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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 10-Q**

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(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, 2020

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: 001-38693

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**Allogene Therapeutics, Inc.**

(Exact Name of Registrant as Specified in its Charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**82-3562771**  
(I.R.S. Employer  
Identification No.)

**210 East Grand Avenue, South San Francisco, California 94080**  
(Address of principal executive offices including zip code)  
**Registrant's telephone number, including area code: (650) 457-2700**

N/A

(Former name, former address and former fiscal year, if changed since last report)

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**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, \$0.001 par value per share	ALLO	The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 3, 2020, the registrant had 139,291,518 shares of common stock, \$0.001 par value per share, outstanding.

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**PART I: FINANCIAL INFORMATION****Item 1. Financial Statements****ALLOGENE THERAPEUTICS, INC.**  
**Condensed Consolidated Balance Sheets***(Unaudited)**(In thousands, except share and per share amounts)*

	June 30, 2020	December 31, 2019
<b>Assets</b>		(1)
Current assets:		
Cash and cash equivalents	\$ 280,379	\$ 175,126
Short-term investments	619,271	355,407
Prepaid expenses and other current assets	9,927	14,043
Total current assets	909,577	544,576
Long-term investments	210,794	58,322
Operating lease right-of-use asset	42,432	44,495
Property and equipment, net	84,605	56,449
Intangible assets, net	—	151
Restricted cash	4,299	4,299
Other long-term assets	2,160	4,618
Equity method investment	4,677	4,892
Total assets	<u>\$ 1,258,544</u>	<u>\$ 717,802</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 9,057	\$ 9,250
Accrued and other current liabilities	31,838	23,829
Total current liabilities	40,895	33,079
Lease liability, noncurrent	51,067	51,349
Other long-term liabilities	3,163	4,351
Total liabilities	95,125	88,779
Commitments and Contingencies (Notes 6 and 7)		
Stockholders' equity:		
Preferred stock, \$0.001 par value: 10,000,000 shares authorized as of June 30, 2020 and December 31, 2019; no shares were issued and outstanding as of June 30, 2020 and December 31, 2019	—	—
Common stock, \$0.001 par value: 200,000,000 shares authorized as of June 30, 2020 and December 31, 2019; 139,233,450 and 124,267,358 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively	139	124
Additional paid-in capital	1,673,026	1,023,876
Accumulated deficit	(511,576)	(396,122)
Accumulated other comprehensive income	1,830	1,145
Total stockholders' equity	1,163,419	629,023
Total liabilities and stockholders' equity	<u>\$ 1,258,544</u>	<u>\$ 717,802</u>

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

(1) The balance sheet as of December 31, 2019 is derived from the audited financial statements as of that date.

**ALLOGENE THERAPEUTICS, INC.**  
**Condensed Consolidated Statements of Operations and Comprehensive Loss**  
*(Unaudited)*  
*(In thousands, except share and per share amounts)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Operating expenses:</b>				
Research and development	\$ 47,296	\$ 31,774	\$ 89,337	\$ 55,177
General and administrative	15,862	14,187	31,502	27,245
Total operating expenses	63,158	45,961	120,839	82,422
Loss from operations	(63,158)	(45,961)	(120,839)	(82,422)
<b>Other income (expense), net:</b>				
Interest and other income, net	2,340	4,559	5,600	9,384
Other expenses	(156)	—	(215)	—
Total other income (expense), net	2,184	4,559	5,385	9,384
Loss before income taxes	(60,974)	(41,402)	(115,454)	(73,038)
Benefit from income taxes	—	159	—	209
Net loss	(60,974)	(41,243)	(115,454)	(72,829)
<b>Other comprehensive income:</b>				
Net unrealized gain on available-for-sale investments	220	756	685	1,855
Net comprehensive loss	\$ (60,754)	\$ (40,487)	\$ (114,769)	\$ (70,974)
Net loss per share, basic and diluted	\$ (0.53)	\$ (0.41)	\$ (1.03)	\$ (0.74)
Weighted-average number of shares used in computing net loss per share, basic and diluted	115,377,210	99,846,946	112,163,123	98,588,410

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

**ALLOGENE THERAPEUTICS, INC.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
*(Unaudited)*  
*(In thousands, except share amounts)*

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
<b>Balance - March 31, 2020</b>	125,262,537	\$ 125	\$ 1,055,386	\$ (450,602)	\$ 1,610	\$ 606,519
Issuance of common stock upon exercise of stock options and vesting of RSUs	513,466	1	4,475	—	—	4,476
Vesting of early exercised common stock	—	—	710	—	—	710
Stock-based compensation	—	—	16,770	—	—	16,770
Issuance of common stock from public offering, net of commissions and offering costs of \$36.8 million	13,457,447	13	595,685	—	—	595,698
Net loss	—	—	—	(60,974)	—	(60,974)
Net unrealized gain on available-for-sale investments	—	—	—	—	220	220
<b>Balance - June 30, 2020</b>	139,233,450	\$ 139	\$ 1,673,026	\$ (511,576)	\$ 1,830	\$ 1,163,419

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
<b>Balance - December 31, 2019</b>	124,267,358	\$ 124	\$ 1,023,876	\$ (396,122)	\$ 1,145	\$ 629,023
Issuance of common stock upon exercise of stock options and vesting of RSUs	853,241	1	4,779	—	—	4,780
Vesting of early exercised common stock	—	—	1,419	—	—	1,419
Stock-based compensation	—	—	30,985	—	—	30,985
Employee stock purchase plan	84,565	—	1,438	—	—	1,438
Issuance of common stock from public ATM offering, net of commissions and offering costs of \$0.3 million	570,839	1	14,844	—	—	14,845
Issuance of common stock from public offering, net of commissions and offering costs of \$36.8 million	13,457,447	13	595,685	—	—	595,698
Net loss	—	—	—	(115,454)	—	(115,454)
Net unrealized gain on available-for-sale investments	—	—	—	—	685	685
<b>Balance - June 30, 2020</b>	139,233,450	\$ 139	\$ 1,673,026	\$ (511,576)	\$ 1,830	\$ 1,163,419

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

**ALLOGENE THERAPEUTICS, INC.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
*(Unaudited)*  
*(In thousands, except share amounts)*

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
<b>Balance - March 31, 2019</b>	121,527,320	\$ 121	\$ 922,816	\$ (243,114)	\$ 1,405	\$ 681,228
Issuance of common stock upon exercise of stock	103,958	1	236	—	—	237
Vesting of early exercised common stock	—	—	3,170	—	—	3,170
Stock-based compensation	—	—	11,487	—	—	11,487
Net loss	—	—	—	(41,243)	—	(41,243)
Net unrealized gain on available-for-sale investments	—	—	—	—	756	756
<b>Balance - June 30, 2019</b>	121,631,278	\$ 122	\$ 937,709	\$ (284,357)	\$ 2,161	\$ 655,635

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
<b>Balance - December 31, 2018</b>	121,482,671	\$ 121	\$ 914,265	\$ (211,528)	\$ 306	\$ 703,164
Issuance of common stock upon exercise of stock	103,958	1	236	—	—	237
Vesting of early exercised common stock	—	—	3,170	—	—	3,170
Stock-based compensation	—	—	19,354	—	—	19,354
Employee stock purchase plan	44,649	—	684	—	—	684
Net loss	—	—	—	(72,829)	—	(72,829)
Net unrealized gain on available-for-sale investments	—	—	—	—	1,855	1,855
<b>Balance - June 30, 2019</b>	121,631,278	\$ 122	\$ 937,709	\$ (284,357)	\$ 2,161	\$ 655,635

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

**ALLOGENE THERAPEUTICS, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)  
(In thousands)

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (115,454)	\$ (72,829)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	30,985	19,354
Amortization of other intangible assets acquired	151	301
Depreciation and amortization	3,781	1,543
Net amortization/accretion on investment securities	20	(2,285)
Non-cash rent expense	1,060	1,548
Benefit from income taxes	—	(209)
Share of losses from equity method investments	215	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	4,116	(521)
Other long-term assets	2,458	(1,993)
Accounts payable	(503)	1,332
Accrued and other current liabilities	6,829	(107)
Other long-term liabilities	(1,188)	(1,282)
Net cash used in operating activities	<u>(67,530)</u>	<u>(55,148)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(28,307)	(18,279)
Proceeds from sales of investments	4,877	—
Proceeds from maturities of investments	221,633	197,415
Purchase of investments	(642,181)	(101,756)
Net cash (used in) provided by investing activities	<u>(443,978)</u>	<u>77,380</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock from ATM offering, net of commissions and issuance costs	14,845	—
Proceeds from issuance of common stock from public offering, net of commissions and issuance costs	595,698	—
Proceeds from issuance of common stock upon exercise of stock options	4,780	236
Proceeds from issuance of common stock under the employee stock purchase plan	1,438	684
Net cash provided by financing activities	<u>616,761</u>	<u>920</u>
Net change in cash, cash equivalents and restricted cash	105,253	23,152
Cash, cash equivalents and restricted cash — beginning of period	179,425	93,731
Cash, cash equivalents and restricted cash — end of period	<u>\$ 284,678</u>	<u>\$ 116,883</u>
<b>Non-cash investing activities:</b>		
Property and equipment purchases in accounts payable and accrued liabilities	\$ 8,298	\$ 13,667
<b>Supplemental disclosure:</b>		
Cash paid for amounts included in the measurement of lease liabilities	\$ 2,816	\$ 1,156
Cash received for amounts related to tenant improvement allowances	\$ 1,617	\$ —

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

**ALLOGENE THERAPEUTICS, INC.**  
**Notes to Condensed Consolidated Financial Statements**

**1. Description of Business**

Allogene Therapeutics, Inc. (the Company or Allogene) was incorporated on November 30, 2017, in the State of Delaware and is headquartered in South San Francisco, California. Allogene is a clinical-stage immuno-oncology company pioneering the development and commercialization of genetically engineered allogeneic T cell therapies for the treatment of cancer. The Company is developing a pipeline of off-the-shelf T cell product candidates that are designed to target and kill cancer cells.

