nadir Mahmood

Nadir Mahmood
Chief Financial and Business Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.1

CERTAIN CONFIDENTIAL PORTIONS HAVE BEEN REDACTED FROM THIS EXHIBIT BECAUSE THEY ARE BOTH (i) NOT MATERIAL AND (ii) OF THE TYPE THAT THE COMPANY TREATS AS PRIVATE OR CONFIDENTIAL. INFORMATION THAT HAS BEEN OMITTED HAS BEEN IDENTIFIED IN THIS DOCUMENT WITH A PLACEHOLDER IDENTIFIED BY THE MARK "[***]".

EXECUTION VERSION

RESEARCH COLLABORATION AGREEMENT

This RESEARCH COLLABORATION AGREEMENT (this "**Agreement**") is entered into as of May 5, 2021 (the "**Effective Date**") by and between **NKARTA, INC.**, a corporation organized and existing under the laws of Delaware ("**Nkarta**"), and CRISPR Therapeutics AG ("**CRISPR**"). Nkarta and CRISPR each may be referred to herein individually as a "**Party**" or collectively as the "**Parties**."

RECITALS

WHEREAS, CRISPR possesses certain Patents, Know-How, technology and expertise with respect to the CRISPR/Cas Platform (as defined below);

WHEREAS, Nkarta possesses certain Patents, Know-How, technology and expertise with respect to NK Cell Technology (as defined below) and desires to incorporate gene-editing into its natural killer cell therapies and therapeutic combinations of natural killer cells with T cells; and

WHEREAS, Nkarta and CRISPR desire to enter into a collaboration under which the Parties will jointly develop Collaboration Products (as defined below), and Nkarta will gain access to gene-editing technology for use in researching, developing and commercializing Nkarta Products (as defined below) by or on behalf of itself.

NOW, THEREFORE, in consideration of the respective covenants, representations, warranties and agreements set forth herein, the Parties hereto agree as follows:

ARTICLE 1.
DEFINITIONS

For purposes of this Agreement, the following capitalized terms will have the following meanings:

1.1. "**AAA**" means the American Arbitration Association.

1.2. "**Accounting Standards**" means GAAP in the United States or internationally the international financial reporting standards ("**IFRS**"), as appropriate for each Party, as generally and consistently applied in compliance with Applicable Law throughout the relevant Party's organization at the relevant time in the United States or internationally, as appropriate, and means IFRS at such time as IFRS becomes the generally accepted accounting standard and Applicable Law requires that such Party use IFRS.

1.3. "**Acquisition Transaction**" has the meaning set forth in Section 3.2.

1.4. "**Additional Gene-Editing Targets**" has the meaning set forth in Section 4.1.

1.5. "**Affiliate**" means [***] any other Person that controls, is controlled by or is under common control with such Person. A Person will be regarded as in control of another Person if it (a) owns or controls [***] of the equity securities of the subject Person entitled to vote in the election of directors (or, in the case of a Person that is not a corporation, for the election of the corresponding managing authority) or (b) possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of an such Person (whether through ownership of securities or other ownership interests, by contract or otherwise).

1.6. "**Agreement**" has the meaning set forth in the preamble.

1.7. "**Alliance Manager**" has the meaning set forth in Section 6.3.1.

1.8. "**Allogeneic Donor Cells**" means cells obtained from one or more individuals who are not the recipient of such cells, [***].

1.9. "**Applicable Law**" means the applicable provisions of any and all national, supranational, regional, state and local laws, treaties, statutes, rules, regulations, administrative codes, guidance, ordinances, judgments, decrees, directives, injunctions, orders, permits (including Marketing Approvals) of or from any court, arbitrator or Governmental Authority having jurisdiction over or related to the subject item.

1.10. "**Approval Application**" means a BLA or similar application or submission for a Collaboration Product or Nkarta Product filed with a Regulatory Authority in a country or group of countries to obtain marketing approval for a biological or pharmaceutical product in that country or group of countries.

1.11. "**Available**" has the meaning set forth in Section 1.27.

1.12. "**Biosimilar Product**" means in a particular country with respect to any Nkarta Product, any biopharmaceutical product that: (a) has received all necessary approvals by the applicable Regulatory Authority in such country to market and sell such product as a biopharmaceutical product; (b) is marketed or sold by a Third Party that has not obtained the rights to market or sell such product as a licensee, sublicensee or distributor of Nkarta or any of its Affiliates, licensees or sublicensees with respect to such product; and (c) is approved as: (i) a "biosimilar" (in the U.S.) of such Nkarta Product; (ii) a "similar biological medicinal product" (in the EU) with respect to which such Nkarta Product is the "reference medicinal product"; or (iii) if not in the U.S. or EU, the foreign equivalent of a "biosimilar" or "similar biological medicinal product" of such Nkarta Product; in each case, for use in such country pursuant to an expedited regulatory approval process governing approval of biosimilars based on the then-current standards for regulatory approval in such country (e.g., the Biologics Price Competition and Innovation Act of 2009 or an equivalent under non-U.S. law) and where such regulatory approval was based in significant part upon clinical data generated by Nkarta (or its Affiliate or sublicensee) with respect to such Nkarta Product.

1.13. "**BLA**" means a Biological License Application (as defined by the FDA) or its foreign equivalent (or any successor application having substantially the same function).

1.14. "**Breaching Party**" means the Party that is believed by the other Party to be in material breach of this Agreement.

1.15. "**Business Day**" means a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in Boston, Massachusetts or New York, New York are obligated to be closed.

1.16. "**Calendar Quarter**" means the respective periods of three consecutive calendar months ending on March 31, June 30, September 30 or December 31, during the Term, or the applicable part thereof during the first or last calendar quarter of the Term.

1.17. "**Calendar Year**" means any calendar year ending on December 31, or the applicable part thereof during the first or last year of the Term.

1.18. "**CAR**" means chimeric antigen receptor.

1.19. "**CAR-screening**" means [***].

1.20. "**cGMP**" means current Good Manufacturing Practices as specified in the United States Code of Federal Regulations, ICH Guideline Q7A, or equivalent laws, rules, or regulations of an applicable Regulatory Authority at the time of manufacture.

1.21. "**Change of Control**" means, with respect to a Party, (a) a merger or consolidation of such Party with a Third Party that results in the voting securities of such Party outstanding immediately prior thereto, or any securities into which such voting securities have been converted or exchanged, ceasing to represent more than fifty percent (50%) of the combined voting power of the surviving entity or the parent of the surviving entity immediately after such merger or consolidation, or (b) a transaction or series of related transactions in which a Third Party, together with its Affiliates, becomes the beneficial owner of more than fifty percent (50%) of the combined voting power of the outstanding securities of such Party, or (c) the sale or other transfer to a Third Party of all or substantially all of such Party's business to which the subject matter of this Agreement relates**.** Notwithstanding the foregoing, the term "Change of Control" will not include any sale of shares of capital stock of a Party, in a single transaction or series of related transactions in which such Party issues new securities solely to institutional investors for cash or the cancellation or conversion of indebtedness or a combination thereof where such transaction(s) are conducted primarily for bona fide equity financing purposes.

1.22. "**Clinical Trial**" means a study in humans that is conducted in accordance with GCP and is designed to generate data in support of an Approval Application.

1.23. "**Collaboration Products**" means the Initial Collaboration Product, Second Collaboration Product and Third Collaboration Product, as applicable. Collaboration Products shall exclude Nkarta Products.

1.24. "**Commercialize**" or "**Commercializing**" means to market, promote, distribute, offer for sale, sell, have sold, import, export or otherwise commercialize a product, or to conduct activities, other than Research, Development and Manufacturing, in preparation for the foregoing activities, including obtaining Pricing Approval. When used as a noun, "**Commercialization**" means any and all activities involved in Commercializing.

1.25. "**Commercially Reasonable Efforts**" means, [***].

1.26. "**Competing Product**" means, for a given Collaboration Product, any [***].

1.27. "**Confidential Information**" means, with respect to each Party, all Know-How or other information, including proprietary information (whether or not patentable) regarding or embodying such Party's technology, products, business information or objectives, that is communicated in any way or form by or on behalf of the Disclosing Party to the Receiving Party or its permitted recipients, prior to, on or after the Effective Date, whether or not such Know-How or other information is identified as confidential at the time of disclosure. The terms and conditions of this Agreement will be considered Confidential Information of both Parties, with both Parties deemed to be the Receiving Party of such Confidential Information. Notwithstanding any provision of this Section 1.27 to the contrary, Confidential Information does not include any Know-How or information that: (a) was already known by the Receiving Party (other than under an obligation of confidentiality to the Disclosing Party) at the time of disclosure by or on behalf of the Disclosing Party; (b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party; (c) became generally available to the public or otherwise part of the public domain after its disclosure to the Receiving Party, other than through any act or omission of the Receiving Party in breach of its obligations under this Agreement; (d) was disclosed to the Receiving Party, other than under an obligation of confidentiality, by a Third Party who had no obligation to the Disclosing Party not to disclose such information to the Receiving Party; or (e) was independently discovered or developed by or on behalf of the Receiving Party without the use of any Confidential Information belonging to the Disclosing Party; provided that, in connection with the foregoing exclusions from protection, specific Confidential Information shall not be deemed to be known, generally available, in the public domain, disclosed, independently discovered or developed (individually and collectively, "**Available**"), merely because broader or related information is Available, nor shall combinations of elements or principles be considered to be Available merely because individual elements thereof are Available.

1.28. "**Continuing Party**" has the meaning set forth in Section 2.6.2.

1.29. "**Continuation Party**" has the meaning set forth in Section 13.3.2(a)(iii).

1.30. "**Control**" or "**Controlled**" means with respect to any Know-How or Patent or other data, information or Materials, possession of the ability by a Party or its Affiliate(s) (whether by sole or joint ownership, license or otherwise, other than pursuant to this Agreement) to grant, without violating the terms of any agreement with a Third Party, a license, access or other right in, to or under such Know-How or Patent or other data, information or Materials. Notwithstanding anything in this Agreement to the contrary, a Party will be deemed not to Control any Patents or Know-How or other data, information or Materials that are owned or controlled by a Third Party that becomes an Affiliate of such Party in a Change of Control or such Third Party's Affiliates (other than such Party and any Affiliate of such Party prior to the Change of Control), (a) prior to the closing of such Change of Control, or (b) after such Change of Control to the extent that such Patents or Know-How or other data, information or Materials are developed or conceived by such Third Party or its Affiliates (other than such Party and any Affiliate of such Party prior to the Change of Control) after such Change of Control without using or incorporating such Party's technology (i.e., CRISPR Technology or Nkarta Technology, as applicable).

1.31. "**Cover**," "**Covering**" or "**Covers**" means, as to a product and Patent, that, in the absence of a license granted under, or ownership of, such Patent, the making, using, keeping, selling, offering for sale or importation of such product would infringe such Patent or, as to a pending claim included in such Patent, the making, using, selling, offering for sale or importation of such product would infringe such Patent if such pending claim were to issue in an issued patent without modification.

1.32. "**CREATE Act**" means the Cooperative Research and Technology Enhancement Act of 2004, 35 U.S.C. § 103(c)(2)-(c)(3).

1.33. "**CRISPR**" has the meaning set forth in the preamble.

1.34. "**CRISPR Activities**" means: [***].

1.35. "**CRISPR Background Know-How**" means any Know-How, other than Joint Know-How and CRISPR Program Know-How, that: [***].

1.36. "**CRISPR Background Patents**" means any Patent, other than a Joint Patent or CRISPR Program Patent, that: [***].

1.37. "**CRISPR Background Technology**" means the CRISPR Background Know-How and the CRISPR Background Patents.

1.38. "**CRISPR/Cas Platform**" means the proprietary platform of CRISPR and its Affiliates consisting or comprising of one or more of the following components: [***].

1.39. "**CRISPR Entity**" means, when used in the singular, any one of CRISPR AG and CRISPR Inc. "**CRISPR Entities**" means, when used in the plural, CRISPR AG and CRISPR Inc.

1.40. "**CRISPR Indemnified Party**" has the meaning set forth in Section 12.1.

1.41. "**CRISPR In-License Agreements**" means [***]. The CRISPR In-License Agreements as of the Effective Date are listed on Schedule 1.41.

1.42. "**CRISPR Option**" has the meaning set forth in Section 5.1.1.

1.43. "**CRISPR Option Period**" has the meaning set forth in Section 5.1.1.

1.44. "**CRISPR Patents**" means (a) CRISPR Background Patents, (b) CRISPR Program Patents, and (c) CRISPR's interest in the Joint Patents.

1.45. "**CRISPR Program Know-How**" has the meaning set forth in Section 9.1.2(a).

1.46. "**CRISPR Program Patents**" has the meaning set forth in Section 9.1.2(a).

1.47. "**CRISPR Program Technology**" has the meaning set forth in Section 9.1.2(a).

1.48. "**CRISPR Technology**" means (a) the CRISPR Background Technology, (b) the CRISPR Program Technology, and (c) CRISPR's interest in any Joint Technology.

1.49. "**CTA**" means an application to a Regulatory Authority for purposes of requesting the ability to start or continue a Clinical Trial, which CTA may consist of, or include, an Investigational New Drug application (IND), filed with the FDA pursuant to Part 312 of Title 21 of the U.S. Code of Federal Regulations, including any supplements or amendments thereto (and, to the extent applicable, any comparable filings outside the United States), as applicable.

1.50. "**Delivery Date**" means the date of delivery by Nkarta to CRISPR of the Nkarta Product Package that is within [***] Business Days after CTA filing for any Nkarta Product that is [***].

1.51. "**Designated Optionable Nkarta Product**" means, [***].

1.52. "**Designation Term**" has the meaning set forth in Section 4.1.

1.53. "**Development**" means, with respect to a Product or NK+T Product: (a) all clinical and non-clinical research and development activities conducted after CTA filing for such Product or NK+T Product, including toxicology, pharmacology test method development and stability testing, process development, formulation development, delivery system development, quality assurance and quality control development, statistical analysis, Clinical Trials, regulatory affairs, pharmacovigilance, Clinical Trial regulatory activities and obtaining and maintaining Marketing Approval; and (b) pre-CTA activities that are undertaken to obtain agreement on the planned CTA submission dossier contents with the respective Regulatory Authorities, such as FDA pre-IND meeting undertaken prior to filing an IND, or pre-CTA activities associated with preparing and submitting a CTA; [***]. When used as a verb, "**Develop**" or "**Developing**" means to engage in Development.

1.54. "**Disclosing Party**" has the meaning set forth in Section 14.1.

1.55. "**Dispute**" has the meaning set forth in Section 15.1.

1.56. "**Distracted Party**" has the meaning set forth in Section 3.2.

1.57. "**Distracting Product**" means, for a given Collaboration Product, any [***].

1.58. "**Divestiture**" means, with respect to a Distracting Product, the sale, exclusive license or other transfer by the applicable Party and its Affiliates of all of their development and commercialization rights with respect to such Distracting Product to a Third Party without the retention or reservation of any development or commercialization obligation, interest or participation rights (other than solely an economic interest or the right to enforce customary terms and conditions contained in the relevant agreements effectuating such transaction). When used as a verb, "Divest" means to engage in a Divestiture.

1.59. "**Effective Date**" has the meaning set forth in the preamble.

1.60. "**European Union**" or "**EU**" means the European Union as it exists as of the Effective Date, together with the United Kingdom and Switzerland and any countries or territories that subsequently join the European Union. For clarity, any countries or territories that exit in the European Union after the Effective Date shall remain part of the European Union for purposes of this Agreement. As of the Effective Date, the European Union includes the following countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

1.61. "**Excluded Target**" has the meaning set forth in Section 4.2.

1.62. "**Exclusion List**" has the meaning set forth in Section 4.2.

1.63. "**Executive Officer**" means an executive officer of a Party that is designated by such Party as its "Executive Officer" for purposes of this Agreement. The initial Executive Officer (a) with respect to CRISPR, shall be the Chief Executive Officer or equivalent position of CRISPR (or its designee), and (b) with respect to Nkarta, shall be Chief Executive Officer or equivalent position of Nkarta (or its designee). A Party may replace its then-current Executive Officer from time-to-time by written notice to the other Party.

1.64. "**Exercise Notice**" has the meaning set forth in Section 5.1.2.

1.65. "**Expert**" has the meaning set forth in Section 15.2.1.

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

1.67. "**FD&C Act**" means the United States Federal Food, Drug, and Cosmetic Act, as amended, and the rules and regulations promulgated thereunder.

1.68. "**Field**" means: (a) oncology; (b) autoimmune disease; and (c) infectious disease.

1.69. "**First Commercial Sale**" means, with respect to any Nkarta Product in any country or jurisdiction in the Territory, the first sale of such Nkarta Product by or on behalf of the Selling Party to a Third Party in an arms' length transaction for end use or consumption in such country or jurisdiction after Regulatory Approvals, as applicable, have been obtained for such Nkarta Product in the Field in such country or jurisdiction. A First Commercial Sale will not include any Nkarta Product that is supplied for use in clinical trials, for research or for other non-commercial uses, or as part of a compassionate use program (or other program for providing Nkarta Product before it has received Regulatory Approval in a country).

1.70. "**First Nkarta Product**" means, subject to Section 5.1.1, the Nkarta Product that [***].

1.71. "**Force Majeure**" means a condition, the occurrence and continuation of which is beyond the reasonable control of a Party and its Affiliates, including an act of God, voluntary or involuntary compliance with any regulation, law or order of any government, war, civil commotion, labor strike or lock-out, epidemic, pandemic, flood, failure or default of public utilities or common carriers, destruction of production facilities or materials by fire, earthquake, storm or like catastrophe.

1.72. "**GAAP**" means United States generally accepted accounting principles, consistently applied.

1.73. "**GCP**" means good clinical practices, which are the then-current standards for Clinical Trials for pharmaceuticals, as set forth in the FD&C Act or other Applicable Law, and such standards of good clinical practice as are required by the regulatory authorities of the European Union and other Governmental Authorities in countries for which the applicable Product or NK+T Product is intended to be Developed, to the extent such standards are not less stringent than United States standards.

1.74. "**Gene-Editing Technology**" means [***].

1.75. "**GLP**" means the then-current good laboratory practice standards promulgated or endorsed by the FDA as defined in 21 C.F.R. Part 58 or the successor thereto, or comparable regulatory standards in jurisdictions outside of the United States, to the extent such standards are not less stringent than United States standards.

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

1.77. "**Granting Party**" has the meaning set forth in Section 13.3.2(a)(iii).

1.78. "**Indemnified Party**" has the meaning set forth in Section 12.3.

1.79. "**Indemnifying Party**" has the meaning set forth in Section 12.3.