**Public Offerings**

In November 2019, the Company entered into a sales agreement with Cowen and Company, LLC (Cowen), under which the Company may from time to time issue and sell shares of its common stock through Cowen in at-the-market (ATM) offerings for an aggregate offering price of up to \$250.0 million. The aggregate compensation payable to Cowen as the Company's sales agent equals up to 3.0% of the gross sales price of the shares sold through it pursuant to the sales agreement. In January 2020, the Company sold an aggregate of 570,839 shares of common stock in ATM offerings resulting in net proceeds of \$14.8 million.

In June 2020, the Company sold 13,457,447 shares of its common stock, which included 1,755,319 shares sold pursuant to the full exercise of the underwriters' option to purchase additional shares, in an underwritten public offering at a price of \$47.00 per share, which resulted in gross proceeds of approximately \$632.5 million. Net proceeds to the Company after deducting the underwriting discounts and commissions and other expenses were approximately \$595.7 million.

**Need for Additional Capital**

The Company has sustained operating losses and expects to continue to generate operating losses for the foreseeable future. The Company's ultimate success depends on the outcome of its research and development activities. The Company had cash and cash equivalents and investments of \$1.1 billion as of June 30, 2020. Since inception through June 30, 2020, the Company has incurred cumulative net losses of \$511.6 million. Management expects to incur additional losses in the future to fund its operations and conduct product research and development and recognizes the need to raise additional capital to fully implement its business plan.

The Company intends to raise additional capital through the issuance of equity securities, debt financings or other sources in order to further implement its business plan. However, if such financing is not available when needed and at adequate levels, the Company will need to reevaluate its operating plan and may be required to delay the development of its product candidates. The Company expects that its cash and cash equivalents and investments will be sufficient to fund its operations for a period of at least one year from the date the accompanying unaudited condensed consolidated financial statements are filed with the Securities and Exchange Commission (SEC).

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. The Company cannot at this time predict the specific extent, duration, or full impact that the COVID-19 pandemic will have on its financial condition and operations, including ongoing and planned clinical trials. The impact of the COVID-19 pandemic on the financial performance of the Company will depend on future developments, including the duration and spread of the pandemic and related governmental advisories and restrictions. These developments and the impact of the COVID-19 pandemic on the financial markets and the overall economy are highly uncertain. If the financial markets and/or the overall economy are impacted for an extended period, the Company's results may be adversely affected.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and pursuant to Form 10-Q and Article 10 of Regulation S-X of the SEC. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the Company's opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the results of operations and cash flows for the periods presented have been included. In June 2020, the Company formed a wholly-owned Netherlands-based subsidiary, Allogene Therapeutics, B.V., to help prepare for and assist with the Company's activities in Europe. The condensed



consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All material intercompany balances and transactions have been eliminated during consolidation.

The condensed consolidated balance sheet as of June 30, 2020, the condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2020 and 2019, the condensed consolidated statements of stockholders' equity as of June 30, 2020 and 2019, the condensed consolidated statements of cash flows for the six months ended June 30, 2020 and 2019, and the financial data and other financial information disclosed in the notes to the condensed consolidated financial statements are unaudited. The results of operations for the three and six months ended June 30, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020, or for any other future annual or interim period. These condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and related notes for the year ended December 31, 2019, included in the Company's Annual Report on Form 10-K filed with the SEC on February 27, 2020.

### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of expenses during the reporting period. Significant estimates and assumptions made in the accompanying condensed consolidated financial statements include but are not limited to the fair value of stock options, income tax uncertainties, and certain accruals. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could differ from those estimates.

### ***Significant Accounting Policies***

There have been no significant changes to the accounting policies during the three and six months ended June 30, 2020, as compared to the significant accounting policies described in Note 1 of the "Notes to Financial Statements" in the Company's audited financial statements included in its Annual Report, with the exception of the recently adopted accounting pronouncements in the section below.

### ***Recently Adopted Accounting Pronouncements***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments* and also issued subsequent amendments to the initial guidance: ASU 2018-19, ASU 2019-04, ASU 2019-05, and ASU 2019-11. The standard requires measurement and recognition of expected credit losses for financial assets by requiring an allowance to be recorded as an offset to the amortized cost of such assets. For available-for-sale debt securities, expected credit losses should be estimated when the fair value of the debt securities is below their associated amortized costs. This standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted beginning the first quarter of 2019. The Company's financial instruments that are in the scope of ASU 2016-13 include, but are not limited to, other receivables and available-for-sale debt securities. The Company adopted this standard on January 1, 2020 and applied the modified retrospective approach. Adoption of the new guidance had no significant impact on the Company's consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, *Intangibles – Goodwill and other – Internal-Use Software (Subtopic 350-40)*, which amended its guidance for costs of implementing a cloud computing service arrangement and aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This new standard also requires customers to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The guidance is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company adopted this standard on January 1, 2020, on a prospective basis for applicable implementation costs. Adoption of the new guidance had no significant impact on the Company's consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*, which clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under ASC 606 when the counterparty is a customer. In addition, Topic 808 precludes an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. The Company adopted this standard on January 1, 2020. Adoption of the new guidance had no significant impact on the Company's consolidated financial statements.

In December 2019, the FASB issued Accounting Standards Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (ASU 2019-12)*, which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, Income Taxes, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. This guidance will be effective for the Company in the first quarter of 2021 on a prospective basis, and early adoption is permitted. The Company early adopted this standard as of January 1, 2020 on a prospective basis in accordance with ASC 250, Accounting Changes and Error Corrections. The adoption resulted in the Company no longer needing to determine the tax effect from unrealized gains on available for sale securities, which previously had been disclosed in the condensed consolidated statement of operations as a benefit from income taxes. The impact of the adoption in the three and six months ended June 30, 2020 is that the benefit from income taxes in the condensed consolidated statement of operations and comprehensive loss is zero for both periods compared to recognition of a \$0.2 million and \$0.2 million tax benefit for the three and six months ended June 30, 2019, respectively.

### **Recent Accounting Pronouncements Not Yet Adopted**

In January 2020, the FASB issued Accounting Standard Update No. 2020-01, *Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323)*, which clarifies the interactions between topics 321 and 323 in applying or discontinuing the equity method of accounting for investments. This guidance will be effective for the Company in the first quarter of 2021, and early adoption is permitted. The Company is currently evaluating the impact of the new guidance on the consolidated financial statements.

### **3. Fair Value Measurements**

The Company measures and reports its cash equivalents, restricted cash, and investments at fair value.

Money market funds are measured at fair value on a recurring basis using quoted prices and are classified as Level 1. Investments are measured at fair value based on inputs other than quoted prices that are derived from observable market data and are classified as Level 2 inputs except for investments in U.S treasury securities which are classified as Level 1.

There were no Level 3 assets or liabilities as of June 30, 2020 and as of December 31, 2019.

Financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used in such measurements by major security type as of June 30, 2020 and as of December 31, 2019 are presented in the following tables:

	June 30, 2020			
	Level 1	Level 2	Level 3	Fair Value
	(in thousands)			
<b>Financial Assets:</b>				
Money market funds (1)	\$ 256,773	\$ —	\$ —	\$ 256,773
Commercial paper	—	79,910	—	79,910
Corporate bonds	—	292,055	—	292,055
U.S. treasury securities	423,486	—	—	423,486
U.S. agency securities	—	34,614	—	34,614
Total financial assets	<u>\$ 680,259</u>	<u>\$ 406,579</u>	<u>\$ —</u>	<u>\$ 1,086,838</u>

	December 31, 2019			
	Level 1	Level 2	Level 3	Fair Value
	(in thousands)			
<b>Financial Assets:</b>				
Money market funds (1)	\$ 122,900	\$ —	\$ —	\$ 122,900
Corporate bonds	—	205,011	—	205,011
U.S. treasury securities	181,894	—	—	181,894
U.S. agency securities	—	25,824	—	25,824
Certificates of deposit	—	1,000	—	1,000
<b>Total financial assets</b>	<b>\$ 304,794</b>	<b>\$ 231,835</b>	<b>\$ —</b>	<b>\$ 536,629</b>

(1) Included within cash and cash equivalents on the Company's condensed consolidated balance sheets

#### 4. Financial Instruments

The fair value and amortized cost of cash equivalents and available-for-sale securities by major security type as of June 30, 2020 and as of December 31, 2019 are presented in the following tables:

	June 30, 2020			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Money market funds	\$ 256,773	\$ —	\$ —	\$ 256,773
Commercial paper	79,822	90	(2)	79,910
Corporate bonds	290,898	1,205	(48)	292,055
U.S. treasury securities	422,592	907	(13)	423,486
U.S. agency securities	34,479	137	(2)	34,614
<b>Total cash equivalents and investments</b>	<b>\$ 1,084,564</b>	<b>\$ 2,339</b>	<b>\$ (65)</b>	<b>\$ 1,086,838</b>

Classified as:

Cash equivalents	\$ 256,773
Short-term investments	619,271
Long-term investments	210,794
<b>Total cash equivalents and investments</b>	<b>\$ 1,086,838</b>

	December 31, 2019			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Money market funds	\$ 122,900	\$ —	\$ —	\$ 122,900
Corporate bonds	204,144	871	(4)	205,011
U.S. treasury securities	181,340	557	(3)	181,894
U.S. agency securities	25,658	167	(1)	25,824
Certificates of deposit	1,000	—	—	1,000
Total cash equivalents and investments	<u>\$ 535,042</u>	<u>\$ 1,595</u>	<u>\$ (8)</u>	<u>\$ 536,629</u>
Classified as:				
Cash equivalents				\$ 122,900
Short-term investments				355,407
Long-term investments				58,322
Total cash equivalents and investments				<u>\$ 536,629</u>

As of June 30, 2020, the remaining contractual maturities of available-for-sale securities were less than 3 years. There have been no significant realized losses on available-for-sale securities for the periods presented. As of June 30, 2020, unrealized losses on available-for-sale investments are not attributed to credit risk. The Company believes that it is more-likely-than-not that investments in an unrealized loss position will be held until maturity and all interest and principal will be received. The Company believes that an allowance for credit losses is unnecessary because the unrealized losses on certain of the Company's marketable securities are due to market factors. To date, the Company has not recorded any impairment charges on marketable securities.

## 5. Balance Sheets Components

### Property and Equipment

Property and Equipment consist of the following:

	June 30, 2020	December 31, 2019
	(In thousands)	
Construction in progress	\$ 36,963	\$ 12,390
Leasehold improvements	31,519	29,924
Laboratory equipment	18,813	13,117
Computers equipment and purchased software	3,783	3,726
Furniture and fixtures	2,780	2,764
Total	<u>93,858</u>	<u>61,921</u>
Less: accumulated depreciation	(9,253)	(5,472)
Total property and equipment, net	<u>\$ 84,605</u>	<u>\$ 56,449</u>

## 6. License Agreements

### Asset Contribution Agreement with Pfizer

In April 2018, the Company entered into an Asset Contribution Agreement (the Pfizer Agreement) with Pfizer pursuant to which the Company acquired certain assets, including certain contracts and intellectual property for the development and administration of chimeric antigen receptor (CAR) T cells for the treatment of cancer. The Company is required to make milestone payments upon successful completion of regulatory and sales milestones on a target-by-target basis for the targets including CD19 and B-cell maturation antigen (BCMA), covered by the Pfizer Agreement. The aggregate potential milestone payments upon successful completion of various regulatory milestones in the United States and the European Union are \$30.0

million or \$60.0 million, depending on the target, with aggregate potential regulatory and development milestones of up to \$840.0 million, provided that the Company is not obligated to pay a milestone for regulatory approval in the European Union for an anti-CD19 allogeneic CAR T cell product, to the extent Servier has commercial rights to such territory. The aggregate potential milestone payments upon reaching certain annual net sales thresholds in North America, Europe, Asia, Australia and Oceania (the Territory) for a certain number of targets covered by the Pfizer Agreement are \$325.0 million per target. The sales milestones in the foregoing sentence are payable on a country-by-country basis until the last to expire of any Pfizer Royalty Term, as described below, for any product in such country in the Territory. In October 2019, the Territory was expanded to all countries in the world. No milestone or royalty payments were made in the three months ended June 30, 2020 and 2019 respectively.

Pfizer is also eligible to receive, on a product-by-product and country-by-country basis, royalties in single-digit percentages on annual net sales for products covered by the Pfizer Agreement or that use certain Pfizer intellectual property and for which an investigational new drug application (IND) is first filed on or before April 6, 2023. The Company's royalty obligation with respect to a given product in a given country begins upon the first sale of such product in such country and ends on the later of (i) expiration of the last claim of any applicable patent or (ii) 12 years from the first sale of such product in such country.

#### ***Research Collaboration and License Agreement with Cellectis***

As part of the Pfizer Agreement, Pfizer assigned to the Company a Research Collaboration and License Agreement (the Original Cellectis Agreement) with Cellectis S.A. (Cellectis). On March 8, 2019, the Company entered into a License Agreement (the Cellectis Agreement) with Cellectis. In connection with the execution of the Cellectis Agreement, on March 8, 2019, the Company and Cellectis also entered into a letter agreement (the Letter Agreement), pursuant to which the Company and Cellectis agreed to terminate the Original Cellectis Agreement. The Original Cellectis Agreement included a research collaboration to conduct discovery and pre-clinical development activities to generate CAR T cells directed at targets selected by each party, which was completed in June 2018.

Pursuant to the Cellectis Agreement, Cellectis granted to the Company an exclusive, worldwide, royalty-bearing license, on a target-by-target basis, with sublicensing rights under certain conditions, under certain of Cellectis's intellectual property, including its TALEN and electroporation technology, to make, use, sell, import, and otherwise exploit and commercialize CAR T products directed at certain targets, including BCMA, FLT3, DLL3 and CD70 (the Allogene Targets), for human oncologic therapeutic, diagnostic, prophylactic and prognostic purposes. In addition, certain Cellectis intellectual property rights granted by Cellectis to the Company and to Servier pursuant to the Exclusive License and Collaboration Agreement by and between Servier and Pfizer, dated October 30, 2016, which Pfizer assigned to the Company in April 2018, will survive the termination of the Original Cellectis Agreement.

Pursuant to the Cellectis Agreement, the Company granted Cellectis a non-exclusive, worldwide, royalty-free, perpetual and irrevocable license, with sublicensing rights under certain conditions, under certain of the Company's intellectual property, to make, use, sell, import and otherwise commercialize CAR T products directed at certain targets (the Cellectis Targets).

The Cellectis Agreement provides for development and sales milestone payments by the Company of up to \$185.0 million per product that is directed against an Allogene Target, with aggregate potential development and sales milestone payments totaling up to \$2.8 billion. Cellectis is also eligible to receive tiered royalties on annual worldwide net sales of any products that are commercialized by the Company that contain or incorporate, are made using or are claimed or covered by, Cellectis intellectual property licensed to the Company under the Cellectis Agreement (the Allogene Products), at rates in the high single-digit percentages. Such royalties may be reduced, on a licensed product-by-licensed product and country-by-country basis, for generic entry and for payments due under licenses of third party patents. Pursuant to the Cellectis Agreement, and subject to certain exceptions, the Company is required to indemnify Cellectis against all third party claims related to the development, manufacturing, commercialization or use of any Allogene Product or arising out of the Company's material breach of the representations, warranties or covenants set forth in the Cellectis Agreement, and Cellectis is required, subject to certain exceptions, to indemnify the Company against all third party claims related to the development, manufacturing, commercialization or use of CAR T products directed at Cellectis Targets or arising out of Cellectis's material breach of the representations, warranties or covenants set forth in the Cellectis Agreement.

The royalties are payable, on a licensed product-by-licensed product and country-by-country basis, until the later of (i) the expiration of the last to expire of the licensed patents covering such product; (ii) the loss of regulatory exclusivity afforded such product in such country, and (iii) the tenth anniversary of the date of the first commercial sale of such product in such country; however, in no event shall such royalties be payable, with respect to a particular licensed product, past the twentieth anniversary of the first commercial sale for such product.

Depending on the Collectis Target, the Company has a right of first refusal or right of first negotiation to purchase or license from Collectis rights to develop and commercialize products against such Collectis Targets.

Under the Collectis Agreement, the Company has certain diligence obligations to progress the development of CAR T product candidates and to commercialize one CAR T product per Allogene Target in one major market country where the Company has received regulatory approval. If the Company materially breaches any of its diligence obligations and fails to cure within 90 days, then with respect to certain targets, such target will cease to be an Allogene Target and instead will become a Collectis Target.

Unless earlier terminated in accordance with its terms, the Collectis Agreement will expire on a product-by-product and country-by-country basis, upon expiration of all royalty payment obligations with respect to such licensed product in such country. The Company has the right to terminate the Collectis Agreement at will upon 60 days' prior written notice, either in its entirety or on a target-by-target basis. Either party may terminate the Collectis Agreement, in its entirety or on a target-by-target basis, upon 90 days' prior written notice in the event of the other party's uncured material breach. The Collectis Agreement may also be terminated by the Company upon written notice at any time in the event that Collectis becomes bankrupt or insolvent or upon written notice within 60 days of a consummation of a change of control of Collectis.

All costs the Company incurred in connection with this agreement were recognized as research and development expenses. For the three and six months ended June 30, 2020 and 2019, zero costs were incurred related to the achievement of a clinical development milestone under this agreement. For the three and six months ended June 30, 2020 and 2019, zero costs were incurred associated with research services performed by Collectis under this agreement.