1.80. "**Initial Collaboration Product**" has the meaning set forth in Section 2.2.

1.81. "**Insolvency Event**" has the meaning set forth in Section 13.2.2.

1.82. "**Joint Development and Commercialization Agreement**" or "**JDCA**" has the meaning set forth in Section 7.1.1.

1.83. "**Joint Know-How**" has the meaning set forth in Section 9.1.2(c).

1.84. "**Joint Patents**" has the meaning set forth in Section 9.1.2(c).

1.85. "**Joint Steering Committee**" or "**JSC**" has the meaning set forth in Section 6.1.1.

1.86. "**Joint Technology**" has the meaning set forth Section 9.1.2(c).

1.87. "**Know-How**" means intellectual property, data, results, preclinical and clinical protocols and data from studies, chemical structures, chemical sequences, information, inventions, know-how, formulas, trade secrets, techniques, methods, processes, procedures and developments, whether or not patentable; provided that Know-How does not include Patents claiming any of the foregoing.

1.88. "**Knowledge**" means, when used with respect to a Party, [***].

1.89. "**Liability**" has the meaning set forth in Section 12.1.

1.90. "**Licensee Party**" has the meaning set forth in Section 13.2.2(a).

1.91. "**Licensor Party**" has the meaning set forth in Section 13.2.2(a).

1.92. "**Major Market**" means [***].

1.93. "**Manufacture**" or "**Manufactured**" or "**Manufacturing**" means activities directed to making, having made, producing, manufacturing, processing, filling, finishing, packaging, labeling, quality control testing and quality assurance release, shipping or storage of a product.

1.94. "**Marketing Approval**" means, with respect to a Product or NK+T Product in a particular jurisdiction, all approvals, licenses, registrations or authorizations necessary for the Commercialization of such Product or NK+T Product in such jurisdiction, including, with respect to the United States, approval of an Approval Application for such Product or NK+T Product by the FDA and with respect to the European Union, approval of an Approval Application for such Product or NK+T Product by the European Commission.

1.95. "**Materials**" means [***].

1.96. "**Negotiation Period**" has the meaning set forth in Section 5.2.2.

1.97. "**Net Sales**" means, with respect to any Nkarta Product, the gross amounts invoiced for sales of such Nkarta Product by Nkarta, its Affiliates or sublicensee(s) (the "**Selling Party**") to Third Parties in an arms' length transaction, less the following deductions to the extent specifically and solely allocated to the sale of such Nkarta Product and actually taken, paid, accrued, allowed, included, or allocated based on good faith estimate consistent with Nkarta's practice, in the gross sales prices with respect to such sales (and consistently applied as set forth below):

(a) [***];

(b) [***];
(c) [***];
(d) [***];
(e) [***];
(f) [***];
(g) [***]; and
(h) [***].

For the avoidance of doubt, if a single item falls into more than one of the categories set forth in clauses (a)-(h) above, such item may not be deducted more than once.

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 Nkarta Products are giving rise to Net Sales.

Net Sales shall also include, with respect to any Nkarta 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 Nkarta Product having the same dosage form and strength during the applicable reporting period in the country where such sale or other disposal occurred when such Nkarta Product is sold alone and not with other products, or if such Nkarta Product is not sold alone in such country during the applicable reporting period, then an amount equal to the average sales price during the applicable reporting period generally achieved for such Nkarta Product having the same dosage form and strength in the rest of the Territory.

Solely for purposes of calculating Net Sales, if the Selling Party sells an Nkarta Product in the form of a combination product containing both the Nkarta Product and one or more other therapeutically or prophylactically active ingredients (whether combined in a single formulation or package, as applicable, or formulated separately but packaged under a single label approved by a Regulatory Authority and sold together for a single price) (a "**Combination Product**"), Net Sales of such Combination Product for the purpose of determining the payments due to CRISPR pursuant to this Agreement will be calculated by [***].

In the event that the Selling Party sells the Nkarta Product included in a Combination Product as a separate product in a country, but does not separately sell all of the other active ingredient(s), as the case may be, included in such Combination Product in such country, the calculation of Net Sales resulting from such sale shall be determined by [***].

In the event that a Selling Party does not sell the Nkarta Product included in a Combination Product as a separate product in the country where such sale of Combination Product occurs, but does separately sell all of the other active ingredient(s), as the case may be, included in the sale of

such Combination Product in such country, the calculation of Net Sales resulting from such sale shall be determined by [***].

If the calculation of Net Sales resulting from the sale of a Combination Product in a country cannot be determined by any of the foregoing methods, the calculation of Net Sales for such Combination Product shall be determined between the Parties in good faith negotiations.

To the extent Nkarta or any of its Affiliates or sublicensees [***].

1.98. "**New CRISPR In-License**" has the meaning set forth in Section 9.1.3.

1.99. "**New Nkarta In-License**" has the meaning set forth in Section 9.1.3.

1.100. "**NK**" has the meaning set forth in Section 1.101.

1.101. "**NK Cell Technology**" means technology useful for the evaluation, maintenance, expansion or cryopreservation of donor-derived natural killer ("**NK**") cells to target cells for diagnostic or therapeutic purposes.

1.102. "**NK+T**" has the meaning set forth in Section 1.103.

1.103. "**NK+T Product**" means [***].

1.104. "**Nkarta**" has the meaning set forth in the preamble.

1.105. "**Nkarta Activities**" means: [***].

1.106. "**Nkarta Background Know-How**" means any Know-How, other than Joint Know-How and Nkarta Program Know-How, that: [***].

1.107. "**Nkarta Background Patents**" means any Patent, other than a Joint Patent or Nkarta Program Patent that: [***].

1.108. "**Nkarta Background Technology**" means the Nkarta Background Know-How and the Nkarta Background Patents.

1.109. "**Nkarta Indemnified Party**" has the meaning set forth in Section 12.2.

1.110. "**Nkarta In-License Agreements**" means [***]. The Nkarta In-License Agreements as of the Effective Date are listed on Schedule 1.110.

1.111. "**Nkarta Patents**" means (a) Nkarta Background Patents, (b) Nkarta Program Patents, and (c) Nkarta's interest in the Joint Patents.

1.112. "**Nkarta Product**" means [***].

1.113. "**Nkarta Product Package**" means, with respect to a given Nkarta Product, a package provided by Nkarta to CRISPR that includes each of the following: [***].

1.114. "**Nkarta Product Sublicense Agreement**" has the meaning set forth in Section 10.3.

1.115. "**Nkarta Product Sublicensee**" has the meaning set forth in Section 10.3.

1.116. "**Nkarta Program Know-How**" has the meaning set forth in Section 9.1.2(b).

1.117. "**Nkarta Program Patents**" has the meaning set forth in Section 9.1.2(b).

1.118. "**Nkarta Program Technology**" has the meaning set forth in Section 9.1.2(b).

1.119. "**Nkarta Technology**" means (a) the Nkarta Background Technology, (b) the Nkarta Program Technology, and (c) Nkarta's interest in any Joint Technology.

1.120. "**Nominated Target**" has the meaning set forth in Section 4.3.

1.121. "**Non-Breaching Party**" means the Party that believes the other Party is in material breach of this Agreement.

1.122. "**Non-Disclosing Party**" has the meaning set forth in Section 14.4.2.

1.123. "**Open JDCA Terms**" has the meaning set forth in Section 7.1.1.

1.124. "**Optionable Nkarta Product**" means, during the CRISPR Option Period, each Nkarta Product that [***].

1.125. "**Opt-Out Party**" has the meaning set forth in Section 2.6.2.

1.126. "**Other Out-of-Pocket Costs**" means:

1.126.1. [***];

1.126.2. [***];

1.126.3. [***]; and

1.126.4. [***].

Other Out-of-Pocket Costs will exclude [***].

1.127. "**Out-of-Pocket Costs**" means, with respect to a Party, [***].

1.128. "**Party**" or "**Parties**" has the meaning set forth in the preamble.

1.129. "**Patent Coordinator**" has the meaning set forth in Section 9.3.

1.130. "**Patents**" means the rights and interests in and to issued patents and pending patent applications in any country, jurisdiction or region (including inventor's certificates and utility models), including all provisionals, non-provisionals, substitutions, continuations, continuations-in-part, divisionals, renewals and all patents granted thereon, and all reissues, reexaminations, extensions, confirmations, revalidations, registrations and patents of addition thereof, including patent term extensions and supplementary protection certificates, international patent applications filed under the Patent Cooperation Treaty (PCT) and any foreign equivalents to any of the foregoing.

1.131. "**Person**" means an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, incorporated association, joint venture or similar entity or organization, including a government or political subdivision or department or agency of a government.

1.132. "**Phase III Clinical Trial**" means, with respect to an Nkarta Product or an Opt-Out Product, a clinical trial in human beings performed to gain evidence with statistical significance of the efficacy of such product in a target population and to obtain expanded evidence of safety of such Nkarta Product or Opt-Out Product that is needed to evaluate the overall benefit-risk relationship of such product, to form the basis for approval of a biologics license application by a Regulatory Authority and to provide an adequate basis for physician labeling, all as would satisfy the requirements in 21 C.F.R. 312.21(c), as amended from time to time, or the corresponding regulation in jurisdictions other than the United States.

1.133. "**Pivotal Trial**" means, with respect to an Nkarta Product or an Opt-Out Product, a clinical trial in human beings of such Nkarta Product or Opt-Out Product in any country that that satisfies both of the following ((a) and (b)):

(a) such trial includes a sufficient number of subjects and is designed to establish that such product has an acceptable safety and efficacy profile for its intended use, and to determine warnings, precautions and adverse reactions that are associated with such product in the dosage range to be prescribed, which trial is intended to support Regulatory Approval of such product, or a similar human clinical trial prescribed by an applicable Regulatory Authority; and

(b) such trial is a registration trial designed to be sufficient to support the filing of an application for a Regulatory Approval for such product in an applicable country or jurisdiction or some or all of an extra-national territory, as evidenced by (i) an agreement with or statement from an applicable Regulatory Authority, or (ii) other guidance or minutes issued by an applicable Regulatory Authority, for such registration trial.

For clarity, a Pivotal Trial need not be limited to, or labelled as, a Phase III Clinical Trial.

1.134. "**Pricing Approval**" means, in any country where a Governmental Authority authorizes reimbursement for, or approves or determines pricing for, pharmaceutical products, receipt (or, if required to make such authorization, approval or determination effective, publication) of such reimbursement authorization or pricing approval or determination.

1.135. "**Proceeding**" means an action, suit or proceeding.

1.136. "**Product**" means [***].

1.137. "**Prosecution and Maintenance**" or "**Prosecute and Maintain**" means, with regard to a Patent, the preparing, filing, prosecuting and maintenance of such Patent, as well as handling re-examinations and reissues with respect to such Patent, together with the conduct of interferences, the defense of oppositions and other similar proceedings with respect to the particular Patent. For clarification, "Prosecution and Maintenance" or "Prosecute and Maintain" will not include any other enforcement actions taken with respect to a Patent.

1.138. "**Receiving Party**" has the meaning set forth in Section 14.1.

1.139. "**Regulatory Approval**" means all approvals necessary for the manufacture, marketing, importation and sale of a Product or NK+T Product for one or more indications and in a country or

regulatory jurisdiction, which may include satisfaction of all applicable regulatory and notification requirements, but which shall exclude any Pricing Approvals.

1.140. "**Regulatory Authority**" means, in a particular country or regulatory jurisdiction, any applicable Governmental Authority involved in granting Regulatory Approval or, to the extent required in such country or regulatory jurisdiction, Pricing Approval of a Product or NK+T Product in such country or regulatory jurisdiction.

1.141. "**Relevant Factors**" means the following relevant factors that may affect the Research, Development, Manufacture, Regulatory Approval or Commercialization of a Product or NK+T Product: [***].

1.142. "**Research**" means [***]. When used as a verb, "**Researching**" means to engage in Research.

1.143. "**Research Activities**" means the CRISPR Activities and the Nkarta Activities, collectively, which will be focused on Research, including [***].

1.144. "**Research Budget**" has the meaning set forth in Section 1.146.

1.145. "**Research Costs**" means [***]. Research Costs will exclude all [***].

1.146. "**Research Plan**" means, with respect to a given Collaboration Product or Nkarta Product, a written plan describing the activities to be conducted by each Party as set forth in Section 2.3, as applicable, and a budget for activities conducted thereunder (the "**Research Budget**"), as may be amended by written agreement of the Parties.

1.147. "**Research Program**" means a program dedicated to the design, optimization and Research of a given Collaboration Product [***].

1.148. "**Right of First Negotiation**" has the meaning set forth in Section 5.2.2.

1.149. "**ROFN Package**" has the meaning set forth in Section 5.2.1.

1.150. "**ROFN Transaction**" has the meaning set forth in Section 5.2.

1.151. "**Royalty Term**" has the meaning set forth in Section 10.2.1(a).

1.152. "**Second Collaboration Product**" has the meaning set forth in Section 2.2.

1.153. "**Selected JSC Dispute**" has the meaning set forth in Section 15.2.3.

1.154. "**Subcontractor**" has the meaning set forth in Section 2.8.

1.155. "**Target Pool**" means a pool of five (5) gene-editing targets, one or more of which shall be edited in the Nkarta Products. [***].

1.156. "**Tax**" or "**Taxes**" means: (a) all federal, provincial, territorial, state, municipal, local, foreign or other taxes, imposts, rates, levies, assessments and other charges in the nature of a tax (and all interest and penalties thereon and additions thereto imposed by any Governmental Authority), including all income, excise, franchise, gains, capital, real property, goods and services, transfer, value added, gross receipts, windfall profits, severance, ad valorem, personal property, production, sales, use, license, stamp,

documentary stamp, mortgage recording, employment, payroll, social security, unemployment, disability, escheat, estimated or withholding taxes, and all customs and import duties, together with all interest, penalties and additions thereto imposed with respect to such amounts, in each case whether disputed or not; (b) any liability for the payment of any amounts of the type described in clause (a) as a result of being or having been a member of an affiliated, consolidated, combined or unitary group; and (c) any liability for the payment of any amounts as a result of being party to any tax sharing agreement or arrangement or as a result of any express or implied obligation to indemnify any other person with respect to the payment of any amounts of the type described in clause (a) or (b).

1.157. "**Term**" means the period commencing on the Effective Date and ending on the termination of this Agreement pursuant to Section 13.1, unless terminated earlier as provided herein.

1.158. "**Territory**" means all countries of the world.

1.159. "**Third Collaboration Product**" has the meaning set forth in Section 5.1.2.

1.160. "**Third Party**" means any Person other than Nkarta, CRISPR and their respective Affiliates.

1.161. "**Third Party Gatekeeper**" has the meaning set forth in Section 4.2.

1.162. "**United States**" or "**U.S.**" means the fifty (50) states of the United States of America and all of its territories and possessions and the District of Columbia.

1.163. "**Valid Claim**" means a claim (a) of any issued, unexpired United States or foreign Patent, which will not, in the country of issuance, have been donated to the public, disclaimed, nor held invalid or unenforceable by a court of competent jurisdiction in an unappealed or unappealable decision, or (b) of any United States or foreign patent application, which will not, in the country in question, have been cancelled, withdrawn or abandoned. Notwithstanding the foregoing, on a country-by-country basis, a patent application pending for more than [***] years will not be considered to have any Valid Claim for purposes of this Agreement unless and until a patent meeting the criteria set forth in the foregoing clause (a) with respect to such patent application issues.

1.164. "**Verify**" has the meaning set forth in Section 4.2.

ARTICLE 2.
RESEARCH

2.1. Collaboration Overview. The Parties will collaborate by performing the activities set forth in the Research Plans for the purpose of designing and advancing Collaboration Products to filing of CTAs.

2.2. Collaboration Products. During the Term, the Parties will jointly Research each Collaboration Product under and in accordance with a Research Plan. The first Collaboration Product (the "**Initial Collaboration Product**") shall be a Product that is directed against the CD70 antigen on tumor cells. The second Collaboration Product (the "**Second Collaboration Product**") shall be an NK+T Product. This Agreement (and the JDCA Agreement, as applicable) shall govern the Research, Development, Manufacturing and Commercialization of any follow-on Collaboration Products (i.e., the next generation of such Collaboration Product).

2.3. Research Plans. The Research Plans for the Initial Collaboration Product and Second Collaboration Product shall be finalized by mutual agreement no later than [***] days after the Effective

Date. [***]. Without limiting Exhibit B-1, each Research Plan for the applicable Collaboration Product or Nkarta Product, as applicable, shall in any event adhere to the following general principles, as applicable:

2.3.1. with respect to the Initial Collaboration Product: [***];

2.3.2. with respect to the Second Collaboration Product: [***];

2.3.3. with respect to the Third Collaboration Product, [***]; and

2.3.4. with respect to [***].

2.4. [***]. Within [***] days after [***], Nkarta shall designate in writing to CRISPR [***], and within [***] days after [***], Nkarta shall designate in writing to CRISPR [***]. Notwithstanding [***], if, [***]. Nkarta may not [***] during the CRISPR Option Period without [***]. Once Nkarta has designated [***]. For the avoidance of doubt, [***].

2.5. Periodic Updates. [***], CRISPR and Nkarta will together [***] review the Research Plans for Collaboration Products and, through the JSC, agree upon and make the necessary changes thereto to maximize the potential that the Research Activities will advance the applicable Collaboration Products through CTA filing for such Collaboration Products. [***], Nkarta will [***] update the JSC with respect to the Nkarta Activities for any upcoming obligations CRISPR may have with respect to its obligations to [***]. Without limiting the foregoing, at each regularly scheduled meeting of the JSC, which shall be [***]: (a) prior to completion of Research Activities for the last Collaboration Product, each Party will provide detailed progress updates on its Research Activities for the Collaboration Products along with a reasonably detailed summary of data associated with such Research Activities; and (b) prior to expiration of the CRISPR Option Period, Nkarta will provide a reasonably detailed summary of progress updates on Nkarta Activities along with a reasonably detailed summary of data associated with such Nkarta Activities and a reasonably detailed summary of expected future Nkarta Activities, in each case solely for [***], which updates and summaries will be provided to JSC members at least [***] days in advance of any JSC meeting. The agenda for meetings of the JSC will be set by the JSC representatives.

2.6. Collaboration Product Research Activities.

2.6.1. Efforts. Each Party will use Commercially Reasonable Efforts to perform Research Activities on Collaboration Products for which such Party is responsible under each Research Plan for such Collaboration Products in accordance with the timelines and Research Budget set forth therein. Without limiting the generality of the foregoing, each Party will, and will require its Affiliates and Subcontractors to, perform such Party's Research Activities for Collaboration Products in a professional manner and in accordance with (a) all Applicable Laws, including where appropriate cGMP, GCP and GLP (or similar standards); (b) that level of care and skill ordinarily exercised in similar circumstances by providers of the same or similar services; (c) good scientific standards; and (d) the terms of this Agreement, [***], as the case may be), scientific expertise and resources.