#### ***License and Collaboration Agreement with Servier***

As part of the Pfizer Agreement, Pfizer assigned to the Company an Exclusive License and Collaboration Agreement (the Servier Agreement), with Les Laboratoires Servier SAS and Institut de Recherches Internationales Servier SAS (collectively, Servier) to develop, manufacture and commercialize certain allogeneic anti-CD19 CAR T cell product candidates, including UCART19, in the United States with the option to obtain the rights over additional anti-CD19 product candidates and for allogeneic CAR T cell product candidates directed against one additional target. In October 2019, the Company agreed to waive its rights to the one additional target.

Under the Servier Agreement, the Company has an exclusive license to develop, manufacture and commercialize UCART19 in the field of anti-tumor adoptive immunotherapy in the United States, with an exclusive option to obtain the same rights for additional product candidates in the United States and, if Servier does not elect to pursue development or commercialization of those product candidates in certain markets outside of the United States pursuant to its license, outside of the United States as well. The Company is not required to make any additional payments to Servier to exercise an option. If the Company opts-in to another product candidate, Servier has the right to obtain rights to such product candidate outside the United States and to share development costs for such product candidate.

Under the Servier Agreement, the Company is required to use commercially reasonable efforts to develop and obtain marketing approval in the United States in the field of anti-tumor adoptive immunotherapy for at least one product directed against CD19, and Servier is required to use commercially reasonable efforts to develop and obtain marketing approval in the European Union, and one other country in a group of specified countries outside of the European Union and the United States, in the field of anti-tumor adoptive immunotherapy for at least one allogeneic adaptive T cell product directed against a certain Company-selected target.

For product candidates that the Company is co-developing with Servier, including UCART19, ALLO-501 and ALLO-501A, the Company is responsible for 60% of the specified development costs and Servier is responsible for the remaining 40% of the specified development costs under the applicable global research and development plan. Subject to certain restrictions, each party has the right to conduct activities that are specific to its territory outside the global research and development plan at such party's sole expense. In addition, each party is solely responsible for commercialization activities in its territory at such party's sole expense.

The Company is required to make milestone payments to Servier upon successful completion of regulatory and sales milestones. The Servier Agreement provides for aggregate potential payments by the Company to Servier of up to \$137.5 million upon successful completion of various regulatory milestones, and aggregate potential payments by the Company to Servier of up to \$78.0 million upon successful completion of various sales milestones. Similarly, Servier is required to make milestone payments upon successful completion of regulatory and sales milestones for products directed at the Allogene-target

covered by the Servier Agreement that achieves such milestones. The total potential payments that Servier is obligated to make to the Company under the Servier Agreement upon successful completion of regulatory and sales milestones are \$42.0 million and €70.5 million (\$79.1 million), respectively. The foregoing milestones are subject to certain adjustments if the Company obtains rights for certain products outside of the United States upon Servier's election not to pursue such rights.

Each party is also eligible to receive tiered royalties on annual net sales in countries within the paying party's respective territory of any licensed products that are commercialized by such party that are directed at the targets licensed by such party under the Servier Agreement. The royalty rates are in a range from the low tens to the high teen percentages. Such royalties may be reduced for interchangeable drug entry, expiration of patent rights and amounts paid pursuant to licenses of third-party patents. The royalty obligation for each party with respect to a given licensed product in a given country in each party's respective territory (the Servier Royalty Term) begins upon the first commercial sale of such product in such country and ends after a defined number of years.

Unless earlier terminated in accordance with the Servier Agreement, the Servier Agreement will continue, on a licensed product-by-licensed product and country-by-country basis, until the Servier Royalty Term with respect to the sale of such licensed product in such country expires.

For the three and six months ended June 30, 2020, the Company recorded \$0.9 million and \$1.9 million, respectively, of net cost recoveries under the cost-sharing terms of the Servier Agreement as a reduction to research and development expenses. For the three and six months ended June 30, 2019, the Company recorded \$2.4 million and \$3.1 million, respectively, of costs as research and development expenses. As of June 30, 2020, amounts due from Servier of \$0.8 million were recorded in other current assets in the accompanying condensed consolidated balance sheets. As of December 31, 2019, amounts due to Servier of \$2.2 million were recorded in accrued and other current liabilities in the accompanying condensed consolidated balance sheets.

### ***Research Collaboration and License Agreement with Notch***

On November 1, 2019, the Company entered into a Collaboration and License Agreement (the Notch Agreement) with Notch Therapeutics Inc. (Notch), pursuant to which Notch granted to Allogene an exclusive, worldwide, royalty-bearing, sublicensable license under certain of Notch's intellectual property to develop, make, use, sell, import, and otherwise commercialize therapeutic gene-edited T cell and/or natural killer (NK) cell products from induced pluripotent stem cells directed at certain CAR targets for initial application in non-Hodgkin lymphoma, acute lymphoblastic leukemia and multiple myeloma. In addition, Notch has granted Allogene an option to add certain specified targets to its exclusive license in exchange for an agreed per-target option fee.

The Notch Agreement includes a research collaboration to conduct research and pre-clinical development activities to generate engineered cells directed to Allogene's exclusive targets, which will be conducted in accordance with an agreed research plan and budget under the oversight of a joint development committee. Allogene will reimburse Notch's costs incurred in accordance with such plan and budget. The term of the research collaboration will expire upon the earlier of (i) the fifth anniversary of the date of the Notch Agreement, (ii) at Allogene's election, following the joint development committee's determination that for each exclusive target, Notch has met certain success criteria, or (iii) the joint development committee's determination that the research collaboration cannot be reasonably pursued against any exclusive target due to technical infeasibility or safety issues.

In connection with the execution of the Notch Agreement, Allogene made an upfront payment to Notch of \$10.0 million in return for a license to access Notch's technology in order to conduct research pursuant to the Notch Agreement. The Company recognized a research and development expense of \$10 million during the year ended December 31, 2019 as the license had no foreseeable alternative future use. In addition, Allogene made a \$5.0 million investment in Notch's series seed convertible preferred stock, resulting in Allogene having a 25% ownership interest in Notch's outstanding capital stock on a fully diluted basis immediately following the investment. In connection with this investment, David Chang, M.D., Ph.D., the Company's President, Chief Executive Officer and Board member, was appointed to Notch's Board of Directors.

Under the Notch Agreement, Notch will be eligible to receive up to \$7.25 million upon achieving certain agreed research milestones, up to \$4.0 million per exclusive target upon achieving certain pre-clinical development milestones, and up to \$283.0 million per exclusive target and cell type (i.e., T cell or NK cell) upon achieving certain clinical, regulatory and commercial milestones. Notch is also entitled to receive tiered royalties in the mid to high single digit range on Allogene's sales of licensed products, subject to certain reductions, for a term, on a country-by-country and product-by-product basis, commencing on first commercial sale of such product in such country and continuing until the latest of (i) the date upon which there is no valid claim of the licensed patents in such country of sale that covers such product, (ii) the expiration of applicable

data or other regulatory exclusivity in such country of sale or (iii) a defined period from the first commercial sale of such product in such country.

The terms of the Notch Agreement will continue on a product-by-product and country-by-country basis until Allogene's payment obligations with respect to such product in such country have expired. Following such expiration, Allogene's license with respect to such product and country shall be perpetual, irrevocable, fully paid up and royalty-free. Allogene may terminate the Collaboration Agreement in whole or on a product-by-product basis upon ninety days' prior written notice to Notch. Either party may also terminate the Collaboration Agreement with written notice upon material breach by the other party, if such breach has not been cured within a defined period of receiving such notice, or in the event of the other party's insolvency.

The Company has determined that Notch continues to be a variable interest entity as of June 30, 2020. The Company does not have the power to direct the activities which most significantly affect Notch's economic performance. Accordingly, for the three and six months ended June 30, 2020, the Company did not consolidate Notch because the Company determined that it was not the primary beneficiary.

For the three and six months ended June 30, 2020, the Company recorded \$0.4 million and \$0.7 million, respectively, in collaboration costs as research and development expenses.

## 7. Commitments and Contingencies

### Leases

In August 2018, the Company entered into an operating lease agreement for new office and laboratory space which consists of approximately 68,000 square feet located in South San Francisco, California. The lease term is 127 months beginning August 2018 through February 2029 with an option to extend the term for another seven years which is not reasonably assured of exercise. The Company has made certain tenant improvements, including the addition of laboratory space, and has received \$5.0 million of tenant improvement allowances up to June 30, 2020. The rent payments began on March 1, 2019 after an abatement period.

In October 2018, the Company entered into an operating lease agreement for new office and laboratory space which consists of 14,943 square feet located in South San Francisco, California. The lease term is 124 months beginning November 2018 through February 2029, with an option to extend the term for another seven years which is not reasonably assured of exercise. The Company has made certain tenant improvements, including the upgrading of current office and laboratory space with a lease incentive allowance of \$0.8 million. Rent payments began in November 2018.

In February 2019, the Company entered into a lease agreement for approximately 118,000 square feet of space to develop a cell therapy manufacturing facility in Newark, California. The lease has a term of 188 months and is expected to commence in October 2020. Upon certain conditions, the Company has two ten-year options to extend the lease which are not reasonably assured of exercise. Rent payments are expected to begin in early 2021 after an abatement period. The Company is entitled to a tenant improvement allowance of \$2.9 million for costs related to the design and construction of certain Company improvements.