2.6.2. Opt-Out Rights for Collaboration Products. Unless the Parties have entered into the JDCA for a given Collaboration Product, at any time during [***], a Party may opt out of continuing the Research of such Collaboration Product, by providing notice therewith to the other Party (the Party opting out, the "**Opt-Out Party**", and the other Party, the "**Continuing Party**"). Upon receipt of such notice for a given Collaboration Product, the following shall apply:

(a) all rights and obligations of the Opt-Out Party under this Agreement with respect to such Collaboration Product shall terminate, except as expressly provided in the survival provisions of this Agreement;

(b) the Opt-Out Party, subject to the terms and conditions of this Agreement, shall grant, and hereby grants, to the Continuing Party a [***]. Notwithstanding anything to the contrary herein, [***];

(c) the Opt-Out Party shall do the following to allow the Continuing Party to continue Researching, Developing and Commercializing such Collaboration Product in the Field (it being agreed that the Parties intend to use reasonable efforts to minimize any material business interruptions):

(i) cease to have any further obligations with respect to such Collaboration Product except as set forth herein;

(ii) cease to incur any [***] with respect to such Collaboration Product, except as approved by the Continuing Party;

(iii) no later than [***] days after the date the Continuing Party exercises its right under this Section 2.6.2, provide a reasonably detailed summary of Research Activities with respect to such Collaboration Product undertaken under this Agreement;

(iv) as promptly as practicable, transfer to the Continuing Party copies of all data, reports, records and information in the Opt-Out Party's Control to the extent that such data, reports, records or other information relate to such Collaboration Product in the Research Program (from which the Opt-Out Party may redact or remove any information that does not relate to such Collaboration Product in the Research Program);

(v) If the Continuing Party so requests, [***];

(vi) if the Opt-Out Party was responsible for [***] thereof as of the effective date of opt-out, at the Continuing Party's discretion and request, the Opt-Out Party shall continue to be responsible [***] of such Collaboration Product [***] to the Continuing Party at the [***] until the Continuing Party has obtained [***];

(vii) if the Continuing Party so requests, the Opt-Out Party shall transfer to the Continuing Party any [***] as of the date of opt-out at the [***];

(viii) undertake, and coordinate with the Continuing Party with respect to, any wind-down or transitional activities reasonably necessary to transfer to the Continuing Party or a Third Party designated by the Continuing Party all Research Activities for such Collaboration Product or Components thereof throughout the Territory with no or minimal interruption; provided that the Opt-Out Party shall continue (either itself or using a Third Party) any Research Activities with respect to such Collaboration Product for such period following the date the Continuing Party exercises its right under this Section 2.6.2 as is reasonably necessary to minimize any delays or other negative impact on such activities; provided, further, that the Parties shall reasonably cooperate in seeking to minimize the costs of such wind-down or transitional activities, with each Party understanding that no transfer of Research Activities for a Collaboration Product will be permitted to [***];

(ix) provide any other assistance reasonably requested by the Continuing Party, at the expense of [***], for the purpose of allowing and enabling the Continuing Party

to proceed expeditiously with the Research, Development and Commercialization of such Collaboration Product in the Field; provided that the Opt-Out Party's obligations under this clause shall expire [***] after the date the Continuing Party exercises its right under this Section 2.6.2 (such period to be tolled automatically if the Opt-Out Party fails to provide such assistance in any material respect until such assistance is provided); and

(x) execute all documents and take all such further actions as may be reasonably necessary and requested by the Continuing Party in order to give effect to the foregoing clauses.

(d) [***].

(e) With respect to the Development and Commercialization of such Collaboration Product by or on behalf of the Continuing Party, the Continuing Party shall pay to the Opt-Out Party [***].

(f) Upon an opt-out with respect to a given Collaboration Product, the Opt-Out Party shall not, itself or with or through any Affiliates or Third Parties: [***].

(g) [***].

2.7. Nkarta Activities for Optionable Nkarta Products. Nkarta will use Commercially Reasonable Efforts to Research [***] with the aim of generating the data and information necessary to provide an Nkarta Product Package to CRISPR for each [***]; provided that, for clarity, the foregoing obligation shall no longer be in effect with respect to any Nkarta Products (including [***]) following the earlier to occur of either the exercise by CRISPR of its CRISPR Option or the expiry of the CRISPR Option Period. Nkarta shall provide the JSC with updates in accordance with Section 2.5 or at such other times as reasonably requested by CRISPR. Without limiting the generality of the foregoing, Nkarta will, and will require its Affiliates and Subcontractors to, perform Nkarta's Research in a professional manner and in accordance with: (a) all Applicable Laws, including where appropriate cGMP, GCP and GLP (or similar standards); (b) that level of care and skill ordinarily exercised in similar circumstances by providers of the same or similar services; (c) good scientific standards; and (d) the terms of this Agreement, in each case, [***], scientific expertise and resources.

2.8. Subcontractors. Each Party may engage consultants, subcontractors, or other vendors (each, a "**Subcontractor**") to perform any Research Activities. Each contract between a Party and a Subcontractor for Research Activities will be consistent with the provisions of this Agreement (including Article 9 and Article 14). Each Party will be responsible for the effective and timely management of and payment of its Subcontractors. The engagement of any Subcontractor in compliance with this Section will not relieve the applicable Party of its obligations under this Agreement or the Research Plan. The Parties will each be solely responsible for any taxes, including income, withholding, payroll, VAT, sales tax or the like, that arise from their respective use of a Subcontractor.

2.9. Research Costs.

2.9.1. Collaboration Products.

(a) Payment of Costs; Summary Statements. Subject to reconciliation as provided in Section 2.9.1(b), the Party initially incurring Research Costs will be responsible for and pay for all such Research Costs so incurred. Each Party will maintain the books and records referred to in Section 2.9.1(d) and will accrue all Research Costs in accordance with the terms and conditions hereof and in accordance with GAAP. No later than [***] Business Days after the end of each Calendar Quarter, each

Party will submit to the other a non-binding, good faith estimate of the Research Costs accrued during the just-ended Calendar Quarter. No later than [***] days after the end of each Calendar Quarter, each Party will submit to the other a written report reflecting the accrual of Research Costs during the just-ended Calendar Quarter (each, a "**Summary Statement**"). Each Summary Statement (after the initial Summary Statement) will reflect an adjustment for the actual amount of the previous Calendar Quarter as needed. Any reporting and reconciliation of variances between estimated and actual costs and expenses may be delayed by a Calendar Quarter as reasonably necessary in light of a Party's internal reporting procedures. The Parties' respective Summary Statements will serve as the basis of the Reconciliation Reports prepared by the Parties pursuant to Section 2.9.1(b). Upon the request of either Party from time to time, the Parties' respective finance departments, coordinated by the JSC, will discuss any questions or issues arising from the Summary Statements, including the basis for the accrual of specific Research Costs.

(b) Reconciliation. CRISPR will prepare a reconciliation report, as soon as practicable after receipt of Nkarta's Summary Statement, but in any event no later than [***] days after the end of each Calendar Quarter, accompanied by reasonable supporting documents and calculations sufficient to support each Party's financial reporting obligations, independent auditor requirements and obligations under the Sarbanes-Oxley Act, which reconciles the amounts accrued and reported in each Party's Summary Statement during such Calendar Quarter and the share of the Research Costs to be allocated to each of the Parties for such Calendar Quarter, which allocation shall be fifty percent (50%) for each Party of such Research Costs (such report, the "**Reconciliation Report**"). Payment to reconcile Research Costs shall be made by the owing Party to the other Party no later than [***] days after such Reconciliation Report is complete.

(c) Cost Overruns. If a Party's Research Costs in any Calendar Year are likely to exceed or exceed those set forth in the Research Budget for all of its activities under the applicable Research Plan, in such Calendar Year by up to [***] of the aggregate amount set forth in such Research Budget, such Party will provide the other Party with a detailed, itemized explanation for such excess costs and expenses, and such excess costs and expenses will be included in the Research Costs, and shared by the Parties as provided herein. To the extent a Party's Research Costs exceed those set forth in the Research Budget, by more than [***], unless otherwise agreed by the Parties, such expenses will not be shared by the Parties and [***] will be solely responsible for such expenses.

(d) Books and Records. Each Party will keep and maintain accurate and complete records regarding Research Costs, during the three (3) preceding Calendar Years. Upon [***] days' prior written notice from the other Party (the "**Auditing Party**"), the Party required to maintain such records (as applicable, the "**Audited Party**") will permit an independent certified public accounting firm of internationally recognized standing, selected by the Auditing Party and reasonably acceptable to the Audited Party, to examine the relevant books and records of the Audited Party and its Affiliates, as may be reasonably necessary to verify the Summary Statements and Reconciliation Reports. An examination by the Auditing Party under this Section 2.9.1(d) will occur not more than [***] in any Calendar Year and will be limited to the pertinent books and records for any Calendar Year ending not more than [***] months before the date of the request. The accounting firm will be provided access to such books and records at the Audited Party's facility or facilities where such books and records are normally kept and such examination will be conducted during the Audited Party's normal business hours. The Audited Party may require the accounting firm to sign a customary non-disclosure agreement before providing the accounting firm access to its facilities or records. Upon completion of the audit, the accounting firm will provide both the Auditing Party and the Audited Party a written report disclosing whether the applicable Summary Statements and Reconciliation Reports are correct or incorrect and the specific details concerning any discrepancies. No other information will be provided to the Auditing Party. If the report or information submitted by the Audited Party results in an underpayment or overpayment, the Party owing underpaid or overpaid amount will promptly pay such amount to the other Party, and, if, as a result of such inaccurate

report or information, such amount is more than [***] of the amount that was owed the Audited Party will reimburse the Auditing Party for the reasonable expense incurred by the Auditing Party in connection with the audit.

2.9.2. Nkarta Products. All costs incurred by Nkarta in connection with Nkarta Activities for Nkarta Products will be borne solely by [***].

2.10. Transfer of Materials. To facilitate the conduct of Research Activities, each Party will provide any Materials required by the Research Plan to be transferred to the other Party, and each Party may provide to the other Party certain other Materials. Except as otherwise expressly set forth herein, all Materials (including any progeny, unmodified derivatives and modifications thereof, other than any such progeny, unmodified derivatives and modifications that become Collaboration Products) (a) will remain the sole property of the supplying Party, (b) will be used only in the fulfillment of the receiving Party's obligations or exercise of rights under this Agreement, (c) will remain solely under the control of the receiving Party, (d) will not be used or delivered by the receiving Party to or for the benefit of any Third Party (other than a permitted Subcontractor) without the prior written consent of the supplying Party, and, (e) will not be used in research or testing involving human subjects, unless expressly agreed in writing. Subject to Sections 11.1 and 11.2, as applicable, all Materials supplied under this Section 2.10 are supplied "as is", with no warranties of fitness for a particular purpose and must be used with prudence and appropriate caution in any experimental work, since not all of their characteristics may be known.

2.11. CRISPR Right to [***]. At any time during the Term, CRISPR may [***], and CRISPR shall [***]. Subject to Section 6.1.3, the JSC shall determine [***].

ARTICLE 3.
EXCLUSIVITY

3.1. Exclusivity Covenants. Subject to Section 3.1.3, Section 3.2 and Section 3.3:

3.1.1. Each Party agrees that, commencing on the Effective Date and continuing until the third (3rd) anniversary thereof, unless the Agreement is terminated early (the "**Exclusivity Period**"), except in the performance of its obligations or exercise of its rights under this Agreement, neither it nor any of its Affiliates will work for their own account or with any Third Party (including the grant of any license, option or other similar right to any Third Party) with respect to the discovery, research, development, manufacture or commercialization, in each case, in the Field, of any: (a) pharmaceutical product, medical therapy, preparation, substance, or formulation that, in each case, comprises NK cells that are both: (i) derived from Allogeneic Donor Cells; and (ii) edited by the use of any Gene-Editing Technology; or (b) pharmaceutical product, medical therapy, preparation, substance, or formulation that, in each case, comprises NK+T cells that, in each case of such NK cells and T cells, are both: (i) derived from Allogeneic Donor Cells; and (ii) edited by the use of any Gene-Editing Technology.

3.1.2. Each Party agrees that during the Term, except in the performance of its obligations or exercise of its rights under this Agreement, neither it nor any of its Affiliates will work for their own account or with any Third Party (including the grant of any license, option or other similar right to any Third Party) with respect to the discovery, research, development, manufacture or commercialization, in each case, in the Field, of any pharmaceutical product, medical therapy, preparation, substance, or formulation that, in each case, comprises NK cells or NK+T cells that, in each case, are: (a) derived from Allogeneic Donor Cells or derived from stem cells; and (b) directed to or against any of the tumor targets that any Collaboration Product principally targets, excluding any endogenous NK cell targeting.

3.1.3. For clarity and notwithstanding anything to the contrary in this Agreement, the exclusivity fields set forth in this Section 3.1 shall exclude: [***].

3.2. Acquisition of Distracting Product. If a Party or, subject to Section 3.3, any of its Affiliates (such Party, the "**Distracted Party**") acquires rights to research, develop or commercialize a Distracting Product as the result of a merger, acquisition or combination with or of a Third Party other than a Change of Control (each, an "**Acquisition Transaction**") and, on the date of the completion of such Acquisition Transaction, the research, development, manufacturing or commercialization of the Distracting Product would, but for the provisions of this Section 3.2, constitute a breach of Section 3.1, then the Distracted Party or such Affiliate will, within [***] days after the completion of such Acquisition Transaction notify the other Party of such Acquisition Transaction and either:

3.2.1. request that such Distracting Product be included in this Agreement on terms to be negotiated, [***];

3.2.2. notify the other Party that the Distracted Party or its Affiliate will Divest its rights to such Distracting Product, in which case, within [***] days after the completion of the Acquisition Transaction (or such longer period as may be agreed by the Parties in writing), the Distracted Party or its Affiliate will Divest such Distracting Product; or

3.2.3. notify the other Party in writing that it is ceasing all such research, development, manufacturing and commercialization activities with respect to the Distracting Product, in which case, within [***] days thereafter (or such longer period as may be agreed by the Parties in writing) the Distracted Party and its Affiliates will cease all such activities.

During the discussion period under Section 3.2.1, prior to the time of Divestiture pursuant to Section 3.2.2 or prior to the termination of activities pursuant to Section 3.2.3, as applicable, the Distracted Party and its Affiliates will use Commercially Reasonable Efforts to segregate all research, development, manufacturing or commercialization activities relating to the Distracting Product from Research Activities under this Agreement, including using Commercially Reasonable Efforts to ensure that: [***].

3.3. Change of Control. If there is a Change of Control of a Party, the obligations of Sections 3.1 will not apply to any Distracting Product that exists prior to the closing of such Change of Control (as such product may thereafter be improved); provided that: [***]. In addition, notwithstanding Section 3.2, the obligations of Sections 3.1 will not apply to any Distracting Product where [***].

ARTICLE 4.
ADDITIONAL GENE-EDITING TARGETS; NKARTA PRODUCTS

4.1. Additional Gene-Editing Targets. Nkarta shall, during the period commencing on the Effective Date and [***] (the "**Designation Term**"), have the right to designate, in accordance with this Article 4, up to [***] ("**Additional Gene-Editing Targets**") for inclusion in the Target Pool for Nkarta to Research, Develop and Commercialize Nkarta Products. For the avoidance of doubt, any such gene-editing target shall be [***].

4.2. Excluded Targets. Prior to the Effective Date, the Parties acknowledge that [***].

4.3. Nomination; Third Party Gatekeeper Verification.

4.3.1. Nomination. Nkarta may provide written notice to CRISPR, nominating a gene-editing target to be an Additional Gene-Edited Target (each, a "**Nominated Target**"), pursuant to the following schedule: [***]. If the Nominated Target is [***], then such Nominated Target shall be designated as an Additional Gene-Editing Target Verified by the Third Party Gatekeeper in accordance with Section 4.3.2.

4.3.2. Verifying Nominated Targets. If Nkarta provides notice to CRISPR of a Nominated Target pursuant to Section 4.3.1, then the Parties shall request that the Third Party Gatekeeper Verify that a Nominated Target is not an Excluded Target, to determine whether such Nominated Target may be deemed an Additional Gene-Editing Target. In accordance with the foregoing, [***]. Nothing in this Agreement shall require CRISPR to inform Nkarta of the identity or development stage of, indication for, or any other information or data about or associated with any of the Excluded Targets.

4.4. Nkarta Products.

4.4.1. Generally. For each Nkarta Product:

(a) CRISPR shall grant to Nkarta the licenses set forth in Section 8.1.2;
(b) as between the Parties, Nkarta shall lead all Research, Development, Manufacturing and Commercialization activities for Nkarta Products;
(c) CRISPR will [***];
(d) Nkarta shall pay to CRISPR the milestones, royalties and sublicensing income set forth in Sections 10.1 through 10.3 for Nkarta Products, in each case, in accordance with Article 10; and
(e) notwithstanding anything to the contrary hereunder, Nkarta Products shall not [***].

4.4.2. In connection with each CTA filing for each Nkarta Product contemplated by Section 5.1.1 hereto, Nkarta will (i) provide to CRISPR not less than [***] days prior written notice of such CTA anticipated filing date and (ii) deliver to CRISPR an applicable Nkarta Product Package on or before the Delivery Date for such Nkarta Product.

ARTICLE 5.
OPTION; RIGHT OF FIRST NEGOTIATION

5.1. CRISPR Option.

5.1.1. CRISPR Option Mechanics. Subject to the terms and conditions of this Agreement, Nkarta hereby grants to CRISPR an exclusive option on the Designated Optionable Nkarta Products to designate one (1) Designated Optionable Nkarta Product as a Collaboration Product (and, for clarity, CRISPR shall thereafter have the co-exclusive, worldwide joint right to Develop, Manufacture and Commercialize such Third Collaboration Product in the Territory on the applicable terms and conditions set forth hereunder in an applicable JDCA) (such option pursuant to this Section 5.1, the "**CRISPR Option**"). The CRISPR Option is exercisable by CRISPR, in CRISPR's sole discretion, by providing written notice at any time during the period from: (a) the Effective Date until [***] days following the date of receipt of the Nkarta Product Package by CRISPR for the first (1st) Designated Optionable Nkarta Product for which a CTA has been filed; (b) in the event that CRISPR does not exercise the CRISPR Option

for such Designated Optionable Nkarta Product pursuant to the foregoing clause (a), the Effective Date until [***] days following the date of receipt of the Nkarta Product Package by CRISPR for the second (2nd) Designated Optionable Nkarta Product for which a CTA has been filed; (c) the Effective Date until the date that CRISPR [***] pursuant to Section 5.1.5; or (d) the Effective Date until the date that [***] pursuant to Section 5.2 (such period for the applicable Designated Optionable Nkarta Product, the "**CRISPR Option Period**"). For clarity, CRISPR shall only have the right to exercise the CRISPR Option one (1) time, unless CRISPR [***] pursuant to Section 5.1.5 or [***] pursuant to Section 5.2, in which case CRISPR would not have the further right to exercise the CRISPR Option. If CRISPR does not exercise the CRISPR Option for the first (1st) Designated Optionable Nkarta Product for which a CTA has been filed pursuant to the foregoing clause (a), then such first (1st) Designated Optionable Nkarta Product shall automatically and immediately no longer be a Designated Optionable Nkarta Product, but CRISPR shall nevertheless retain the CRISPR Option on another Designated Optionable Nkarta Product during the remainder of the CRISPR Option Period. For the avoidance of doubt, CRISPR shall not have a CRISPR Option on the Nkarta Product that is likely to become, in the reasonable and good faith expectation of Nkarta, the First Nkarta Product, and [***]. For clarity, after the first (1st) Designated Optionable Nkarta Product automatically becomes the First Nkarta Product, such former first (1st) Designated Optionable Nkarta Product shall no longer be deemed a Designated Optionable Nkarta Product.

5.1.2. Exercise Notice. During the applicable CRISPR Option Period, CRISPR shall have the right, but not the obligation, to exercise the CRISPR Option for the applicable Designated Optionable Nkarta Product in its sole discretion by delivering written notice of such exercise to Nkarta (the "**Exercise Notice**"). During the applicable CRISPR Option Period, Nkarta shall provide CRISPR with any updated information to the Nkarta Product Package; provided that [***]. Upon the delivery of the Exercise Notice, such applicable Designated Optionable Nkarta Product shall be a Collaboration Product and would no longer be an Nkarta Product (the "**Third Collaboration Product**").

5.1.3. JDCA Timing. For the avoidance of doubt: (a) if CRISPR exercises the CRISPR Option for a Third Collaboration Product prior to CTA filing, such Third Collaboration Product shall be Researched under this Agreement until the Parties enter into a Joint Development and Commercialization Agreement pursuant to Section 7.1.1 for such Third Collaboration Product; and (b) if CRISPR exercises the CRISPR Option for a Third Collaboration Product at the time of CTA filing, the Parties shall negotiate in good faith and enter into the Joint Development and Commercialization Agreement pursuant to Section 7.1.1 for such Third Collaboration Product. [***].

5.1.4. Solicitation with Respect to Nkarta Products. Subject to Section 5.1.5 and Section 5.2, during the Designation Term, Nkarta or any of its Affiliates, may authorize or otherwise permit its and its Affiliates' employees, stockholders, agents, investment banker, attorney or accountant retained by it or any of its Affiliates to directly or indirectly, solicit, initiate, encourage or knowingly facilitate any inquiries with respect to, or the making, submission or announcement of, any offer or proposal for a license, divestiture, co-development or co-commercialization transaction or any similar transaction granting a Third Party control or economics rights with respect to any [***].

5.1.5. [***]. If at any time prior to CRISPR exercising the CRISPR Option, Nkarta [***] then: (a) Nkarta shall promptly notify CRISPR in writing of [***] Business Days of [***]; (b) deliver: [***]; and (c) CRISPR would have the right to exercise the CRISPR Option pursuant to Section 5.1.1 and Section 5.1.2 for such [***]. If CRISPR elects to exercise its right [***] pursuant to this Section 5.1.5, then such [***] shall become the Third Collaboration Product. If CRISPR does not exercise the CRISPR Option within the CRISPR Option Period for such [***] that is [***], then, subject to Section 5.3, [***]. Notwithstanding the generality of the foregoing, [***].

5.2. [***]. If at any time prior to CRISPR exercising the CRISPR Option, and subject to Section 5.4, Nkarta [***], then, the following provisions of Sections 5.2.1 and 5.2.2 shall apply (provided that, notwithstanding anything herein to the contrary, [***]. Notwithstanding the generality of the foregoing, if at any time prior to CRISPR exercising the CRISPR Option, Nkarta [***].

5.2.1. Notice; [***]. Nkarta shall: (a) promptly notify CRISPR in writing of such proposed [***] within [***]; and (b) deliver: [***].

5.2.2. [***].

5.3. Restriction. Notwithstanding anything to the contrary in Section 5.1.5 or 5.2.2, if, once Nkarta has notified CRISPR of [***] with respect to a given [***], the Parties do not [***], as applicable, then Nkarta shall [***].

5.4. Effects of CRISPR's Election Not to Exercise Rights Pursuant to Section 5.1.5 or Section 5.2.2. If CRISPR has the right to exercise the CRISPR Option pursuant to Section 5.1.5 for a given [***] during the CRISPR Option Period but does not do so and Nkarta [***], then [***].

5.5. Excluded Scope of CRISPR Option, [***]. Notwithstanding anything to the contrary, but subject to Sections 3.1, 5.1.5 and 5.2, CRISPR's right for any CRISPR Option, [***] shall apply solely to the [***] and shall not apply to any Nkarta Products that are not the [***].

ARTICLE 6.
GOVERNANCE

6.1. Joint Steering Committee.

6.1.1. Formation. Within thirty (30) days after the Effective Date, the Parties will establish a joint steering committee (the "**Joint Steering Committee**" or "**JSC**") to oversee and coordinate activities under this Agreement. The JSC will be composed of three (3) representatives from each Party, and each representative [***]. Each Party may change its JSC representative by prior written notice to the other Party. Each Party will nominate one of its members as a co-chair of the JSC, and each co-chair may name a successor. The co-chairs shall collectively conduct meetings of the JSC. The JSC will conduct its responsibilities hereunder in good faith and with reasonable care and diligence. The JSC will meet in person or by other means (e.g., videoconference or teleconference) mutually acceptable to the Parties at least once each Calendar Quarter on such dates and at such times and places as agreed to by the members of the JSC. The purpose of the JSC will be to provide the members periodic updates regarding progress of activities pursuant to this Agreement and to address the matters set forth in Section 6.1.2. Each Party will be responsible for its own expenses relating to attendance at or participation in JSC meetings.

6.1.2. Responsibilities. The JSC will:

(a) review and approve each finalized Research Plan and any proposed amendment to each Research Plan;

(b) prioritize the performance of activities under each Research Plan;

(c) provide comments and recommendations to each Party with respect to the conduct of activities under each Research Plan;

(d) provide a forum for the Parties to discuss the objectives and progress under each Research Plan and to exchange and review scientific information and data relating to the activities being conducted under each Research Plan, including with respect to publication strategy in accordance with Section 14.4.2;

(e) review a report prepared by the Parties containing the data generated, analysis performed and conclusions reached, and any other information and results therewith in connection with the performance of the Research Program and a conclusion whether to advance a given Collaboration Product to CTA filing;

(f) review any updates provided to the JSC with respect to the Nkarta Activities for Nkarta Products;

(g) discuss, review and oversee CRISPR's [***];

(h) in connection with the provision of a [***] provided by Nkarta to CRISPR pursuant to Section 5.2.1, [***];

(i) review and discuss the performance of any activities with respect to Additional Gene-Editing Targets, including with respect to the Third Party Gatekeeper; and

(j) perform such other duties as are specifically assigned to the JSC under this Agreement.

6.1.3. Decision Making. The JSC members will use reasonable efforts to reach agreement on any and all matters that the JSC has the authority to decide and endeavor to reach consensus on all such matters, taking into consideration the views of each Party. If the JSC is unable to reach consensus (with the CRISPR JSC members collectively having one (1) vote and the Nkarta JSC members collectively having one (1) vote) with respect to any such matter within [***] Business Days, the matter [***]. In resolving any matter that the JSC has authority to decide, the JSC will [***].

6.2. Other Committees. The Parties may, by mutual agreement, form such other committees as may be necessary or desirable to facilitate the activities under this Agreement, and each member of such other committee will be of at least Director level of seniority (or higher) and have experience in the functional area that is the subject of such committee. Any dispute arising from such committees or working groups will be escalated to the JSC for resolution.

6.3. Alliance Managers.

6.3.1. Appointment. Within thirty (30) days following the Effective Date, each Party will appoint (and notify the other Party of the identity of) a representative of such Party to act as its alliance manager under this Agreement (each, an "**Alliance Manager**"). Each Party may replace its Alliance Manager at any time by written notice to the other Party.

6.3.2. Specific Responsibilities. The Alliance Managers may be, but will not be required to be, members of the JSC. The Alliance Managers will serve as the primary contact point between the Parties for the purpose of providing each Party with information regarding the other Parties' activities pursuant to this Agreement and will have the following responsibilities:

(a) schedule meetings of the JSC, prepare and circulate agendas to JSC members at least five (5) days prior to each JSC meeting and circulate reasonably detailed, draft written minutes from each meeting within fourteen (14) days after each such meeting;

(b) facilitate the flow of information and otherwise promoting communication, coordination and collaboration between the Parties;

(c) provide a single point of communication for seeking consensus both internally within the respective Party's organization and between the Parties regarding key strategy and planning issues; and

(d) perform such other functions as requested by the JSC.

6.4. Withdrawal. A Party's representation on the JSC and all other committees and working groups shall be at its sole discretion, as a matter of right and not obligation, for the sole purpose of participation in governance, decision-making, and information exchange with respect to activities within the authority of any such committee. A Party shall have the right to withdraw, at any time, from participation on any or all of such committees upon 30 days' prior written notice to the other Party, which notice shall be effective upon the expiration of such 30-day period. Following the issuance of such notice: (a) the withdrawing Party's participation on the applicable committees shall be suspended; and (b) each Party shall have the obligation to provide and the right to continue to receive the information it would otherwise be required to provide and entitled to receive under the Agreement and to participate directly with the other Party in discussions, reviews and approvals currently allocated to the relevant committees pursuant to the Agreement. If, at any time, following issuance of such a notice, the withdrawing Party wishes to resume participation in the relevant committee, the withdrawing Party shall notify the other Party in writing and, thereafter, the withdrawing Party's representatives to the relevant committee shall be entitled to attend any subsequent meeting of such committee and to participate in the activities of, and decision-making by, such committee as provided in this Agreement as if such notice had not been issued by the withdrawing Party. If a committee is disbanded, then any data and information of the nature intended to be shared within such committee shall be provided by each Party directly to the other Party.

ARTICLE 7.
DEVELOPMENT AND COMMERCIALIZATION

7.1. Development and Commercialization Terms.

7.1.1. Negotiation of Joint Development and Commercialization Agreement. For each Collaboration Product, commencing at least [***] months before the anticipated filing of the first CTA for such Collaboration Product, the Parties shall in good faith negotiate toward an agreement for each such Collaboration Product pursuant to which the Parties would jointly develop and commercialize the Initial Collaboration Product and Second Collaboration Product (and, in the event of exercise of the CRISPR Option, the Third Collaboration Product) for use in the Field in the Territory (each, a "**Joint Development and Commercialization Agreement**" or "**JDCA**"); provided that if the CRISPR Option for the Third Collaboration Product is exercised later than such [***] month time period, the Parties shall in good faith negotiate a JDCA within [***] months of the exercise of the CRISPR Option for the Third Collaboration Product, as applicable. Each Joint Development and Commercialization Agreement will be consistent with the principal terms set forth in Exhibit C attached hereto and incorporated herein by reference and include such other terms as mutually agreed to by the Parties, including allocation, if any, for any payments that may be owed by a Party with respect to such Collaboration Product under any CRISPR In-License Agreement or Nkarta In-License Agreement, as applicable. If the Parties are unable to agree to a final form of Joint Development and Commercialization Agreement on or prior to the earlier of [***] months prior to

the anticipated filing of a CTA for the Collaboration Product or if CRISPR exercises the CRISPR Option, if applicable, within [***] months after the exercise of the CRISPR Option (or such later date as agreed in writing by the Parties), then the Parties will [***].

ARTICLE 8.
LICENSE GRANTS

8.1. Licenses from CRISPR to Nkarta.

8.1.1. Research License During the Term. Subject to the terms and conditions of this Agreement, CRISPR hereby grants to Nkarta and its Affiliates a non-exclusive, royalty-free, fully paid-up, worldwide license, with no right to grant sublicenses except to Subcontractors as provided under Section 2.8, under the CRISPR Technology solely to perform the Nkarta Activities during the Term.

8.1.2. Nkarta Product License. Subject to the terms and conditions of this Agreement, CRISPR hereby grants to Nkarta and its Affiliates a non-exclusive, worldwide license, with the right to grant sublicenses (including through multiple tiers) to Nkarta Product Sublicensees as provided in Section 8.1.3 and Subcontractors as provided in Section 2.8, under the CRISPR Technology necessary to Research, Develop, Manufacture and Commercialize Nkarta Products for use in the Field in the Territory.

8.1.3 Nkarta Product Sublicenses. Nkarta may grant sublicenses (including through multiple tiers) of the license to it under Section 8.1.2 without CRISPR's prior consent; provided, however, that: (a) each sublicense granted by Nkarta to any Nkarta Product Sublicensee pursuant to this Section 8.1.3 shall be subject to, and consistent with, the applicable terms and conditions of this Agreement (including Article 9 and Article 14) and shall require each Nkarta Product Sublicensee to comply with all applicable terms and conditions of this Agreement; and (b) each such sublicense terminates upon the termination of this Agreement. In no event shall any sublicense granted pursuant to Section 8.1.3 diminish, reduce, relieve or eliminate any of the obligations of Nkarta under this Agreement. [***].

8.1.3. Nkarta Joint Technology. Subject to the terms and conditions of this Agreement, CRISPR hereby grants [***]. The term of this license shall [***].

8.2. Licenses from Nkarta to CRISPR. Subject to the terms and conditions of this Agreement, Nkarta hereby grants to CRISPR a non-exclusive, royalty-free, fully paid-up, worldwide license, with no right to grant sublicenses except to Subcontractors as provided under Section 2.8, under the Nkarta Technology solely to perform the CRISPR Activities during the Term.

8.3. No Implied Licenses. All rights in and to CRISPR Technology not expressly licensed or assigned to Nkarta under this Agreement are hereby retained by CRISPR or its Affiliates, and Nkarta agrees not to practice or use CRISPR Technology except as expressly permitted by this Agreement or any other written agreement between the Parties. All rights in and to any Nkarta Technology not expressly licensed to CRISPR under this Agreement, are hereby retained by Nkarta or its Affiliates, and CRISPR agrees not to practice or use Nkarta Technology except as expressly permitted by this Agreement or any other written agreement between the Parties. Except as expressly provided in this Agreement, no Party will be deemed by estoppel or implication to have granted the other Party any licenses or other right with respect to any intellectual property.

ARTICLE 9.
INTELLECTUAL PROPERTY

9.1. Ownership; Assignment.

9.1.1. CRISPR Background Technology and Nkarta Background Technology. As between the Parties, CRISPR will own and retain all of its rights, title and interest in and to the CRISPR Background Know-How and CRISPR Background Patents and Nkarta will own and retain all of its rights, title and interest in and to any Nkarta Background Know-How and Nkarta Background Patents, subject, in each case, to any rights or licenses expressly granted by one Party to the other Party under this Agreement.

9.1.2. Program Technology; [***].

(a) As between the Parties, CRISPR will be the sole owner of any Know-How conceived, discovered, developed, invented or created solely by CRISPR or its Affiliates or Third Parties acting on their behalf while conducting CRISPR Activities under this Agreement ("**CRISPR Program Know-How**") and any Patents that Cover or claim such Know-How ("**CRISPR Program Patents**" and together with the CRISPR Program Know-How, the "**CRISPR Program Technology**"), and will retain all of its rights, title and interest thereto, subject to any assignment, rights or licenses expressly granted by CRISPR to Nkarta under this Agreement.

(b) As between the Parties, Nkarta will be the sole owner of any Know-How conceived, discovered, developed, invented or created solely by Nkarta or its Affiliates or Third Parties acting on their behalf while conducting Nkarta Activities under this Agreement ("**Nkarta Program Know-How**") and any Patents that Cover or claim Nkarta Program Know-How ("**Nkarta Program Patents**" and together with the Nkarta Program Know-How, the "**Nkarta Program Technology**"), and will retain all of its rights, title and interest thereto, subject to any rights or licenses expressly granted by Nkarta to CRISPR under this Agreement.

(c) Any Know-How conceived, discovered, developed, invented or created under this Agreement jointly by Nkarta, its Affiliates or Third Parties acting on Nkarta's behalf, on the one hand, and CRISPR, its Affiliates or Third Parties acting on CRISPR's behalf, on the other hand, in each case, while conducting Research Activities, or otherwise collaborating, under this Agreement ("**Joint Know-How**") and any Patents that Cover or claim Joint Know-How ("**Joint Patents**" and together with the Joint Know-How, the "**Joint Technology**"), will be owned jointly by the Parties on an equal and undivided basis, including all rights, title and interest thereto, subject to any assignment, rights or licenses expressly granted by one Party to the other Party under this Agreement. Each Party agrees to assign, and hereby assigns, its right, title, and interest in any Joint Technology to the other Party so that each Party shall have a joint and undivided interest in such Joint Technology. Except to the extent a Party is restricted by the licenses granted to the other Party and any other terms of this Agreement, each Party shall be entitled to practice and exploit the Joint Technology without any duty of accounting or obligation to seek consent from the other Party with respect thereto.

(d) [***].

9.1.3. New In-Licenses. The Parties shall be free to in-license or otherwise acquire rights to intellectual property from any Third Party that, if so acquired by CRISPR would constitute part of the CRISPR Background Technology, or that, if so acquired by Nkarta, would constitute part of the Nkarta Background Technology, and that may, in either case, become subject to the licenses granted under this Agreement (each such agreement as is entered into by CRISPR is a "**New CRISPR In-License**" and each such agreement as is entered into by Nkarta is a "**New Nkarta In-License**").

9.1.4. Nkarta Products. As between the Parties, Nkarta will be the sole owner of any Know-How conceived, discovered, developed, invented or created solely by Nkarta or its Affiliates or Third Parties acting on their behalf while exercising its rights to such Nkarta Products under this Agreement ("**Nkarta Product Know-How**") and any Patents that Cover or claim Nkarta Product Know-How ("**Nkarta**

Product Patents" and together with the Nkarta Product Know-How, the "**Nkarta Product Technology**"), and will retain all of its rights, title and interest thereto, subject to any rights or licenses expressly granted by Nkarta to CRISPR under this Agreement.