The Company maintained letters of credit for the benefit of landlords in the amount of \$4.3 million which is disclosed as restricted cash as of June 30, 2020 and December 31, 2019, respectively.

The balance sheet classification of our lease liabilities were as follows (in thousands):

	June 30, 2020	—	December 31, 2019
Operating lease liabilities			
Current portion included in accrued and other current liabilities	\$ 2,395	\$	1,679
Long-term portion of lease liabilities	51,067		51,349
Total operating lease liabilities	<u>\$ 53,462</u>	<u>\$</u>	<u>53,028</u>

The components of lease costs for operating leases, which were recognized in operating expenses, were as follows (in thousands):



	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating lease cost	\$ 1,868	\$ 1,354	\$ 3,736	\$ 2,705
Variable lease cost	399	263	608	401
Total lease costs	\$ 2,267	\$ 1,617	\$ 4,344	\$ 3,106

Cash paid for amounts included in the measurement of lease liabilities for the six months ended June 30, 2020 was \$2.8 million and was included in net cash used in operating activities in our condensed consolidated statements of cash flows.

The undiscounted future lease payments under the lease agreements as of June 30, 2020 were as follows (in thousands):

**Year ending December 31:**

2020 (remaining 6 months)	\$ 2,846
2021	6,813
2022	7,927
2023	8,178
2024	8,440
2025 and thereafter	56,294
Total undiscounted lease payments	90,498
Less: Present value adjustment	(34,311)
Less: Tenant improvement allowance	(2,725)
Total	\$ 53,462

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, we use our estimated incremental borrowing rate. The weighted average discount rate used to determine the operating lease liability was 8.35%. As of June 30, 2020, the weighted average remaining lease term for our operating leases is 10.4 years.

**Other Commitments**

The Company has entered into certain license agreements for intellectual property which is used as part of our development and manufacturing processes. Each of these respective agreements are generally cancellable by the Company. These agreements require payment of annual license fees and may include conditional milestone payments for achievement of specific research, clinical and commercial events, and royalty payments. The timing and likelihood of any significant conditional milestone payments or royalty payments becoming due was not probable as of June 30, 2020.

The Company enters into contracts in the normal course of business that includes arrangements with clinical research organizations, vendors for preclinical research and vendors for manufacturing. These agreements generally allow for cancellation with notice. As of June 30, 2020, the Company had non-cancellable purchase commitments of \$5.6 million.

**8. Equity Method Investment**

In conjunction with the execution of the Notch Agreement (see Note 6), the Company also entered into a Share Purchase Agreement with the Company acquiring shares of Notch's Series Seed convertible preferred stock for a total investment cost of \$5.1 million which includes transaction costs of \$0.1 million, resulting in a 25% ownership interest in Notch.

The Company's total equity investment in Notch as of June 30, 2020 and December 31, 2019 was \$4.7 million and \$4.9 million, respectively, and the Company accounted for the investment using the equity method of accounting. During the three and six months ended June 30, 2020, the Company recognized its share of Notch's net loss under the other expenses caption within the condensed consolidated statements of operations. The Company's share of Notch's net loss was \$0.1 million and \$0.2 million for the three and six months ended June 30, 2020.

## 9. Stock-Based Compensation

In June 2018, the Company adopted the 2018 Equity Incentive Plan (2018 Plan). The 2018 Plan provided for the Company to sell or issue common stock or restricted common stock, or to grant incentive stock options or nonqualified stock options for the purchase of common stock, to employees, members of the Company's Board of Directors and consultants of the Company under terms and provisions established by the Company's Board of Directors. In October 2018, the Board of Directors approved an amendment and restatement of the 2018 Plan, increasing the shares of common stock issuable under the 2018 Plan as well as allowing for an automatic annual increase to the shares issuance under the 2018 Plan to the amount equal to 5% of the total number of shares of common stock outstanding on December 31 of the preceding calendar year. The term of any stock option granted under the 2018 Plan cannot exceed 10 years. The Company generally grants stock-based awards with service conditions only. Options shall not have an exercise price less than 100% of the fair market value of the Company's common stock on the grant date. Options granted typically vest over a four-year period but may be granted with different vesting terms. Restricted Stock Units granted typically vest annually over a four-year period but may be granted with different vesting terms.

As of June 30, 2020, there were 12,562,263 shares reserved by the Company under the 2018 Plan for the future issuance of equity awards.

### Stock Option Activity

The following summarizes option activity under the 2018 Plan:

	Outstanding Options			
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contract Term (in years)	Aggregate intrinsic value (in thousands)
Balance, December 31, 2019	9,190,522	\$ 14.51	8.82	\$ 110,490
Granted	2,896,287	20.01		
Exercised	(498,406)	9.89		
Forfeited	(536,964)	11.97		
Balance, June 30, 2020	11,051,439	\$ 16.28	8.59	\$ 293,934
Exercisable, June 30, 2020	6,474,921	\$ 14.24	8.45	\$ 184,688
Vested and expected to vest, June 30, 2020	11,051,439	\$ 16.28	8.59	\$ 293,934

The aggregate intrinsic values of options outstanding, exercisable, vested and expected to vest were calculated as the difference between the exercise price of the options and the closing price of the Company's common stock on the Nasdaq Global Select Market on June 30, 2020. For the six months ended June 30, 2020, the estimated weighted-average grant-date fair value of employee options granted was \$20.01 per share. As of June 30, 2020, there was \$91.8 million of unrecognized stock-based compensation related to unvested stock options, which is expected to be recognized over a weighted-average period of 2 years, 336 days.

The fair value of employee, consultant and director stock option awards was estimated at the date of grant using a Black-Scholes option-pricing model with the following assumptions:

	Six Months Ended June 30,	
	2020	2019
Expected term in years	5.31 - 6.09	5.99 - 6.25
Expected volatility	71.42% - 72.14%	74.84%
Expected risk-free interest rate	0.38% - 1.65%	2.45% - 2.62%
Expected dividend	0%	0%

*Expected term*— The expected term represents the period that stock-based awards are expected to be outstanding. The expected term for option grants is determined using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the stock-based awards.

**Expected volatility**— The Company uses an average historical stock price volatility of comparable public companies within the biotechnology and pharmaceutical industry that were deemed to be representative of future stock price trends as the Company does not have sufficient trading history for its common stock. The Company will continue to apply this process until a sufficient amount of historical information regarding the volatility of its own stock price becomes available.

**Risk-free interest rate**—The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of option.

**Expected dividend**—The Company has never paid dividends on its common stock and has no plans to pay dividends on its common stock. Therefore, the Company used an expected dividend yield of zero.

### **Restricted Stock Unit Activity**

The following summarizes restricted stock unit activity under the 2018 Plan:

	Restricted Stock Units	Outstanding Restricted Stock Units		
		Weighted-Average Fair Value at Date of Grant per Share	Weighted Average Remaining Vesting Life (in years)	Aggregate Intrinsic Value (in thousands)
Unvested December 31, 2019	1,941,155	\$ 27.45	1.98	\$50,431
Granted	1,042,799	21.71	2.19	
Vested	(383,730)	27.28		
Forfeited	(108,515)	24.93		
Unvested June 30, 2020	2,491,709	\$ 25.18	2.03	\$106,695
Vested and expected to vest, June 30, 2020	2,491,709	\$ 25.18	2.03	\$106,695

As of June 30, 2020, there was \$55.1 million of unrecognized stock-based compensation related to unvested restricted stock units, which is expected to be recognized over a weighted-average period of 3 years, 55 days.

Total stock-based compensation related to stock options, restricted stock units, employee stock purchase plan and vesting of the founders' common stock was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Research and development	\$ 7,979	\$ 4,747	\$ 14,636	\$ 7,478
General and administrative	8,791	6,740	16,349	11,876
Total stock-based compensation	\$ 16,770	\$ 11,487	\$ 30,985	\$ 19,354

### **Early Exercised Options**

The Company allows certain of its employees and its directors to exercise options granted under the 2018 Plan prior to vesting. The shares related to early exercised stock options are subject to the Company's lapsing repurchase right upon termination of employment or service on the Company's board of directors at the lesser of the original purchase price or fair market value at the time of repurchase. In order to vest, the holders are required to provide continued service to the Company. The proceeds are initially recorded in accrued and other liabilities for the current portion, and other long-term liabilities for the non-current portion. The proceeds are reclassified to paid-in capital as the repurchase right lapses. As of June 30, 2020 and December 31, 2019 there was \$2.8 million and \$2.8 million recorded in accrued and other liabilities and \$2.5 million and \$3.9 million recorded in other long-term liabilities related to shares held by employees and directors that were subject to repurchase. The underlying shares are shown as outstanding in the condensed consolidated financial statements since the exercise date but the shares which are subject to future vesting conditions are not included in the calculation of earnings per share.

## 10. Related Party Transactions

As of June 30, 2020, Pfizer held 22,032,040 shares of Common Stock and had appointed one member to the Company's board of directors.

In April 2018, the Company and Pfizer entered into a transition services agreement (the Pfizer TSA) for Pfizer to provide professional services to the Company related to research and development, project management, and other administrative functions. In September 2019, the Company and Pfizer terminated the Pfizer TSA. For the three and six months ended June 30, 2020, the costs incurred under the Pfizer TSA were zero. For the three and six months ended June 30, 2019, the costs incurred under the Pfizer TSA were \$1.8 million and \$4.2 million, respectively.

The Company also purchased certain lab supplies from Pfizer in connection with its research and development activities. For the three and six months ended June 30, 2020, the total lab supplies and services purchased from Pfizer were zero. For the three and six months ended June 30, 2019, the total lab supplies and services purchased from Pfizer were \$0.4 million and \$1.0 million, respectively.

As of June 30, 2020 and December 31, 2019, the Company had an amount payable to Pfizer of zero and \$1.7 million, respectively, which was recorded in the accrued and other current liabilities on the accompanying condensed consolidated balance sheets.

### *Sublease Agreement*

In December 2018, the Company entered into a sublease with Bellco Capital LLC (Bellco) for 1,293 square feet of office space in Los Angeles, California for a three year term. On April 1, 2020, Bellco Capital Advisors Inc. assumed all rights, title, interests and obligations under the sublease from Bellco Capital LLC. The Company's executive chairman, Arie Beldegrun, M.D., FACS, is a trustee of the Beldegrun Family Trust, which controls Bellco Capital Advisors Inc. The total right of use asset and associated liability recorded related to this related party lease was \$0.1 million at June 30, 2020 and \$0.1 million and \$0.2 million, respectively, at December 31, 2019.

In February 2019, the Company subleased 2,180 square feet of its office space in New York, New York, to ByHeart, Inc. (ByHeart), formerly known as Second Science, Inc. ByHeart is a development-stage infant formula company. Certain of the Company's board members and executive officers have beneficial ownership in ByHeart and two serve on the board of directors of ByHeart. In September 2019, the Company entered into an amendment to the sublease agreement and increased the subleased space to 2,907 square feet. Sublease income for the three and six months ended June 30, 2020 were \$0.1 million and \$0.2 million, respectively, and was recognized as other income. Sublease income for the three and six months ended June 30, 2019 was \$0.1 million and \$0.1 million, respectively.

### *Consulting Agreements*

In June 2018, the Company entered into a services agreement with Two River Consulting LLC (Two River) a firm affiliated with the Company's President and Chief Executive Officer, the Company's Executive Chairman of the board of directors, and a director of the Company to provide various managerial, administrative, accounting and financial services to the Company. The costs incurred for services provided under this agreement were \$0.1 million and \$0.2 million for the three and six months ended June 30, 2020, respectively, and \$0.1 million and \$0.3 million for the three and six months ended June 30, 2019, respectively.

In August 2018, the Company entered into a consulting agreement with Bellco. Pursuant to the consulting agreement, Bellco provides certain services for the Company, which are performed by Dr. Beldegrun and include without limitation, providing advice and analysis with respect to the Company's business, business strategy and potential opportunities in the field of allogeneic CAR T cell therapy and any other aspect of the CAR T cell therapy business as the Company may agree. In consideration for these services, the Company paid Bellco \$33,333 per month in arrears commencing January 2019 and \$37,500 per month in arrears commencing January 2020. The Company may also, at its discretion, pay Bellco an annual performance award in an amount up to 60% of the aggregate compensation payable to Bellco in a calendar year. The Company also reimburses Bellco for out of pocket expenses incurred in performing the services. The cost incurred for services provided and out-of-pocket expenses incurred under this consulting agreement were \$0.2 million and \$0.4 million for the three and six months ended June 30, 2020, respectively, and \$0.1 million and \$0.3 million for the three and six months ended June 30, 2019, respectively.

## 11. Income Taxes

The Company has a history of losses, and expects to record a loss in 2020. The Company continues to maintain a full valuation allowance against its net deferred tax assets.

## 12. Net Loss Per Share

The following outstanding potentially dilutive shares have been excluded from the calculation of diluted net loss per share for the period presented due to their anti-dilutive effect:

	June 30,	
	2020	2019
Stock options to purchase common stock	11,051,439	9,287,848
Restricted stock units subject to vesting	2,491,709	1,433,582
Expected shares to be purchased under Employee Stock Purchase Plan	207,129	176,722
Founder's shares of common stock subject to future vesting	10,600,961	16,658,645
Early exercised stock options subject to future vesting	2,364,712	3,619,869
Total	26,715,950	31,176,666

## 13. Subsequent Events

In July 2020, the Company entered into a Solar Power Purchase and Energy Services Agreement with Onyx Development Group LLC (Onyx) for the installation and operation of a solar photovoltaic generating system and battery energy storage system at the Company's cell therapy manufacturing facility in Newark, California. The agreement has a term of 20 years and is expected to commence in the first quarter of 2021. The Company is obligated to pay for electricity generated from the system at an agreed rate for the duration of the agreement term. Termination of the agreement by the Company will result in a termination payment due of approximately \$4.3 million. In connection with the agreement, the Company will maintain a letter of credit for the benefit of Onyx in the amount of \$4.3 million and increased the letter of credit for the benefit of the landlord of the Newark manufacturing facility by \$0.9 million.

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

*You should read the following discussion of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto as of and for the year ended December 31, 2019 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2019 (Annual Report), which was filed with the Securities and Exchange Commission (SEC) on February 27, 2020. Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to the "Company", "Allogene," "we," "us" and "our" refer to Allogene Therapeutics, Inc., and references to "Servier" collectively refer to Les Laboratoires Servier SAS and Institut de Recherches Internationales Servier SAS.*

*In addition to historical financial information, this discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section titled "Risk Factors" under Part II, Item 1A below. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potentially," "predict," "should," "will" or the negative of these terms or other similar expressions.*

*In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and 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. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.*

## Overview

We are a clinical stage immuno-oncology company pioneering the development and commercialization of genetically engineered allogeneic T cell therapies for the treatment of cancer. We are developing a pipeline of off-the-shelf T cell product candidates that are designed to target and kill cancer cells. Our engineered T cells are allogeneic, meaning they are derived from healthy donors for intended use in any patient, rather than from an individual patient for that patient's use, as in the case of autologous T cells. We believe this key difference will enable us to deliver readily available treatments faster, more reliably, at greater scale, and to more patients.

We have a deep pipeline of allogeneic chimeric antigen receptor (CAR) T cell product candidates targeting multiple promising antigens in a host of hematological malignancies and solid tumors. In collaboration with Servier, we are developing UCART19, ALLO-501 and ALLO-501A, CAR T cell product candidates targeting CD19. UCART19, ALLO-501 and ALLO-501A use Cellectis technologies. Servier grants to us exclusive rights to UCART19, ALLO-501 and ALLO-501A in the United States while Servier retains exclusive rights for all other countries. Servier is sponsoring two Phase 1 clinical trials of UCART19 in patients with relapsed/refractory (R/R) B-cell precursor acute lymphoblastic leukemia (ALL), one for adult patients (the CALM trial) and one for pediatric patients (the PALL trial).

We are sponsoring a Phase 1 clinical trial (the ALPHA trial) of ALLO-501 in patients with R/R non-Hodgkin lymphoma (NHL). We reported initial data from the ALPHA trial at the American Society of Clinical Oncology annual meeting on May 29, 2020. We plan to continue the ALPHA trial to further explore and optimize the lymphodepletion regimen and treatment. We are also progressing the development of the second-generation version of ALLO-501, known as ALLO-501A. We have removed rituximab recognition domains in ALLO-501A, which we believe will potentially facilitate treatment of more patients, as rituximab is a typical part of a treatment regimen for a patient with NHL. We initiated a Phase 1/2 clinical trial for ALLO-501A (the ALPHA2 trial) in the second quarter of 2020 and plan to progress to the Phase 2 portion of the trial in 2021.

We initiated a Phase 1 clinical trial (the UNIVERSAL trial) of ALLO-715, an allogeneic CAR T cell product candidate targeting B-cell maturation antigen (BCMA), in adult patients with R/R multiple myeloma in the third quarter of 2019. We expect to report initial data from the UNIVERSAL trial in the fourth quarter of 2020. In addition, in January 2020, we entered into a clinical trial collaboration agreement with SpringWorks Therapeutics, Inc. (SpringWorks) to evaluate ALLO-715 in combination with SpringWorks' investigational gamma secretase inhibitor, nirogacestat, in patients with R/R multiple myeloma. We plan to file an investigational new drug application in the second half of 2020 to initiate this combination trial.

Due to the exceptional circumstances related to the COVID-19 pandemic, Servier halted recruitment in the CALM and PALL clinical trials in the first quarter of 2020. Servier resumed recruitment in the CALM and PALL clinical trials in the second quarter of 2020 in an effort to complete previously planned cohorts and recently completed enrollment in the CALM clinical trial. We are continuing to enroll patients in the ALPHA trial, ALPHA2 trial and UNIVERSAL trial, however, enrollment of new patients in all three trials and the ability to conduct patient follow-up is being adversely impacted by the COVID-19 pandemic. We have also limited the number of staff working onsite at our headquarters. Construction of our manufacturing facility in Newark, California, was interrupted for a period of time and may in the future be interrupted due to the COVID-19 pandemic. The exact timing of delays and overall impact of the COVID-19 pandemic to our business, preclinical studies and clinical trials is currently unknown, and we are monitoring the pandemic as it continues to rapidly evolve.