9.2. Prosecution and Maintenance of Patents. The Parties hereby agree as follows with respect to the Prosecution and Maintenance of certain Patents.

9.2.1. CRISPR Patents. As between the Parties, CRISPR will control and be responsible for all aspects of the Prosecution and Maintenance of CRISPR Patents (excluding Joint Patents).

9.2.2. Nkarta Patents. As between the Parties, Nkarta will control and be responsible for all aspects of the Prosecution and Maintenance of all Nkarta Patents (excluding Joint Patents).

9.2.3. Joint Patents.

(a) [***] will have the first right, but not the obligation, to control and be responsible for all aspects of the Prosecution and Maintenance of all Joint Patents, using counsel selected by [***] and reasonably acceptable to [***]. [***] will promptly inform [***] through the Parties' respective Patent Coordinators as to material developments with respect to the Prosecution and Maintenance of the Joint Patents. [***] will confer with [***] and consider in good faith and reasonably incorporate or implement [***] comments prior to submitting filings and correspondence for the Joint Patents, provided that [***] provides such comments promptly (given the filing deadline) after receiving the draft filings and correspondence from [***]. [***] agrees to reasonably cooperate with [***] in the Prosecution and Maintenance of the Joint Patents, including (i) executing all papers and instruments so as to enable [***] to apply for and to prosecute the Joint Patents to the extent provided for in this Agreement, and (ii) promptly informing [***] of any matters coming to [***] attention that may materially affect the Prosecution and Maintenance of any Joint Patents.

(b) If, during the Term, [***] intends not to file or to abandon any Joint Patent, [***] will notify [***] of such intention at least [***] days before the deadline for filing such Joint Patent or the date such Joint Patent will become abandoned, and [***] will have the right, but not the obligation, to assume responsibility for the Prosecution and Maintenance thereof with counsel of its own choice. In such event, [***] will keep [***] reasonably informed through the Parties' respective Patent Coordinators as to material developments with respect to the Prosecution and Maintenance of any such Joint Patent. [***] will confer with [***] and consider in good faith [***] comments prior to submitting filings and correspondence for the Joint Patents, provided that [***] provides such comments promptly (given the filing deadline) after receiving the draft filings and correspondence from [***]. [***] agrees to reasonably cooperate with [***] in the Prosecution and Maintenance of the Joint Patents, including (i) executing all papers and instruments so as to enable [***] to apply for and to prosecute the Joint Patents to the extent provided for in this Agreement, and (ii) promptly informing [***] of any matters coming to [***] attention that may materially affect the Prosecution and Maintenance of any Joint Patents.

(c) Neither Party will make any Patent submission (including the filing of patent applications) with respect to any Joint Patent, to the extent that it could reasonably be expected to prejudice or adversely affect the potential patentability of any claimed subject matter of a CRISPR Background Patent (in the case of Nkarta) or Nkarta Background Patent (in the case of CRISPR), except with the other Party's prior written consent (such consent not to be unreasonably withheld and such consent to be negotiated in good faith with all due consideration to any deadlines).

9.3. Patent Coordinators. Each Party will appoint a patent coordinator reasonably acceptable to the other Party (each, a "**Patent Coordinator**") to serve as such Party's primary liaison with the other Party

on matters relating to the Prosecution and Maintenance and enforcement of Nkarta Program Patents, CRISPR Program Patents and Joint Patents. The Patent Coordinators will meet in person or by means of telephone or video conference at least once each Calendar Quarter during the Term. Each Party may replace its Patent Coordinator at any time by providing notice in writing to the other Party. The initial Patent Coordinators will be:

For Nkarta: [***]

For CRISPR: [***]

9.4. Defense of Claims Brought by Third Parties. If a Third Party initiates a Proceeding against either Party claiming a Patent owned by or licensed to such Third Party is infringed by the Research Activities, each Party that is named as a defendant in such Proceeding will have the right to defend itself in such Proceeding, including settlement of any such Proceeding. The other Party will reasonably assist the defending Party in defending such Proceeding and cooperate in any such litigation [***]. The defending Party will provide the other Party with prompt written notice of the commencement of any such Proceeding and will keep the other Party apprised of the progress of such Proceeding and will promptly furnish the other Party with a copy of each communication relating to the alleged infringement that is received by such Party. If both Parties are named as defendants in any Proceeding, both Parties may defend such Proceeding and the Parties will reasonably cooperate with respect to such defense.

9.5. Enforcement of Patents.

9.5.1. Joint Patents.

(a) Duty to Notify. If either Party learns of an infringement, unauthorized use, misappropriation or threatened infringement by a Third Party with respect to any Joint Patents, such Party will promptly notify the other Party in writing and will provide such other Party with available information regarding such infringement.

(b) Primary Right. [***] will have the first right, but not the obligation, to institute, prosecute, and control a Proceeding with respect to defense or enforcement of the Joint Patents. [***] will have the right to engage counsel of its own choice in connection with such Proceeding [***]. [***] will provide [***] with prompt written notice of the commencement of any such Proceeding, and [***] will keep [***] apprised of the progress of such Proceeding.

(c) Secondary Right. If [***] fails to cause the termination of an infringement of the Joint Patents and fails to initiate a Proceeding with respect thereto no later than [***] days after receipt of notice thereof, [***] will have the right, but not the obligation, to institute, prosecute, and control a Proceeding with respect to enforcement of the relevant Joint Patents. [***] will have the right to engage counsel of its own choice in connection with such Proceeding [***]. [***] will provide [***] with prompt written notice of the commencement of any such Proceeding, and [***] will keep [***] apprised of the progress of such Proceeding.

(d) Share of Recoveries. Any damages or other monetary awards recovered with respect to a Proceeding brought pursuant to this Section 9.5.1 will be shared as follows: (i) the amount of such recovery will first be applied to [***]; then (ii) any remaining proceeds will be [***].

9.5.2. Patents Solely Owned by CRISPR. CRISPR will retain all rights to pursue an infringement of any Patent solely owned by CRISPR and CRISPR will retain all recoveries with respect thereto.

9.5.3. Patents Solely Owned by Nkarta. Nkarta will retain all rights to pursue an infringement of any Patent solely owned by Nkarta and Nkarta will retain all recoveries with respect thereto.

9.6. CREATE Act. Notwithstanding anything to the contrary in this Article 9, neither Party will have the right to make an election under the CREATE Act when exercising its rights under this Article 9 without the prior written agreement of the Parties. With respect to any such permitted election, the Parties will use reasonable efforts to cooperate and coordinate their activities with respect to any submissions, filings or other activities in support thereof. The Parties acknowledge and agree that this Agreement is a "joint research agreement" as defined in the CREATE Act.

ARTICLE 10.
FINANCIALS

10.1. Milestone Payments for Nkarta Products. Nkarta shall pay to CRISPR the milestone payments set forth in this Section 10.1 within the period of time set forth herein.

10.1.1. Event Milestones. Nkarta shall, in connection with the first occurrence of each milestone event listed below with respect to each Nkarta Product (whether achieved by Nkarta, its Affiliate or a sublicensee), pay CRISPR the milestone payments listed below in accordance with the procedure set forth in Section 10.1.2. Each such payment shall be non-refundable and non-creditable.

Milestone Event	**Milestone Payment (in US Dollars)**
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

The term "**Indication**" as used above means, with respect to a particular Nkarta Product, [***].

10.1.2. Notice of Event Milestone Achievement. Nkarta shall notify CRISPR in writing within [***] days following the achievement of each milestone event set forth in Section 10.1.1, and Nkarta shall, with respect to achievement of each milestone event set forth in Section 10.1.1, within [***] days following the receipt of an invoice for achievement of each such milestone event, pay CRISPR the appropriate milestone payment.

10.2. Royalties.

10.2.1. Royalties for Nkarta Products.

(a) Nkarta shall pay CRISPR royalties on a Calendar Quarterly basis with respect to Net Sales during such Calendar Quarter, for each Nkarta Product calculated on a worldwide basis, as set forth in this Section 10.2. Royalties payable under this Section 10.2 shall be paid by Nkarta to CRISPR on an Nkarta Product-by-Nkarta Product and country-by-country basis from the date of First Commercial Sale of each Nkarta Product in a country with respect to which royalty payments are due, until the latest of: [***] ("**Royalty Term**").

(b) During the Royalty Term, on an Nkarta Product-by-Nkarta Product basis, Nkarta shall pay to CRISPR a royalty on total annual Net Sales in the Territory equal to the following portions of Net Sales multiplied by the applicable royalty rate for such portion:

Portion of Total Annual Net Sales of Each Nkarta Product in a Calendar Year	Royalty Rate
Up to [***]	[***]
Greater than or equal to [***] and less than [***]	[***]
Greater than or equal to [***]	[***]

By way of example, if the annual Net Sales of a given Nkarta Product in a particular Calendar Year are [***].

(c) Royalties payable under this Section 10.2 shall be subject to the following offsets and reductions:

(i) If there is no Valid Claim [***] claiming or Covering a given Nkarta Product in such country, and either: (A) [***]; or (B) [***], then, commencing in the first Calendar Quarter after the date on which there is no such Valid Claim [***] and continuing for each Calendar Quarter until the end of the Royalty Term for such Nkarta Product in such country, the applicable royalty rate that would otherwise be owed on such Net Sales of such Nkarta Product in such country will be reduced to [***] of the rates set forth in Section 10.2.1(b).

(ii) If one or more Biosimilar Products with respect to an Nkarta Product are being sold in a country in a Calendar Quarter, then, the royalty rate applicable to Net Sales of such Nkarta Product in such country in such Calendar Quarter shall be reduced to [***] of the rates set forth in Section 10.2.1(b) in any Calendar Quarter during which such Biosimilar Product(s), by total sales in such country [***].

(iii) [***].

(iv) If: [***].

10.2.2. Reports; Payment of Royalty. During the Royalty Term following the First Commercial Sale of Nkarta Product, Nkarta shall within [***] days after the end of each of the first three (3) Calendar Quarters, and within [***] days after the end of the fourth Calendar Quarter, furnish to CRISPR a written report for such Calendar Quarter showing, unless otherwise agreed by the Parties in writing: (a) for each of the Major Markets, on an Nkarta Product-by-Nkarta Product basis, the Net Sales and royalties due during such Calendar Quarter; and (b) for all other sales outside of the Major Markets, on an Nkarta Product-by-Nkarta Product basis, the Net Sales and royalties due during such Calendar Quarter. Nkarta shall pay all royalties due under this Agreement with respect to a Calendar Quarter by the date that the report for each such Calendar Quarter is due.

10.3. Sublicensing Income. Subject to Section 10.3.3, Nkarta shall pay to CRISPR a portion of certain non-royalty sublicensing income received from the sublicensing of [***] (each sublicense agreement, an "**Nkarta Product Sublicense Agreement**", and each sublicensee, an "**Nkarta Product Sublicensee**") in accordance with the following:

10.3.1. for any Nkarta Products sublicensed under an Nkarta Product Sublicense Agreement prior to [***]; and

10.3.2. for any Nkarta Products sublicensed after [***].

10.3.3. Notwithstanding anything to the contrary, the following shall be excluded from the scope of any sublicensing income on which Nkarta owes CRISPR under Section 10.3.1 or Section 10.3.2: [***].

10.4. [***].

10.5. Third Party Payments. Each Party shall bear all Third Party license payments, milestones, royalties, damages and other payments owed with respect to the Nkarta Products in consideration for a license under intellectual property that is either: (a) licensed or sublicensed to a Party or any of its Affiliates as of the Effective Date; or (b) intellectual property that a Party has received notice of potential infringement from a Third Party as of the Effective Date. [***].

10.6. Payment Date. Any payments that are not paid on or before the date such payments are due under this Agreement shall bear simple interest at an annual rate equal to the lesser of: (a) the "prime rate" as reported by *The Wall Street Journal*, plus [***]; or (b) the highest rate permitted by applicable Law, in each case calculated on the number of days such payment is delinquent, compounded monthly; except that, with respect to any disputed payments, no interest payment will be due on the disputed amount until such dispute is resolved and the interest that will be payable thereon will be based on the finally-resolved amount of such payment, calculated from the original date on which the disputed payment was due through the date on which payment is actually made.

10.7. Audits.

10.7.1. Auditor. Each of CRISPR, with respect to Collaboration Products and Nkarta Products, and Nkarta, with respect to Collaboration Products, may, upon such auditing Party's request and at [***], cause an internationally recognized independent accounting firm selected by such auditing Party (the "**Auditor**") to audit, during ordinary business hours, the books and records of the other Party, its Affiliates and sublicensees and the correctness of any payment made or required to be made, and any report underlying any such payment (or lack thereof), pursuant to the terms of this Agreement. Prior to commencing its work pursuant to this Agreement, the Auditor will enter into an appropriate confidentiality agreement with the audited Party obligating the Auditor to be bound by obligations of confidentiality and restrictions on use of such audited Party's Confidential Information that are no less restrictive than the obligations set forth in Article 14.

10.7.2. Limitations. In respect of each audit of each audited Party, its Affiliates' and sublicensees' books and records: (a) the audited Party and each of its Affiliates and sublicensees may be audited only once per Calendar Year; (b) no books and records for any given Calendar Year may be audited more than once, but such audited Party's and its Affiliates' and sublicensees' books and records shall still be made available if such records impact another Calendar Year being audited; and (c) the auditing Party shall only be entitled to audit books and records of the audited Party from the three (3) Calendar Years prior to the Calendar Year in which the audit request is made.

10.7.3. Audit Notice. In order to initiate an audit for a particular Calendar Year, the auditing Party shall provide written notice of such audit to the audited Party, and an information request list identifying the applicable period, and books and records, for such audit. The audited Party shall, and shall ensure that its Affiliates and sublicensees, reasonably accommodate the scheduling of such audit. The audited Party shall, and shall ensure that its Affiliates and sublicensees, provide the Auditor with reasonable access to the applicable books and records for such period and otherwise reasonably cooperate with such audit.

10.7.4. .Payments. If the audit shows any under-reporting or underpayment, or overpayment by the audited Party, that under-reporting, underpayment or overpayment shall be reported to the auditing Party, and: (a) the audited Party shall remit any underpayment (together with interest at the rate set forth in Section 10.6) to the auditing Party within [***] days after receiving the audit report; and (b) the auditing Party may credit any overpayment to the auditing. Party against future payments owed by the audited Party to the auditing Party under this Agreement. Further, if the audit for any Calendar Year shows an under-reporting or underpayment by the audited Party for that Calendar Year in excess of [***] of the amounts properly determined, the audited Party shall reimburse the auditing Party for its reasonable Out-of-Pocket Costs in connection with such audit, which reimbursement shall be made within [***] days after receiving appropriate invoices and other support for such audit-related costs.

10.8. Tax Matters.

10.8.1. Taxes on Income. Notwithstanding anything else in this Section 10.8, each Party shall solely bear and pay all Taxes imposed on such Party's net income or gain (in each case, however denominated) arising directly or indirectly from the activities of the Parties under this Agreement.

10.8.2 Tax Cooperation. The Parties shall use Commercially Reasonable Efforts to cooperate with one another and shall use Commercially Reasonable Efforts to avoid or reduce, to the extent permitted by Applicable Laws, tax withholding or similar obligations in respect of royalties, milestone payments, and other payments made by Nkarta to CRISPR under this Agreement. [***]. To the extent that amounts are so withheld and paid to the proper taxing authority, such amounts shall be treated for all purposes of this Agreement as having been paid to the persons with respect to whom such amounts were withheld. Each Party shall comply with (or provide the other Party with) any certification, identification or other reporting requirements that may be reasonably necessary in order for Nkarta to not withhold Tax or to withhold Tax at a reduced rate under an applicable bilateral income tax treaty. Each Party shall provide the other with commercially reasonable assistance to enable the recovery, as permitted by Applicable Laws, of withholding Taxes or similar obligations resulting from payments made under this Agreement, such recovery to be [***].

10.9. Payment Method and Exchange Rate. Nkarta shall pay all amounts due hereunder in United States dollars by electronic funds transfer of immediately available funds to the bank account CRISPR designates in writing from time to time. Conversion of sales recorded in local currencies to United States dollars shall be performed in a manner consistent with Nkarta's normal practices used to prepare its audited financial statements for internal and external reporting purposes, consistently applied.

ARTICLE 11.
REPRESENTATIONS AND WARRANTIES

11.1. Representations and Warranties of Nkarta. Nkarta hereby represents and warrants to CRISPR, as of the Effective Date, that, except as otherwise set forth on Schedule 11.1:

11.1.1. Nkarta is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

11.1.2. Nkarta: (a) has the requisite corporate power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder; and (b) has taken all requisite corporate action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

11.1.3. Nkarta has the requisite resources and expertise to perform its obligations hereunder;

11.1.4. this Agreement has been duly executed and delivered on behalf of Nkarta, and constitutes a legal, valid and binding obligation, enforceable against Nkarta in accordance with the terms hereof;

11.1.5. the execution, delivery and performance of this Agreement by Nkarta does not and will not constitute a default under or conflict with any agreement, instrument or understanding, oral or written, to which Nkarta is a party or by which Nkarta is bound, or violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over Nkarta;

11.1.6. Nkarta has obtained all necessary consents, approvals and authorizations of all Governmental Authorities and other Persons or entities required to be obtained by it in connection with the execution and delivery of this Agreement;

11.1.7. the Nkarta Technology constitutes all of the Patents and Know-How Controlled by Nkarta that are necessary to: (a) conduct the Research Program; or (b) conduct Nkarta Activities on Nkarta Products;

11.1.8. Nkarta is the sole and exclusive owner or exclusive licensee of the Nkarta Background Patents, free and clear of any liens, charges and encumbrances (other than encumbrances under the terms of any agreement pursuant to which any such Patents are licensed to Nkarta), and neither any license granted by Nkarta to any Third Party, nor any license granted by any Third Party to Nkarta conflicts with the license grants to CRISPR under Section 8.2 and Nkarta is entitled to grant all rights and licenses (or sublicenses, as the case may be) under such Nkarta Background Patents it purports to grant to CRISPR under this Agreement;

11.1.9. Schedule 11.1.9 sets forth a true, correct and complete list of all Nkarta Background Patents as of the Effective Date and indicates whether such Patent is owned by Nkarta or licensed by Nkarta from a Third Party and if so, identifies the licensor or sublicensor from which the Patent is licensed;

11.1.10. to its Knowledge, no Third Party (a) is infringing any Nkarta Background Patents or (b) has challenged the extent, validity or enforceability of Nkarta Background Patents (including by way of example through the institution or written threat of institution of interference, nullity or similar invalidity proceedings before the United States Patent and Trademark Office or any analogous foreign Governmental Authority);

11.1.11. there are no judgments or settlements against or owed by Nkarta or, to Nkarta's Knowledge, pending or threatened claims or litigation, in either case relating to the Nkarta Background Technology;

11.1.12. there is no action, claim, demand, suit, proceeding, arbitration, grievance, citation, summons, subpoena, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or, to Nkarta's Knowledge, threatened against Nkarta, any of its Affiliates or any Third Party, in each case in connection with the Nkarta Background Technology or relating to the transactions contemplated by this Agreement; and

11.1.13. Nkarta has not employed (and, to Nkarta's Knowledge, Nkarta has not used a contractor or consultant that has employed) any Person debarred by the FDA (or subject to a similar sanction

of EMA or foreign equivalent), or any Person that is the subject of an FDA debarment investigation or proceeding (or similar proceeding of EMA or foreign equivalent), in any capacity in connection with this Agreement.