Since inception, we have had significant operating losses. Our net losses were \$61.0 million and \$115.5 million for the three and six months ended June 30, 2020. As of June 30, 2020, we had an accumulated deficit of \$511.6 million. As of June 30, 2020, we had \$1.1 billion in cash and cash equivalents and investments. We expect to continue to incur net losses for the foreseeable future, and we expect our research and development expenses, general and administrative expenses, and capital expenditures will continue to increase.

## **Our Research and Development and License Agreements**

### ***Asset Contribution Agreement with Pfizer***

In April 2018, we entered into an Asset Contribution Agreement (Pfizer Agreement) with Pfizer pursuant to which we acquired certain assets and assumed certain liabilities from Pfizer, including agreements with Collectis and Servier as described below, and other intellectual property for the development and administration of CAR T cells for the treatment of cancer. See Note 6 to our condensed consolidated financial statements included elsewhere in this report for further description of the Pfizer Agreement.

### ***Research Collaboration and License Agreement with Collectis***

In June 2014, Pfizer entered into a Research Collaboration and License Agreement (the Original Collectis Agreement) with Collectis S.A. (Collectis). In April 2018, Pfizer assigned the agreement to us pursuant to the Pfizer Agreement.

On March 8, 2019, we entered into a License Agreement (the Collectis Agreement) with Collectis. In connection with the execution of the Collectis Agreement, on March 8, 2019, we and Collectis also entered into a letter agreement, pursuant to which we and Collectis agreed to terminate the Original Collectis Agreement. The Original Collectis Agreement included a research collaboration to conduct discovery and pre-clinical development activities to generate CAR T cells directed at targets selected by each party, which was completed in June 2018.

The material rights and obligations of the parties under the Collectis Agreement are otherwise consistent with the material rights and obligations of the parties under the Original Collectis Agreement. See Note 6 to our condensed consolidated financial statements included elsewhere in this report for further description of the Collectis Agreement.

### ***Exclusive License and Collaboration Agreement with Servier***

In October 2015, Pfizer entered into an Exclusive License and Collaboration Agreement (Servier Agreement) with Servier to develop, manufacture and commercialize certain allogeneic anti-CD19 CAR products, including UCART19, in the United States with the option to obtain the rights over additional allogeneic anti-CD19 CAR product candidates and for allogeneic CAR T cell product candidates directed against one additional target. In April 2018, Pfizer assigned the agreement to us pursuant to the Pfizer Agreement. In October 2019, we agreed to waive our rights to the one additional target. See Note 6 to our condensed consolidated financial statements included elsewhere in this report for further description of the Servier Agreement.

### ***Collaboration and License Agreement with Notch***

On November 1, 2019, we entered into a Collaboration and License Agreement (the Notch Agreement) with Notch Therapeutics Inc. (Notch), pursuant to which Notch granted us an exclusive, worldwide, royalty-bearing, sublicensable license under certain of Notch's intellectual property to develop, make, use, sell, import, and otherwise commercialize therapeutic gene-edited T cell and/or natural killer cell products from induced pluripotent stem cells directed at certain CAR targets for initial application in NHL, ALL and multiple myeloma. In addition, Notch has granted us an option to add certain specified targets to our exclusive license in exchange for an agreed upon per-target option fee.

The Notch Agreement includes a research collaboration to conduct research and pre-clinical development activities to generate engineered cells directed to our exclusive targets, which will be conducted in accordance with an agreed research plan and budget under the oversight of a joint development committee. In connection with the execution of the Notch Agreement, we made an upfront payment to Notch of \$10.0 million. In addition, we made a \$5.0 million investment in Notch's series seed convertible preferred stock, resulting in us having a 25% ownership interest in Notch's outstanding capital stock on a fully diluted basis immediately following the investment. See Note 6 to our condensed consolidated financial statements included elsewhere in this report for further description of the Notch Agreement.

### ***Transition Services Agreement***

In connection with the closing of the Pfizer Agreement, we entered into a Transition Services Agreement (TSA) with Pfizer in April 2018, pursuant to which we obtained from Pfizer certain (i) research and development services, including services relating to testing, studies, and clinical trials, project management services, laboratory equipment and operations services, animal care services, data storage services and regulatory strategy services, and (ii) general and administrative services, including business technology services, compliance services, finance/accounting services, and procurement,

manufacturing and supply chain services, with respect to the assets that we purchased from Pfizer. Under the TSA, Pfizer also provided us with certain facilities and facility management services. The services were provided by certain employees of Pfizer as independent contractors of Allogene. We believe that it was helpful for Pfizer to provide such services to us under the TSA to help facilitate the efficient operation of our business after the asset purchase. Pfizer began providing the services in May 2018 and the TSA was terminated in September 2019.

## **Components of Results of Operations**

### ***Operating Expenses***

#### ***Research and Development***

To date, our research and development expenses have related primarily to discovery efforts and preclinical and clinical development of our product candidates. Research and development expenses for the three and six months ended June 30, 2020 included costs associated with our clinical and preclinical stage pipeline candidates and research into newer technologies. The most significant research and development expenses for the year relate to costs incurred for the development of our most advanced product candidates and include:

- expenses incurred under agreements with our collaboration partners and third-party contract organizations, investigative clinical trial sites that conduct research and development activities on our behalf, and consultants;
- costs related to production of clinical materials, including fees paid for raw materials and to contract manufacturers;
- laboratory and vendor expenses related to the execution of preclinical and clinical trials;
- employee-related expenses, which include salaries, benefits and stock-based compensation;
- facilities and other expenses, which include expenses for rent and maintenance of facilities, depreciation and amortization expense and supplies; and
- other significant research and development costs including overhead costs.

We expense all research and development costs in the periods in which they are incurred. We accrue for costs incurred as the services are being provided by monitoring the status of the project and the invoices received from our external service providers. We adjust our accrual as actual costs become known. Where contingent milestone payments are due to third parties under research and development arrangements or license agreements, the milestone payment obligations are expensed when the milestone results are achieved.

We are required to reimburse Servier for 60% of the costs associated with the development of UCART19, including for the CALM and PALL clinical trials. We accrue for costs incurred by monitoring the status of the CALM and PALL clinical trials and the invoices received from Servier. We adjust our accrual as actual costs become known. Servier is required to reimburse us for 40% of the costs associated with the development of ALLO-501 and ALLO-501A. Collaboration expenses and cost reimbursement are recorded on a net basis as a research and development expense in our condensed consolidated statements of operations and comprehensive loss.

Research and development activities are central to our business model. Product 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. We expect our research and development expenses to increase in the future as our clinical programs progress and as we seek to initiate clinical trials of additional product candidates. The cost of advancing our manufacturing process as well as the cost of manufacturing product candidates for clinical trials are included in our research and development expense. We also expect to incur increased research and development expenses as we selectively identify and develop additional product candidates. However, it is difficult to determine with certainty the duration and completion costs of our current or future preclinical programs and clinical trials of our product candidates.

The duration, costs and timing of clinical trials and development of our product candidates will depend on a variety of factors that include, but are not limited to, the following:

- per patient trial costs;
- biomarker analysis costs;
- the cost and timing of manufacturing for the trials;
- the number of patients that participate in the trials;



- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the total number of cells that patients receive;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up; and
- the efficacy and safety profile of the product candidates.

In addition, the probability of success for each product candidate will depend on numerous factors, including safety, efficacy, competition, manufacturing capability and commercial viability. We will determine which programs to pursue and how much to fund each program in response to the scientific and clinical success of each product candidate, as well as an assessment of each product candidate's commercial potential.

Because our product candidates are still in clinical and preclinical development and the outcome of these efforts is uncertain, we cannot estimate the actual amounts necessary to successfully complete the development and commercialization of product candidates or whether, or when, we may achieve profitability.

#### ***General and Administrative***

General and administrative expenses consist primarily of salaries and other staff-related costs, including stock-based compensation for options and restricted stock units granted. Other significant costs include costs relating to facilities and overhead costs, legal fees relating to corporate and patent matters, insurance, investor relations costs, fees for accounting and consulting services, information technology, and other general and administrative costs. General and administrative costs are expensed as incurred, and we accrue for services provided by third parties related to the above expenses by monitoring the status of services provided and receiving estimates from our service providers, and adjusting our accruals as actual costs become known.

We expect our general and administrative expenses to increase over the next several years to support our continued research and development activities, manufacturing activities, potential commercialization of our product candidates and the increased costs of operating as a public company, including additional compliance-related expenses as a result of no longer being an emerging growth company. These increases are anticipated to include increased costs related to the hiring of additional personnel, developing commercial infrastructure, fees to outside consultants, lawyers and accountants, and increased costs associated with being a public company such as expenses related to services associated with maintaining compliance with Nasdaq listing rules and SEC requirements, insurance and investor relations costs.

#### ***Interest and Other Income, Net***

Interest and other income, net consists of interest earned on our cash equivalents and investments, as well as investment gains and losses recognized during the period.

#### ***Other Expense***

Other expense consists of non-operating expenses, including our share of equity investments' net losses for the period.