11.2. Representations and Warranties of CRISPR. CRISPR hereby represents and warrants to Nkarta, as of the Effective Date, that, except as otherwise set forth on Schedule 11.2:

11.2.1. CRISPR is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

11.2.2. CRISPR: (a) has the requisite corporate power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder; and (b) has taken all requisite corporate action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

11.2.3. CRISPR has the requisite resources and expertise to perform its obligations hereunder;

11.2.4. this Agreement has been duly executed and delivered on behalf of CRISPR, and constitutes a legal, valid and binding obligation, enforceable against it in accordance with the terms hereof;

11.2.5. the execution, delivery and performance of this Agreement by CRISPR does not and will not constitute a default under or conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it is bound, or violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over CRISPR;

11.2.6. CRISPR has obtained all necessary consents, approvals and authorizations of all Governmental Authorities and other Persons or entities required to be obtained by CRISPR in connection with the execution and delivery of this Agreement;

11.2.7. the CRISPR Technology constitutes all of the Patents and Know-How Controlled by CRISPR that are necessary to: (a) conduct the Research Program; or (b) conduct CRISPR Activities on Nkarta Products;

11.2.8. CRISPR is the sole and exclusive owner or exclusive licensee of the CRISPR Background Patents, free and clear of any liens, charges and encumbrances (other than encumbrances under the terms of any agreement pursuant to which any such Patents are licensed to CRISPR), and neither any license granted by CRISPR to any Third Party, nor any license granted by any Third Party to CRISPR conflicts with the license grants to Nkarta under Section 8.1 and CRISPR is entitled to grant all rights and licenses (or sublicenses, as the case may be) under CRISPR Background Patents it purports to grant to Nkarta under this Agreement;

11.2.9. Schedule 11.2.9 sets forth a true, correct and complete list of all CRISPR Background Patents as of the Effective Date and indicates whether such Patent is owned by CRISPR or licensed by CRISPR from a Third Party and if so, identifies the licensor or sublicensor from which the Patent is licensed;

11.2.10. to its Knowledge, no Third Party (a) is infringing any CRISPR Background Patents or (b) has challenged the extent, validity or enforceability of CRISPR Background Patents (including by way of example through the institution or written threat of institution of interference, nullity or similar

invalidity proceedings before the United States Patent and Trademark Office or any analogous foreign Governmental Authority);

11.2.11. there are no judgments or settlements against or owed by CRISPR or, to CRISPR's Knowledge, pending or threatened claims or litigation, in either case relating to the CRISPR Background Technology;

11.2.12. there is no action, claim, demand, suit, proceeding, arbitration, grievance, citation, summons, subpoena, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or, to CRISPR's Knowledge, threatened against CRISPR, any of its Affiliates or any Third Party, in each case in connection with the CRISPR Background Technology or relating to the transactions contemplated by this Agreement; and

11.2.13. CRISPR has not employed (and, to CRISPR's Knowledge, CRISPR has not used a contractor or consultant that has employed) any Person debarred by the FDA (or subject to a similar sanction of EMA or foreign equivalent), or any Person that is the subject of an FDA debarment investigation or proceeding (or similar proceeding of EMA or foreign equivalent), in any capacity in connection with this Agreement.

11.3. CRISPR Covenants. CRISPR hereby covenants to Nkarta that, except as expressly permitted under this Agreement:

11.3.1. it will maintain and not breach any CRISPR In-License Agreements that provide a grant of rights from such Third Party to CRISPR that are Controlled by CRISPR and are licensed from CRISPR to Nkarta for a Collaboration Product or an Nkarta Product under this Agreement;

11.3.2. it will promptly notify Nkarta of any material breach by one or more CRISPR Entities or a Third Party of any CRISPR In-License Agreements (including any New CRISPR In-License) that provides a grant of rights from such Third Party to one or more CRISPR Entities and are licensed or may reasonably expected to become subject to a license from CRISPR to Nkarta to conduct Nkarta Activities, or for a Collaboration Product or an Nkarta Product, or otherwise under this Agreement;

11.3.3. it will not, and will cause its Affiliates not to license, sell, assign or otherwise transfer to any Person any CRISPR Technology (or agree to do any of the foregoing), except as will not adversely restrict, limit or encumber the rights granted to Nkarta under Section 8.1;

11.3.4. it will notify Nkarta of any intellectual property rights of any Third Party that relate primarily to Gene-Editing Technology and that CRISPR determines are necessary for the practice of any CRISPR Background Technology and are not subject to a CRISPR In-License Agreement;

11.3.5. it will use Commercially Reasonable Efforts to obtain and maintain the requisite resources and expertise to perform its obligations hereunder;

11.3.6. all employees and Subcontractors of CRISPR performing CRISPR Activities hereunder on behalf of CRISPR will be obligated to assign to CRISPR all right, title and interest in and to any inventions developed by them, whether or not patentable, or, solely with respect to Subcontractors, grant exclusive license rights to CRISPR with a right to grant sublicenses through multiple tiers;

11.3.7. it will not engage, in any capacity in connection with this Agreement any Person who either has been debarred by the FDA or any foreign equivalent, is the subject of a conviction described in Section 306 of the FD&C Act or is subject to any such similar sanction; and

11.3.8. it will inform Nkarta in writing promptly if it or any Person engaged by CRISPR or any of its Affiliates who is performing CRISPR Activities under this Agreement is debarred or is the subject of a conviction described in Section 306 of the FD&C Act or subject to any such similar sanction, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to CRISPR's Knowledge, is threatened, relating to the debarment or conviction of CRISPR, any of its Affiliates or any such Person performing CRISPR Activities hereunder.

11.4. Nkarta Covenants. Nkarta hereby covenants to CRISPR that, except as expressly permitted under this Agreement:

11.4.1. it will maintain and not breach any Nkarta In-License Agreements that provide a grant of rights from such Third Party to Nkarta that are Controlled by Nkarta and are licensed or may become subject to a license from Nkarta to CRISPR for a Collaboration Product under this Agreement;

11.4.2. it will promptly notify CRISPR of any material breach by Nkarta or a Third Party of any Nkarta In-License Agreements (including any New Nkarta In-License) that provides a grant of rights from such Third Party to Nkarta and are licensed or may become subject to a license from Nkarta to CRISPR to conduct CRISPR Activities or for a Collaboration Product under this Agreement;

11.4.3. it will not, and will cause its Affiliates not to license, sell, assign or otherwise transfer to any Person any Nkarta Technology (or agree to do any of the foregoing), except as will not adversely restrict, limit or encumber the rights granted to CRISPR under Section 8.2;

11.4.4. it will notify CRISPR of any intellectual property rights of any Third Party that relate primarily to NK Cell Technology and that Nkarta determines are necessary for the practice of any Nkarta Background Technology and are not subject to a Nkarta In-License Agreement;

11.4.5. it will use Commercially Reasonable Efforts to obtain and maintain the requisite resources and expertise to perform its obligations hereunder;

11.4.6. all employees and Subcontractors of Nkarta performing Nkarta Activities hereunder on behalf of Nkarta will be obligated to assign to Nkarta all right, title and interest in and to any inventions developed by them, whether or not patentable, or, solely with respect to Subcontractors, grant exclusive license rights to Nkarta with a right to grant sublicenses through multiple tiers;

11.4.7. it will not engage, in any capacity in connection with this Agreement any Person who either has been debarred by the FDA or any foreign equivalent, is the subject of a conviction described in Section 306 of the FD&C Act or is subject to any such similar sanction; and

11.4.8. it will inform CRISPR in writing promptly if it or any Person engaged by Nkarta or any of its Affiliates who is performing Nkarta Activities under this Agreement or any ancillary agreements is debarred or is the subject of a conviction described in Section 306 of the FD&C Act or subject to any such similar sanction, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to Nkarta's Knowledge, is threatened, relating to the debarment or conviction of CRISPR, any of its Affiliates or any such Person performing Nkarta Activities hereunder.

11.5. Disclaimer. Except as otherwise expressly set forth in this Agreement, neither Party nor its Affiliates makes any representation or extends any warranty of any kind, either express or implied, including any warranty of merchantability or fitness for a particular purpose. Nkarta and CRISPR understand that each Collaboration Product is the subject of ongoing Research and that neither Party can

assure the safety, usefulness or commercial or technical viability of any Collaboration Product or the results of the Research Program.

ARTICLE 12.
INDEMNIFICATION; INSURANCE

12.1. Indemnification by Nkarta. Nkarta will indemnify, defend and hold harmless CRISPR, each of its Affiliates, and each of its and its Affiliates' employees, officers, directors and agents (each, an "**CRISPR Indemnified Party**") from and against any and all liability, loss, damage, expense (including reasonable attorneys' fees and expenses) and cost (collectively, a "**Liability**") that any CRISPR Indemnified Party may be required to pay to one or more Third Parties to the extent resulting from or arising out of any claim by any Third Party based on:

12.1.1. [***]; or

12.1.2. [***].

12.2. Indemnification by CRISPR. Each CRISPR Entity will jointly and severally indemnify, defend and hold harmless Nkarta and its Affiliates, and each of its and their respective employees, officers, directors and agents (each, a "**Nkarta Indemnified Party**") from and against any and all Liabilities that any Nkarta Indemnified Party may be required to pay to one or more Third Parties to the extent resulting from or arising out of:

12.2.1. [***]; or

12.2.2. [***].

12.3. Procedure. Each Party will notify the other Party in writing if it becomes aware of a claim for which indemnification may be sought hereunder. In case any proceeding (including any governmental investigation) will be instituted involving any Party in respect of which indemnity may be sought pursuant to this Article 12, such Party (the "**Indemnified Party**") will give prompt written notice of the indemnity claim to the other Party (the "**Indemnifying Party**") and provide a copy to the Indemnifying Party of any complaint, summons or other written or verbal notice that the Indemnified Party receives in connection with any such claim. An Indemnified Party's failure to deliver written notice will relieve the Indemnifying Party of liability to the Indemnified Party under this Article 12 only to the extent such delay is prejudicial to the Indemnifying Party's ability to defend such claim. Provided that the Indemnifying Party is not contesting the indemnity obligation, the Indemnified Party will permit the Indemnifying Party to control any litigation relating to such claim and the disposition of such claim by negotiated settlement or otherwise and any failure to contest prior to assuming control will be deemed to be an admission of the obligation to indemnify. The Indemnifying Party will act reasonably and in good faith with respect to all matters relating to such claim and will not settle or otherwise resolve such claim [***].

12.4. Insurance. Each Party will maintain, at its cost, reasonable insurance against liability and other risks associated with its activities contemplated by this Agreement and will furnish to the other Party evidence of such insurance upon request. Notwithstanding the foregoing, either Party may self-insure to the extent that it self-insures for its other activities.

12.5. Limitation of Consequential Damages. Except for (a) claims of a Third Party that are subject to indemnification under this Article 12, (b) claims arising out of a Party's willful misconduct, or (c) a Party's breach of Article 3 or Article 14, neither Party nor any of its Affiliates will be liable to the other Party or its Affiliates for any incidental, consequential, special, punitive or other indirect damages or lost

or imputed profits or royalties, lost data or cost of procurement of substitute goods or services, whether liability is asserted in contract, tort (including negligence and strict product liability), indemnity or contribution, and irrespective of whether that Party or any representative of that Party has been advised of, or otherwise might have anticipated the possibility of, any such loss or damage.

ARTICLE 13.
TERM; TERMINATION

13.1. Term. This Agreement is effective as of the Effective Date and will continue in full force and effect until terminated in accordance with the other provisions of this Article 13, and the consequences of such termination are set forth in Section 13.3.1, 13.3.2 and 13.4. On an Nkarta Product-by-Nkarta Product basis, upon the expiration (but not early termination) of the Royalty Term for each Nkarta Product, the licenses granted to Nkarta for such Nkarta Product shall continue in effect, as non-exclusive, fully paid-up, royalty-free, transferable, perpetual and irrevocable licenses, with the right to grant sublicenses through multiple tiers, with respect to such Nkarta Product in the Field in the Territory.

13.2. Termination of the Agreement.

13.2.1. Termination for Material Breach. If a Party materially breaches this Agreement either in its entirety or with respect to a particular Collaboration Product for which the Parties have not entered a JDCA and begun work under such JDCA (including if a Party fails to use Commercially Reasonable Efforts to perform its Research Activities set forth in a Research Plan as required under Section 2.6.1 with respect to such Collaboration Product) or Nkarta Product, then the other Party may deliver written notice of such material breach to such Party. If the breach is curable, the Breaching Party will have [***] days from the receipt of such notice to cure such breach. If either the Breaching Party fails to cure such breach within [***] day period or the breach is not subject to cure, the Non-Breaching Party, in its sole discretion, may terminate this Agreement in its entirety or with respect to the applicable Collaboration Product for which the Parties have not entered a JDCA and begun work under such JDCA, as applicable (in each case, a "**Terminated Product**") or with respect to the applicable Nkarta Product, by providing written notice to the Breaching Party. Any right to terminate this Agreement under this Section 13.2.1 shall be stayed and the applicable cure period tolled if, during such cure period, the Party alleged to have been in material breach shall have initiated dispute resolution in accordance with Section 15.1 with respect to the alleged breach, which stay and tolling shall continue until such dispute has been resolved in accordance with Section 15.1. If a Party is determined to be in material breach of this Agreement, the other Party may terminate this Agreement if the Breaching Party fails to cure the breach within the balance of the [***] day cure period after the conclusion of the dispute resolution procedure.

13.2.2. Termination for Insolvency. If either Party makes an assignment for the benefit of creditors, appoints or suffers appointment of a receiver or trustee over all or substantially all of its property, files a petition under any bankruptcy or insolvency act or has any such petition filed against it that is not discharged within [***] days of the filing thereof (each, an "**Insolvency Event**"), then the other Party may terminate this Agreement in its entirety effective immediately upon written notice.

(a) All rights and licenses now or hereafter granted by a Party under or pursuant to this Agreement are, for all purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined in the U.S. Bankruptcy Code. Upon the occurrence of any Insolvency Event with respect to a Party (the "**Licensor Party**"), the Granting Party agrees that the other Party (the "**Licensee Party**"), as licensee of such rights under Section 8.1 or 8.2, as applicable, will retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code, subject to payment of the Licensee Party's royalty obligations under this Agreement. Without limiting the generality of the foregoing, Licensor Party and Licensee Party intend and agree that any sale of Licensor Party's assets under

Section 363 of the U.S. Bankruptcy Code shall be subject to Licensee Party's rights under Section 365(n) of the U.S. Bankruptcy Code, that Licensee Party cannot be compelled to accept a money satisfaction of its interests in the intellectual property licensed pursuant to this Agreement, and that any such sale therefore may not be made to a purchaser "free and clear" of Licensee Party's rights under this Agreement and Section 365(n) of the U.S. Bankruptcy Code without the express, contemporaneous and written consent of Licensee Party. The Licensor Party will, during the Term, create and maintain current copies or, if not amenable to copying, detailed descriptions or other appropriate embodiments, to the extent feasible, of all intellectual property licensed under this Agreement. Each Party acknowledges and agrees that "embodiments" of intellectual property within the meaning of Section 365(n) include laboratory notebooks, cell lines, product samples and inventory, research studies and data, all Regulatory Approvals and Marketing Approvals (and all applications for Regulatory Approval and Marketing Approval) and rights of reference therein. If (x) a case under the U.S. Bankruptcy Code is commenced by or against a Licensor Party, (y) this Agreement is rejected as provided in the U.S. Bankruptcy Code, and (z) the Licensee Party elects to retain its rights hereunder as provided in Section 365(n) of the U.S. Bankruptcy Code, the Licensor Party (in any capacity, including debtor-in-possession) and its successors and assigns (including a trustee) will:

(i) provide to the Licensee Party all such intellectual property licensed to the Licensee Party under Section 8.1 or 8.2, as applicable (including all embodiments thereof), held by the Licensor Party and such successors and assigns, or otherwise available to them, immediately upon the Licensee Party's written request. Whenever the Licensor Party or any of its successors or assigns provides to the Licensee Party any of the intellectual property licensed hereunder (or any embodiment thereof) pursuant to this Section, the Licensee Party will have the right to perform the Licensor Party's obligations hereunder with respect to such intellectual property, but neither such provision nor such performance by the Licensee Party will release the Licensor Party from liability resulting from rejection of the license or the failure to perform such obligations; and

(ii) not interfere with the Licensee Party's rights under this Agreement, to such intellectual property licensed to the Licensee Party under Section 8.1 or 8.2 of this Agreement, as applicable (including such embodiments), including any right to obtain such intellectual property (or such embodiments) from another entity, to the extent provided in Section 365(n) of the U.S. Bankruptcy Code.

(b) All rights, powers and remedies of the Licensee Party provided herein are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including the U.S. Bankruptcy Code) in the event of the commencement of a case under the U.S. Bankruptcy Code with respect to the Licensor Party. The Parties agree that they intend the following rights to extend to the maximum extent permitted by Applicable Law, and to be enforceable under U.S. Bankruptcy Code Section 365(n):

(i) the right of access to any intellectual property rights licensed to the Licensee Party under Section 8.1 or 8.2, as applicable (including all embodiments thereof), by the Licensor Party, or any Third Party with whom the Licensor Party contracts to perform an obligation of the Licensor Party under this Agreement, and, in the case of any such Third Party, which is necessary for the Research Activities; and

(ii) the right to contract directly with any Third Party to complete the Research Activities.

13.2.3. Termination by Nkarta for Convenience. At any time, Nkarta may terminate this Agreement, at its sole discretion and at-will, on an Nkarta Product-by-Nkarta Product basis, by providing written notice of termination to CRISPR, which notice includes an effective date of termination at least

[***] days after the date of the notice, except that, prior to the expiry of the CRISPR Option Period, in no event shall Nkarta be entitled to terminate this Agreement with respect to [***].

13.3. Consequences of Termination of the Agreement.

13.3.1. In General. If this Agreement is terminated by a Party in accordance with this Article 13 at any time and for any reason, the following terms will apply (either with respect to this Agreement in its entirety or with respect to the applicable Terminated Product or Nkarta Product):

(a) The Parties will return (or destroy, as directed by the other Party) all data, files, records and other materials containing or comprising the other Party's Confidential Information, except to the extent such Confidential Information is subject to a license or similar grant of rights that survives such termination. Notwithstanding the foregoing, the Parties will be permitted to retain one copy of such data, files, records, and other materials for archival and legal compliance purposes subject to an ongoing obligation of confidentiality.

(b) Termination of this Agreement or with respect to a Terminated Product or Nkarta Product for any reason will be without prejudice to any rights or financial compensation that will have accrued to the benefit of a Party prior to such termination. Such termination will not relieve a Party from obligations that are expressly indicated to survive the termination of this Agreement.

(c) The following provisions of this Agreement will survive any termination of this Agreement: Sections 2.8 (last sentence thereof), 2.9.1(a) and (b) (for purposes of final reconciliation), 2.9.1(d) (for the time period set forth therein), 2.10, 8.3, 9.1.1, 9.1.2, 9.1.4, 9.2, 9.4, 9.5, 9.6, 10.2.1 (with respect to royalties accruing prior to the expiration or termination), 10.2.2 (with respect to Net Sales occurring prior to the expiration or termination), 10.3 (with respect to sublicensing income accruing prior to the expiration or termination), 10.5 (with respect to royalties accruing prior to the expiration or termination), 10.6, 10.7, 10.8, 10.9, 11.5, 12.1, 12.2, 12.3, 12.5, 13.3 and 13.4 and ARTICLE 1, ARTICLE 14, ARTICLE 15 and ARTICLE 16. .

13.3.2. Specific Consequences of Termination for Collaboration Products. The provisions of this Section 13.3.2 shall apply with respect to all Collaboration Products if this Agreement is terminated in its entirety, or solely with respect to a Terminated Product if the termination was with respect to a given Terminated Product. If this Agreement expires or is terminated by a Party in accordance with this Article 13 at any time and for any reason, the following terms will apply (either with respect to this Agreement in its entirety or with respect to the applicable Terminated Product):

(a) The following terms shall have the following meanings for purposes of this Section 13.3.2:

(i) If CRISPR terminates: (A) this Agreement in its entirety or with respect to a Terminated Product, as applicable, pursuant to Section 13.2.1 because of an uncured material breach by Nkarta; or (B) this Agreement in its entirety under Section 13.2.2 because Nkarta suffers an Insolvency Event, then, for purposes of this Section 13.3.2, CRISPR shall be deemed the Continuation Party and Nkarta shall be deemed to be the Granting Party.

(ii) If Nkarta terminates: (A) this Agreement in its entirety or with respect to a Terminated Product, as applicable, pursuant to Section 13.2.1 because of an uncured material breach by CRISPR; or (B) this Agreement in its entirety under Section 13.2.2 because CRISPR suffers an Insolvency Event, then, for purposes of this Section 13.3.2, Nkarta shall be deemed the Continuation Party and CRISPR shall be deemed to be the Granting Party.

(iii) The identification of the Granting Party shall be determined by reference to Section 13.3.2(a)(i) or Section 13.3.2(a)(ii), as applicable (the "**Granting Party**"), and the identification of the Continuation Party shall be determined by reference to Section 13.3.2(a)(i) or Section 13.3.2(a)(ii), as applicable (the "**Continuation Party**").

(b) The licenses in Sections 8.1.1, 8.1.2, and 8.2 with respect to the applicable Terminated Product, and any sublicenses of those licenses, shall automatically terminate as of the effective date of such termination, and the rights under such licenses and sublicenses shall revert to the licensing Party.

(c) The Granting Party and the Continuation Party shall promptly begin negotiating in good faith the commercially reasonable terms (including milestone payments and royalties) of a license agreement (the "**Continuation Agreement**") under which the Granting Party, subject to the terms and conditions of this Agreement, would grant to the Continuation Party a [***]. Notwithstanding anything to the contrary herein, to the extent that any CRISPR Technology or Nkarta Technology, as applicable, is Controlled by the Granting Party pursuant to the terms of any Third Party agreement, any such license shall be subject to any applicable terms and conditions of such Third Party agreement, including any payment obligations to such Third Party that would arise from the Continuation Party's exercise of a license under such CRISPR Technology or Nkarta Technology, as applicable. If the Parties are unable to agree to a final form of Continuation Agreement [***] months after the start of negotiating such Continuation Agreement (or such later date as agreed in writing by the Parties), then the Parties will [***].

(d) Under the Continuation Agreement, the Granting Party would do the following to allow the Continuation Party to continue Researching, Developing, Manufacturing and Commercializing such Terminated Product in the Field (it being agreed that the Parties intend to use Commercially Reasonable Efforts to minimize any material business interruptions):

(i) [***];

(ii) [***];

(iii) no later than [***] after the effective date of the Continuation Agreement, [***];

(iv) as promptly as practicable, transfer to the Continuation Party [***];

(v) Under the Continuation Agreement, [***];

(vi) if the Granting Party [***].

(vii) Under the Continuation Agreement, if the Continuation Party so requests, the Granting Party would transfer to the Continuation Party [***];

(viii) Under the Continuation Agreement, undertake, and coordinate with the Continuation Party [***];

(ix) Under the Continuation Agreement, provide [***]; and

(x) execute all documents and take all such further actions as may be reasonably necessary and requested by the Continuation Party in order to give effect to the foregoing clauses.

(e) Each Party shall provide [***].

(f) Upon a termination of this Agreement with respect to a given Terminated Product, the Granting Party shall not, itself or with or through any Affiliates or Third Parties, [***].

13.4. Specific Consequences of Termination for Nkarta Products.

(a) If: (i) CRISPR terminates: (A) this Agreement in its entirety or with respect to a Terminated Product, as applicable, pursuant to Section 13.2.1 because of an uncured material breach by Nkarta; or (B) this Agreement in its entirety under Section 13.2.2; or (ii) Nkarta terminates either this Agreement or any Nkarta Product pursuant to Section 13.2.3, then, Nkarta or its Affiliates or sublicensees may sell any Nkarta Products in existence as of the effective date of such termination over a period of [***] days after the effective date of such termination, subject to payment of applicable royalties on such sales under Section 10.2, and after such sell-off period, Nkarta shall cease and discontinue (and shall cause its Affiliates and sublicensees to cease and discontinue) the Research, Development, Manufacture and Commercialization of such Nkarta Product. Except for the foregoing right to sell existing inventory of Nkarta Products, the licenses in Section 8.1.2, and any sublicenses of those licenses, shall automatically terminate as of the effective date of such termination, and the rights under such licenses and sublicenses shall revert to the licensing Party. The termination and reversion of rights shall apply on an Nkarta Product-by-Nkarta Product basis, or with respect to all Nkarta Products, depending on whether the applicable termination is for a given Nkarta Product or for the entire Agreement.

(b) If Nkarta terminates: (A) this Agreement in its entirety or with respect to any Nkarta Product, as applicable, pursuant to Section 13.2.1 because of an uncured material breach by CRISPR; or (B) this Agreement in its entirety under Section 13.2.2, then: (i) Nkarta or its Affiliates or sublicensees may sell any Nkarta Products in existence as of the effective date of such termination over a period of [***] days after the effective date of such termination, subject to payment of applicable royalties on such sales under Section 10.2; (ii) except for the foregoing right to sell existing inventory of Nkarta Products, the licenses in Section 8.1.2, and any sublicenses of those licenses, shall automatically terminate as of the effective date of such termination, and the rights under such licenses and sublicenses shall revert to the licensing Party; and (iii) CRISPR and Nkarta shall promptly begin negotiating in good faith the commercially reasonable terms (including milestone payments and royalties) of a license agreement (the "**Nkarta Product Continuation Agreement**") under which CRISPR, subject to the terms and conditions of this Agreement, would grant to Nkarta a non-exclusive, royalty bearing license under the CRISPR Technology that is necessary or reasonably useful to Research, Develop, Manufacture and Commercialize the applicable Nkarta Product(s) for use in the Field. The foregoing license shall be sublicensable solely to the recipient of a license by Nkarta of intellectual property Controlled by Nkarta that pertains to such Nkarta Product(s). Notwithstanding anything to the contrary herein, to the extent that any CRISPR Technology is Controlled by CRISPR pursuant to the terms of any Third Party agreement, any such license shall be subject to any applicable terms and conditions of such Third Party agreement, including any payment obligations to such Third Party that would arise from Nkarta's exercise of a license under such CRISPR Technology. If the Parties are unable to agree to a final form of Nkarta Product Continuation Agreement [***] months after the start of negotiating such Nkarta Product Continuation Agreement (or such later date as agreed in writing by the Parties), then the Parties [***].

ARTICLE 14.
CONFIDENTIALITY

14.1. Confidentiality. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing, the Parties agree that, during the Term and for [***] years thereafter, each Party (the "**Receiving Party**") receiving any Confidential Information of the other Party (the "**Disclosing Party**") hereunder will: (a) keep the Disclosing Party's Confidential Information confidential; (b) not publish, or allow to be published, and will not otherwise disclose, or permit the disclosure of, the Disclosing Party's Confidential Information in any manner not expressly authorized pursuant to the terms of this Agreement; and (c) not use, or permit to be used, the Disclosing Party's Confidential Information for any purpose other than as expressly authorized pursuant to the terms of this Agreement.

14.2. Authorized Disclosure. Notwithstanding the foregoing provisions of Section 14.1, each Party may disclose Confidential Information belonging to the other Party to the extent such disclosure is reasonably necessary to:

14.2.1. engage in Prosecution and Maintenance activities as contemplated by this Agreement;

14.2.2. prosecute or defend litigation;

14.2.3. exercise its rights and perform its obligations hereunder; or

14.2.4. comply with Applicable Law.

If a Party deems it reasonably necessary to disclose Confidential Information belonging to the other Party pursuant to this Section 14.2, the Disclosing Party will to the extent possible give reasonable advance written notice of such disclosure to the other Party and take reasonable measures to ensure confidential treatment of such information.

14.3. SEC Filings and Other Disclosures. Either Party may disclose the terms of this Agreement as permitted by Section 14.2 or (a) to the extent required to comply with Applicable Law, including the rules and regulations promulgated by the United States Securities and Exchange Commission or any equivalent governmental agency in any country in the Territory; provided that [***] and (b) to its advisors (including financial advisors, attorneys and accountants), Third Parties conducting due diligence or similar investigations, including *bona fide* actual or potential acquisition or collaboration partners, financing sources or investors and underwriters, on a need to know basis; provided that such disclosure is covered by terms of confidentiality similar to those set forth herein (which may include professional ethical obligations).

14.4. Public Announcements; Publications.

14.4.1. Commercial Announcements. The Parties will jointly issue a press release, in the form attached hereto as Exhibit D, regarding the signing of this Agreement on a date to be determined by the Parties promptly following the Effective Date. Except as set forth in the preceding sentence and as may be expressly permitted under Section 14.3 or Section 14.4.2, or as required to comply with Applicable Law (including the rules and regulations promulgated by the United States Securities and Exchange Commission or any equivalent governmental agency in any country in the Territory), neither Party will make any public announcement or press release, or post social media content, regarding this Agreement without giving prior written notice to the other Party; provided that if any such public announcement or press release, or social media post contains any data or status updates regarding the Research Program, the prior written approval

of the other Party will be required. If a Party desires to make any such public announcement, press release or posting of social media content relating to this Agreement, then such Party shall: [***]. For the avoidance of doubt, the contents of any announcement, press release or posting of social media content that have been published or presented once pursuant to this Section 14.4.1 may be subsequently published or presented without the need for further notice to the other Party.

14.4.2. Non-Commercial Publications. During the Term, each Party will submit to the other Party (the "**Non-Disclosing Party**") for review and approval any proposed academic, scientific and medical publication or public presentation related to any Collaboration Product or any Research Activities for any Collaboration Product. In each such instance, such review and approval will be conducted for the purposes of preserving the value of the CRISPR Technology and the Nkarta Technology, the rights granted to the Parties hereunder and determining whether any portion of the proposed publication or presentation containing the Non-Disclosing Party's Confidential Information should be modified or deleted. Written copies of such proposed publication or presentation required to be submitted hereunder will be submitted to the Non-Disclosing Party no later than [***] Business Days before submission for publication or presentation ([***] Business Days in advance in the case of an abstract). The Non-Disclosing Party will provide its comments with respect to such publications and presentations within [***] Business Days of its receipt of such written copy (or [***] Business Days in the case of an abstract). The review period may be extended for an additional [***] days if the Non-Disclosing Party reasonably requests such extension including for the preparation and filing of patent applications. Notwithstanding anything to the contrary, the Non-Disclosing Party may require that the other Party redact the Non-Disclosing Party's Confidential Information from any such proposed publication or presentation. CRISPR and Nkarta will each comply with standard academic practice regarding authorship of scientific publications and recognition of contribution of other Party in any publication. For the avoidance of doubt, the contents of all publications or public presentation that have been approved once pursuant to this Section 14.4.2 may be subsequently published or presented without the need for further review and approval.

ARTICLE 15.
DISPUTE RESOLUTION

15.1. Disputes; Executive Officers. It is the objective 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 litigation. In the event of any dispute, controversy, claim or difference which may arise between the Parties out of or in relation to or in connection with this Agreement, excluding any dispute arising out of the JSC, but including any alleged failure to perform, or breach, of this Agreement, or any issue relating to the interpretation or application of this Agreement ("**Dispute**"), then upon the request of either Party by written notice, the Parties agree to meet and discuss in good faith a possible resolution thereof, which good faith efforts shall include at least one in-person meeting between the Executive Officers of each Party. If the Dispute is not resolved within [***] days following the written request for discussions, either Party may then invoke the provisions of Section 15.2 or Section 15.7, as appropriate.

15.2. Arbitration. Any Dispute that is not resolved pursuant to Section 15.1, except for a Dispute described in Section 15.7, shall be settled by binding arbitration as follows. Either Party, following the end of the [***] day period referenced in Section 15.1, may refer such issue to arbitration by submitting a written notice of such request to the other Party.

15.2.1. Selection of Expert and Submission of Positions. Promptly following receipt of such notice, the Parties will select and agree upon a mutually acceptable independent Third Party arbitrator who is (a) neutral, disinterested and impartial, and (b) has experience in the pharmaceutical and biotechnology industries and, if applicable, scientific expertise appropriate for understanding and resolving

such Dispute (the "**Expert**"). If the Parties are unable to mutually agree upon an Expert within [***] days following the delivery of the request for arbitration (or such longer period as agreed by the Parties), one individual who would qualify as an Expert selected by Nkarta and one individual who would qualify as an Expert selected by CRISPR shall together select one individual who would qualify as an Expert, who shall be appointed as the Expert for purposes of such Dispute. Once the Expert has been selected, each Party will within [***] days following selection of the Expert provide the Expert and the other Party with a written report setting forth its position with respect to the substance of the dispute and may submit a revised or updated report and position to the Expert within [***] days of receiving the other Party's report. If so requested by the Expert, each Party will make oral submissions to the Expert based on such Party's written report, and each Party will have the right to be present during any such oral submissions.

15.2.2. Rules for Proceedings. The proceedings will be conducted as a binding arbitration in accordance with AAA procedures, as modified by this Section 15.2 (including that [***]). The Expert may retain a Third Party expert to assist the Expert in analyzing the Dispute, and the expenses of any such expert will be shared by the Parties as costs of the arbitration as provided in Section 15.2.4. All proceedings and communications shall be in English. Either Party may apply to the Expert for interim injunctive relief. The Parties shall have the right to be represented by counsel.

15.2.3. Determination by the Expert. The Expert will render his or her final decision, including any award, if applicable, with respect to the Dispute. In the case of: (a) any Dispute arising out of the JSC inability to reach agreement on (i) [***] (x) the Parties will each submit a [***]; (y) the Expert will [***]; and (z) the Parties shall promptly [***]. The decision of the Expert will be the sole, exclusive and binding remedy between the Parties regarding the Dispute submitted to such Expert, and shall be governed by the terms and conditions hereof, including the limitation on damages set forth in Section 12.5. The Parties agree that such a judgment or award may be enforced in any court of competent jurisdiction. The statute of limitations of the State of New York applicable to the commencement of a lawsuit shall apply to the commencement of arbitration under this Section 15.2.

15.2.4. Location; Costs. Unless otherwise mutually agreed upon by the Parties, the arbitration will be conducted, and the seat of the arbitration will be, in Chicago, Illinois. The Parties agree that [***].

15.2.5. Timetable for Completion. The Parties will use, and will direct the Expert to use, commercially reasonable efforts to resolve a dispute within [***] days after the selection of the Expert or, if resolution within [***] days is not reasonably achievable, as determined by the Expert, then as soon thereafter as is reasonably practicable.

15.3. Award. Any award to be paid by one Party to the other Party as determined by the Expert as set forth above under Section 15.2 shall be promptly paid in U.S. Dollars free of any tax, deduction or offset; and any costs, fees or taxes incident to enforcing the award shall, to the maximum extent permitted by law, be charged against the Party resisting enforcement.

15.4. Governing Law. This Agreement, and all claims arising under or in connection therewith, will be governed by and interpreted in accordance with the substantive laws of the State of New York, without regard to conflict of law principles thereof.

15.5. Injunctive Relief. Nothing in this Article 15 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 15.5 shall otherwise

limit a Breaching Party's opportunity to cure a material breach as permitted in accordance with Section 13.2.1.

15.6. Confidentiality. The arbitration proceeding shall be confidential and the Expert shall issue appropriate protective orders to safeguard each Party's Confidential Information. Except as required by Applicable Law, no Party shall make (or instruct the Expert to make) any public announcement with respect to the proceedings or decision of the Expert without prior written consent of the other Party. The existence of any Dispute submitted to arbitration, and the award, shall be kept in confidence by the Parties and the Expert, except as required in connection with the enforcement of such award or as otherwise required by Applicable Law.

15.7. Patent and Trademark Dispute. Notwithstanding Section 15.2, any Dispute relating to the scope, validity, enforceability or infringement of any CRISPR Patents, Nkarta Patents or trademarks claiming or Covering the manufacture, use, importation, offer for sale or sale of Collaboration Products or Nkarta Products shall be submitted to a court of competent jurisdiction in the country in which such patent or trademark rights were granted or arose.

ARTICLE 16.
MISCELLANEOUS

16.1. Assignment. Neither this Agreement nor any interest hereunder will be assignable by either Party without the prior written consent of the other Party, except as follows: (a) either Party may, subject to the terms of this Agreement, assign its rights and obligations under this Agreement by way of sale of itself or the sale of the portion of such Party's business to which this Agreement or the Research Program relates, through merger, sale of assets or sale of stock or ownership interest; provided that such sale is not primarily for the benefit of its creditors; and (b) either Party may assign its rights and obligations under this Agreement to any of its Affiliates; provided that such Party will remain liable for all of its rights and obligations under this Agreement. An assigning Party will promptly notify the other Party of any assignment or transfer under the provisions of this Section 16.1. This Agreement will be binding upon the successors and permitted assigns of the Parties and the name of a Party appearing herein will be deemed to include the names of such Party's successors and permitted assigns to the extent necessary to carry out the intent of this Agreement. Any assignment not in accordance with this Section 16.1 will be void.

16.2. Force Majeure. Each Party will be excused from the performance of its obligations under this Agreement to the extent that such performance is prevented by Force Majeure and the nonperforming Party promptly provides notice of the prevention to the other Party. Such excuse will be continued so long as the condition constituting force majeure continues and the nonperforming Party uses Commercially Reasonable Efforts to remove the condition.

16.3. Representation by Legal Counsel. Each Party hereto represents that it has been represented by legal counsel in connection with this Agreement and acknowledges that it has participated in the drafting hereof. In interpreting and applying the terms and provisions of this Agreement, the Parties agree that no presumption will exist or be implied against the Party that drafted such terms and provisions.

16.4. Notices. All notices which are required or permitted pursuant to this Agreement shall be in writing in the English language and will be sufficient and deemed to have been duly given the earlier of when received by the addressee or five (5) Business Days after it was sent, if delivered personally, sent by internationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Nkarta:

Nkarta, Inc.
6000 Shoreline Ct, Suite 102
South San Francisco, CA 94080
Attn: [***]

with a copy to:

Nkarta, Inc.
6000 Shoreline Ct, Suite 102
South San Francisco, CA 94080
Attn: Chief Legal Officer
Email: [***]
Cc: [***]

and:

If to CRISPR:

CRISPR Therapeutics AG
Baarerstrasse 14
6300 Zug
Switzerland
Attn: [***]

with copies to:

CRISPR Therapeutics, Inc.
610 Main Street
Cambridge, MA 02139
Attn: [***]
email to [***]

or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith.

16.5. Amendment. No amendment, modification or supplement of any provision of this Agreement will be valid or effective unless made in writing and signed by a duly authorized officer of each of Party.

16.6. Waiver. No provision of this Agreement will be waived by any act, omission or knowledge of a Party or its agents or employees except by an instrument in writing expressly waiving such provision and signed by a duly authorized officer of the waiving Party. The waiver by either of Nkarta or CRISPR of any breach of any provision hereof by the other Party will not be construed to be a waiver of any succeeding breach of such provision or a waiver of the provision itself.

16.7. Severability. If any clause or portion thereof in this Agreement is for any reason held to be invalid, illegal or unenforceable, the same will not affect any other portion of this Agreement, as it is the intent of the Parties that this Agreement will be construed in such fashion as to maintain its existence, validity and enforceability to the greatest extent possible. In any such event, this Agreement will be construed as if such clause or portion thereof had never been contained in this Agreement, and there will be deemed substituted therefor such provision as will most nearly carry out the intent of the Parties as expressed in this Agreement to the fullest extent permitted by Applicable Law.

16.8. Descriptive Headings. The descriptive headings of this Agreement are for convenience only and will be of no force or effect in construing or interpreting any of the provisions of this Agreement.

16.9. Export Control. This Agreement is made subject to any restrictions concerning the export of products or technical information from the United States of America or other countries that may be imposed upon or related to CRISPR or Nkarta from time to time. Each Party agrees that it will not export, directly or indirectly, any technical information acquired from the other Party under this Agreement or any products using such technical information to a location or in a manner that at the time of export requires an export license or other governmental approval, without first obtaining the written consent to do so from the appropriate Governmental Authority.

16.10. Entire Agreement. This Agreement constitutes and contains the complete, final and exclusive understanding and agreement of the Parties and cancels and supersedes any and all prior negotiations, correspondence, understandings and agreements, whether oral or written, between the Parties respecting the subject matter hereof and thereof, including that certain Mutual Confidentiality Agreement between Nkarta and CRISPR Therapeutics, Inc. dated March 28, 2019, which is hereby superseded and replaced in its entirety as of the Effective Date, and any Confidential Information disclosed by the Parties (or their Affiliates) under such agreement will be treated in accordance with the provisions of Article 14.

16.11. Independent Contractors. Both Parties are independent contractors under this Agreement. Nothing herein contained will be deemed to create an employment, agency, joint venture or partnership relationship between the Parties hereto or any of their agents or employees, or any other legal arrangement that would impose liability upon one Party for the act or failure to act of the other Party. Neither Party will have any express or implied power to enter into any contracts or commitments or to incur any liabilities in the name of, or on behalf of, the other Party, or to bind the other Party in any respect whatsoever.

16.12. Interpretation. Except where the context expressly requires otherwise, (a) the use of any gender herein will be deemed to encompass references to either or both genders, and the use of the singular will be deemed to include the plural (and vice versa), (b) the words “include,” “includes” and “including” will be deemed to be followed by the phrase “without limitation,” (c) the word “will” will be construed to have the same meaning and effect as the word “shall,” (d) any definition of or reference to any agreement, instrument or other document herein will be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (e) any reference herein to any Person will be construed to include the Person’s successors and assigns, (f) the words “herein,” “hereof” and “hereunder,” and words of similar import, will be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (g) all references herein to Sections, Schedules or Exhibits will be construed to refer to Sections, Schedules or Exhibits of this Agreement, and references to this Agreement include all Schedules and Exhibits hereto, (h) the word “notice” will mean notice in writing (whether or not specifically stated) and will include notices, consents, approvals and other written communications contemplated under this Agreement, (i) provisions that require that a Party, the Parties or any committee hereunder “agree,” “consent” or “approve” or the like will require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter, approved minutes or otherwise (but

excluding e-mail and instant messaging), (j) references to any specific law, rule or regulation, or article, section or other division thereof, will be deemed to include the then-current amendments thereto or any replacement or successor law, rule or regulation thereof, (k) any definition of or reference to any agreement, instrument or other document herein will be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), and (l) the term "or" will be interpreted in the inclusive sense commonly associated with the term "and/or."

16.13. No Third Party Rights or Obligations. No provision of this Agreement will be deemed or construed in any way to result in the creation of any rights or obligations in any Person not a Party to this Agreement.

16.14. Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

16.15. Counterparts. This Agreement may be executed in two (2) counterparts, each of which will be an original and both of which will constitute together the same document. Counterparts may be signed and delivered by facsimile or digital transmission (.pdf), each of which will be binding when received by the applicable Party.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their representatives thereunto duly authorized as of the Effective Date.

NKARTA, INC.	**CRISPR THERAPEUTICS AG**
By: /s/ Paul Hastings	By: /s/ Roger Novak
Name: Paul Hastings	Name: Roger Novak
Title: CEO	Title: President

EXHIBIT A

Target Pool – [***]

[***]

EXHIBIT B-1

Activities, and associated costs, to be performed by CRISPR for Nkarta Products

[***]

Exhibit C

Terms of Joint Development and Commercialization Agreement

[***]

Exhibit D

Form of Joint Press Release

CRISPR Therapeutics and Nkarta Announce Global Collaboration to Develop Gene-Edited Cell Therapies for Cancer

-Collaboration brings together breakthrough gene editing technology and leading natural killer (NK) cell and T cell discovery, development, and manufacturing capabilities-

-Companies to co-develop and co-commercialize two chimeric antigen receptor (CAR) NK cell product candidates, one targeting CD70, and a product candidate combining NK and T cells (NK+T)-

-Nkarta obtains a license to CRISPR gene editing technology for use in its own engineered NK cell therapy products-

-Nkarta to host conference call today at 4:30 p.m. ET-

ZUG, Switzerland, CAMBRIDGE, Mass., and SOUTH SAN FRANCISCO, Calif. – May 6, 2021 -- CRISPR Therapeutics (NASDAQ: CRSP), a biopharmaceutical company focused on developing transformative gene-based medicines for serious diseases, and Nkarta, Inc. (NASDAQ: NKTX), a biopharmaceutical company developing engineered NK cell therapies to treat cancer, today announced a strategic partnership to research, develop, and commercialize CRISPR/Cas9 gene-edited cell therapies for cancer.

Under the agreement, the companies will co-develop and co-commercialize two CAR NK cell product candidates, one targeting the CD70 tumor antigen and the other target to be determined. In addition, the companies will bring together their complementary cell therapy engineering and manufacturing capabilities to advance the development of a novel NK+T product candidate harnessing the synergies of the adaptive and innate immune systems. Finally, Nkarta obtains a license to CRISPR gene editing technology to edit five gene targets in an unlimited number of its own NK cell therapy products.

CRISPR Therapeutics and Nkarta will equally share all research and development costs and profits worldwide related to the collaboration products. For each non-collaboration product candidate incorporating a gene editing target licensed from CRISPR Therapeutics, Nkarta will retain worldwide rights and pay CRISPR Therapeutics milestones and royalties on net sales. The agreement includes a three-year exclusivity period between CRISPR Therapeutics and Nkarta covering the research, development, and commercialization of allogeneic, gene-edited, donor-derived NK cells and NK+T cells.

“By bringing together CRISPR Therapeutics’ and Nkarta’s highly complementary expertise and proprietary platforms we plan to accelerate the development of potentially groundbreaking genome engineered NK cell therapies,” said Samarth Kulkarni, Ph.D., Chief Executive Officer at CRISPR Therapeutics. “This collaboration broadens the scope of our efforts in oncology cell therapy, and expands our efforts to discover and develop novel cancer therapies for patients.”

“Uniting the best-in-class gene editing solution and allogeneic T cell therapy expertise of CRISPR with Nkarta’s best-in-class CAR NK cell therapy platform will be a major advantage to advancing the next wave of transformative cancer cell therapies,” said Paul J. Hastings, President and Chief Executive Officer of Nkarta. “With this partnership, Nkarta can systematically apply world-class gene editing across our entire pre-clinical pipeline going forward. CRISPR’s deep understanding of CD70 biology and experience in allogeneic T cell clinical development can accelerate the development of early-stage Nkarta programs, to deliver innovative treatments to patients that much faster.”

Nkarta Conference Call Details
Nkarta management will host a conference call to discuss the collaboration today at 4:30 p.m. Eastern Time (ET). The event will be simultaneously webcast and available for replay from the Nkarta website at www.nkartatx.com, under the Investors section. Investors may also participate in the conference call by calling 877-876-9174 (domestic) or +1-785-424-1669 (international). The conference ID is NKARTA.

About CRISPR Therapeutics
CRISPR Therapeutics is a leading gene editing company focused on developing transformative gene-based medicines for serious diseases using its proprietary CRISPR/Cas9 platform. CRISPR/Cas9 is a revolutionary gene editing technology that allows for precise, directed changes to genomic DNA. CRISPR Therapeutics has established a portfolio of therapeutic programs across a broad range of disease areas including hemoglobinopathies, oncology, regenerative medicine and rare diseases. To accelerate and expand its efforts, CRISPR Therapeutics has established strategic collaborations with leading companies including Bayer, Vertex Pharmaceuticals and ViaCyte, Inc. CRISPR Therapeutics AG is headquartered in Zug, Switzerland, with its wholly-owned U.S. subsidiary, CRISPR Therapeutics, Inc., and R&D operations based in Cambridge, Massachusetts, and business offices in San Francisco, California and London, United Kingdom. For more information, please visit www.crisprtx.com.

CRISPR Therapeutics Forward-Looking Statement
This press release may contain a number of “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, including statements made by Dr. Kulkarni and Mr. Hastings in this press release, as well as statements regarding CRISPR Therapeutics’ expectations about any or all of the following: (i) the future activities of the parties pursuant to the collaboration and the expected benefits of CRISPR Therapeutics’ collaboration with Nkarta; and (ii) the therapeutic value, development, and commercial potential of CRISPR/Cas9 gene editing technologies and therapies. Without limiting the foregoing, the words “believes,” “anticipates,” “plans,” “expects” and similar expressions are intended to identify forward-looking statements. You are cautioned that forward-looking statements are inherently uncertain. Although CRISPR Therapeutics believes that such statements are based on reasonable assumptions within the bounds of its knowledge of its business and operations, forward-looking

statements are neither promises nor guarantees and they are necessarily subject to a high degree of uncertainty and risk. Actual performance and results may differ materially from those projected or suggested in the forward-looking statements due to various risks and uncertainties. These risks and uncertainties include, among others: CRISPR Therapeutics may not realize the potential benefits of the collaboration, uncertainties inherent in the initiation and completion of preclinical studies; availability and timing of results from preclinical studies; whether results from a preclinical study will be favorable and predictive of future results of future studies or clinical trials; uncertainties about regulatory approvals and that future competitive or other market factors may adversely affect the commercial potential for product candidates; potential impacts due to the coronavirus pandemic, such as the timing and progress of preclinical studies; uncertainties regarding the intellectual property protection for CRISPR Therapeutics' technology and intellectual property belonging to third parties, and the outcome of proceedings (such as an interference, an opposition or a similar proceeding) involving all or any portion of such intellectual property; and those risks and uncertainties described under the heading "Risk Factors" in CRISPR Therapeutics' most recent annual report on Form 10-K, quarterly report on Form 10-Q, and in any other subsequent filings made by CRISPR Therapeutics with the U.S. Securities and Exchange Commission, which are available on the SEC's website at www.sec.gov. Existing and prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. CRISPR Therapeutics disclaims any obligation or undertaking to update or revise any forward-looking statements contained in this press release, other than to the extent required by law.

About Nkarta's NK Cell Technologies

Nkarta has pioneered a novel discovery and development platform for the engineering and efficient production of allogeneic, off-the-shelf natural killer (NK) cell therapy candidates. The approach harnesses the innate ability of NK cells to recognize and kill tumor cells. To enhance the inherent biological activity of NK cells, Nkarta genetically engineers the cells with a targeting receptor designed to recognize and bind to specific proteins on the surface of cancerous cells. This receptor is fused to co-stimulatory and signaling domains to amplify cell signaling and NK cell cytotoxicity. Upon binding the target, NK cells become activated and release cytokines that enhance the immune response and cytotoxic granules that lead to killing of the target cell. All of Nkarta's NK current cell therapy candidates are also engineered with a membrane-bound IL15, a proprietary version of a cytokine known for activating NK cell growth, to enhance the persistence and activity of the NK cells.

Nkarta's manufacturing process generates an abundant supply of NK cells that, at commercial scale, is expected to be significantly lower in cost than other current allogeneic and autologous cell therapies. Key to this efficiency is the rapid expansion of donor-derived NK cells using a proprietary NKSTIM cell line, leading to the production of hundreds of individual doses from a single manufacturing run. The platform also features the ability to freeze and store CAR NK cells for an extended period of time and is designed to enable immediate, off-the-shelf administration to patients at the point of care.

About Nkarta

Nkarta is a clinical-stage biotechnology company advancing the development of allogeneic, off the shelf natural killer (NK) cell therapies for cancer. By combining its cell expansion and

cryopreservation platform with proprietary cell engineering technologies, Nkarta is building a pipeline of cell therapy candidates generated by efficient manufacturing processes, which are engineered to enhance tumor targeting and improve persistence for sustained activity in the body. For more information, please visit www.nkartatx.com.

Nkarta, Inc. Cautionary Note on Forward-Looking Statements

Statements contained in this press release regarding matters that are not historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Words such as "anticipates," "believes," "expects," "intends," "plans," "potential," "projects," "would" and "future" or similar expressions are intended to identify forward-looking statements. Examples of these forward-looking statements include statements concerning: Nkarta's expectations regarding its ability to advance the development and commercialization of two gene-edited CAR-NK cell therapies and an NK+T cell therapy under the collaboration with CRISPR Therapeutics, and the ability of Nkarta and CRISPR Therapeutics to leverage the combination of their respective expertise and platforms to accelerate that development; Nkarta's application of gene-editing across its preclinical pipeline; the ability of Nkarta's technology to enhance the persistence and anti-tumor activity of NK cells and enable off-the-shelf, point-of-care administration; the efficiency and cost of Nkarta's manufacturing processes; the number of doses generated from a manufacturing run; and the proprietary nature of Nkarta's technology. Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among others: Nkarta's limited operating history and historical losses; Nkarta's ability to raise additional funding to complete the development and any commercialization of its product candidates; Nkarta's dependence on the success of its co-lead product candidates, NKX101 and NKX019; that Nkarta may be delayed in initiating, enrolling or completing any clinical trials; competition from third parties that are developing products for similar uses; Nkarta's ability to obtain, maintain and protect its intellectual property; Nkarta's dependence on third parties in connection with manufacturing, clinical trials and pre-clinical studies; the complexity of the manufacturing process for CAR NK cell therapies; and risks relating to the impact on Nkarta's business of the COVID-19 pandemic or similar public health crises.

These and other risks are described more fully in Nkarta's filings with the Securities and Exchange Commission ("SEC"), including the "Risk Factors" section of Nkarta's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 25, 20201, and our other documents subsequently filed with or furnished to the SEC. All forward-looking statements contained in this press release speak only as of the date on which they were made. Except to the extent required by law, Nkarta undertakes no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they were made.

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Schedule 1.41

CRISPR In-License Agreements

[***]

Schedule 1.110

Nkarta In-License Agreements

[***]

Schedule 11.1

Nkarta Schedule of Exceptions

[***]

Schedule 11.1.9

Nkarta Background Patents

[***]

Schedule 11.2

CRISPR Schedule of Exceptions

[***]

Schedule 11.2.9

CRISPR Background Patents

[***]

Schedule 11.3.2

Opt-Out Product Payments

[***]

NKARTA, INC.
CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Paul J. Hastings, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nkarta, 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 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) 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

   (c) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer 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: August 12, 2021

By: /s/ Paul J. Hastings
Paul J. Hastings
Chief Executive Officer

Exhibit 31.2

NKARTA, INC.
CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Nadir Mahmood, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nkarta, 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 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) 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

   (c) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer 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: August 12, 2021

By: /s/ Nadir Mahmood

Nadir Mahmood
Chief Financial and Business Officer

Exhibit 32

NKARTA, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Nkarta, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Paul J. Hastings, Chief Executive Officer of the Company, and Nadir Mahmood, Chief Financial and Business Officer, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2021 By: /s/ Paul J. Hastings

Paul J. Hastings
Chief Executive Officer

Date: August 12, 2021 By: /s/ Nadir Mahmood

Nadir Mahmood
Chief Financial and Business Officer