### **Results of Operations**

#### ***Comparison of the Three Months Ended June 30, 2020 and 2019***

The following sets forth our results of operations for the three months ended June 30, 2020 and 2019 (dollars in thousands):

	Three Months Ended June 30,		Change	
	2020	2019	\$	%
Operating expenses:				
Research and development	\$ 47,296	\$ 31,774	\$ 15,522	49 %
General and administrative	15,862	14,187	1,675	12 %
Total operating expenses	63,158	45,961	17,197	37 %
Loss from operations	(63,158)	(45,961)	(17,197)	37 %
Other income (expense), net:				
Interest and other income, net	2,340	4,559	(2,219)	(49)%
Other expenses	(156)	—	(156)	—
Total other income (expense), net	2,184	4,559	(2,375)	(52)%
Loss before income taxes	(60,974)	(41,402)	(19,572)	47 %
Benefit from income tax	—	159	(159)	(100)%
Net Loss	\$ (60,974)	\$ (41,243)	\$ (19,731)	48 %

### ***Research and Development Expenses***

Research and development expenses were \$47.3 million and \$31.8 million for the three months ended June 30, 2020 and 2019, respectively. The increase of \$15.5 million was driven primarily by an increase in personnel related costs of \$7.3 million, of which \$3.2 million was increased stock-based compensation expense, an increase in external costs relating the advancement of our product candidates of \$6.9 million, and an increase in building rent and facilities costs of \$1.6 million, offset by a decrease in TSA expenses of \$0.3 million and a decrease in travel related costs of \$0.3 million due to the impact of the COVID-19 pandemic.

### ***General and Administrative Expenses***

General and administrative expenses were \$15.9 million and \$14.2 million for the three months ended June 30, 2020 and 2019, respectively. The net increase of \$1.7 million was primarily due to an increase in personnel related costs of \$2.4 million, of which \$2.1 million was increased stock-based compensation expense, and a \$0.8 million increase in building rent and facilities costs, offset by a decrease of \$1.5 million in TSA expenses.

### ***Interest and Other Income, Net***

Interest and other income, net was \$2.3 million and \$4.6 million for the three months ended June 30, 2020 and 2019, respectively. The decrease of \$2.2 million was due to lower interest earned on our cash, cash equivalents and investments.

### ***Comparison of the Six Months Ended June 30, 2020 and 2019***

The following sets forth our results of operations for the six months ended June 30, 2020 and 2019 (dollars in thousands):

	Six Months Ended June 30,		Change	
	2020	2019	\$	%
Operating expenses:				
Research and development	\$ 89,337	\$ 55,177	\$ 34,160	62 %
General and administrative	31,502	27,245	4,257	16 %
Total operating expenses	120,839	82,422	38,417	47 %
Loss from operations	(120,839)	(82,422)	(38,417)	47 %
Other income (expense), net:				
Interest and other income, net	5,600	9,384	(3,784)	(40)%
Other expenses	(215)	—	(215)	—
Total other income (expense), net	5,385	9,384	(3,999)	(43)%
Loss before income taxes	(115,454)	(73,038)	(42,416)	58 %
Benefit from income tax	—	209	(209)	(100)%
Net Loss	\$ (115,454)	\$ (72,829)	\$ (42,625)	59 %

### ***Research and Development Expenses***

Research and development expenses were \$89.3 million and \$55.2 million for the six months ended June 30, 2020 and 2019, respectively. The increase of \$34.2 million was driven primarily by an increase in personnel related costs of \$16.3 million, of which \$7.2 million was increased stock-based compensation expense, an increase in external costs relating to the advancement of our product candidates of \$15.1 million, and an increase in building rent and facilities costs of \$4.2 million, offset by a decrease in TSA costs of \$1.2 million and a decrease in travel related costs of \$0.5 million due to the impact of the COVID-19 pandemic.

### ***General and Administrative Expenses***

General and administrative expenses were \$31.5 million and \$27.2 million for the six months ended June 30, 2020 and 2019, respectively. The net increase of \$4.3 million was primarily due to an increase in personnel related costs of \$5.3 million, of which \$4.5 million was increased stock-based compensation expense, a \$1.4 million increase in building rent and facilities costs, and a \$0.9 million increase in business and consulting fees, offset by a decrease of \$3.3 million in TSA expenses.

### ***Interest and Other Income, Net***

Interest and other income, net was \$5.6 million and \$9.4 million for the six months ended June 30, 2020 and 2019, respectively. The decrease of \$3.8 million was due to lower interest earned on our cash, cash equivalents and investments.

### **Liquidity, Capital Resources and Plan of Operations**

To date, we have incurred significant net losses and negative cash flows from operations. As of June 30, 2020, we had \$1.1 billion in cash and cash equivalents and investments. We anticipate that the aggregate of our current cash and cash equivalents and investments available for operations will enable us to maintain our operations for a period of at least one year from the date this Quarterly Report on Form 10-Q is filed with the SEC.

Our operations have been financed primarily by net proceeds from the sale and issuance of our convertible preferred stock, the issuance of convertible promissory notes and net proceeds from our IPO. In connection with our IPO in 2018, we sold an aggregate of 20,700,000 shares of our common stock (inclusive of 2,700,000 shares of common stock pursuant to the over-allotment option granted to the underwriters) at a price of \$18.00 per share and received approximately \$343.3 million in net proceeds. In November 2019, we entered into a sales agreement with Cowen and Company, LLC (Cowen) under which we may from time to time issue and sell shares of our common stock through Cowen in at-the-market (ATM) offerings for an aggregate offering price of up to \$250.0 million. From November 2019 to December 31, 2019, we sold an aggregate of 1,965,082 shares of common stock in ATM offerings resulting in net proceeds of \$54.2 million, after deducting commissions and offering costs of \$1.6 million. In January 2020, we sold an aggregate of 570,839 shares of our common stock in ATM offerings resulting in net proceeds of \$14.8 million. In June 2020, we sold 13,457,447 shares of our common stock, which included 1,755,319 shares

sold pursuant to the full exercise of the underwriters' option to purchase additional shares, in an underwritten public offering at a price of \$47.00 per share, which resulted in net proceeds of approximately \$595.7 million after deducting the underwriting discounts and commissions and other expenses.

### *Capital Resources*

Our primary use of cash is to fund construction projects for our manufacturing facility and operating expenses, which consist primarily of clinical manufacturing and research and development expenditures related to our lead product candidates, other research efforts, and to a lesser extent, general and administrative expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

Our product candidates are still in the early stages of clinical and preclinical development and the outcome of these efforts is uncertain. Accordingly, we cannot estimate the actual amounts necessary to successfully complete the development and commercialization of our product candidates or whether, or when, we may achieve profitability. Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity or debt financings and collaboration arrangements. If we do raise additional capital through public or private equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we are unable to raise capital when needed, we will need to delay, reduce or terminate planned activities to reduce costs. Doing so will likely harm our ability to execute our business plans.

### *Cash Flows*

The following table summarizes our cash flows for the periods indicated:

	Six Months Ended June 30,	
	2020	2019
(In thousands)		
Net cash (used in) provided by:		
Operating activities	\$ (67,530)	\$ (55,148)
Investing activities	(443,978)	77,380
Financing activities	616,761	920
Net increase in cash, cash equivalents and restricted cash	<u>\$ 105,253</u>	<u>\$ 23,152</u>

### *Operating Activities*

During the six months ended June 30, 2020, cash used in operating activities of \$67.5 million was attributable to a net loss of \$115.5 million, partially offset by non-cash charges of \$36.2 million and an increase of \$11.7 million in our net operating assets and liabilities. The non-cash charges consisted primarily of stock compensation expense of \$31.0 million, depreciation of \$3.8 million and non-cash rent expense of \$1.1 million. The change in operating assets and liabilities was primarily due to a \$6.8 million increase in accrued and other current liabilities, a \$2.5 million decrease in other long-term assets, a \$1.2 million decrease in other long-term liabilities and a \$0.5 million decrease in accounts payable, offset by a \$4.1 million decrease in prepaid expenses and other current assets.

### *Investing Activities*

During the six months ended June 30, 2020, net cash used in investing activities of \$444.0 million was related to cash provided by investment maturities of \$221.6 million and investment sales of \$4.9 million, offset by cash used in purchases of investments of \$642.2 million and purchases of property and equipment of \$28.3 million.

### *Financing Activities*

During the six months ended June 30, 2020, cash provided by financing activities of \$616.8 million was related to net proceeds from the issuance of common stock through a public offering of \$595.7 million, net proceeds from the issuance of

common stock through ATM transactions of \$14.8 million, \$4.8 million of cash provided by the issuance of common stock upon exercise of stock options and \$1.4 million of cash provided by the sale of common stock through the employee stock purchase plan.

### **Contractual Obligations and Commitments**

For our contractual obligations and commitments as of December 31, 2019, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations” in our Annual Report.

#### ***Commitments***

Our commitments primarily consist of obligations under our agreements with Pfizer, Cellectis, Servier and Notch. Under these agreements we are required to make milestone payments upon successful completion of certain regulatory and sales milestones on a target-by-target and country-by-country basis. The payment obligations under the license agreements are contingent upon future events such as our achievement of specified development, regulatory and commercial milestones and we will be required to make development milestone payments and royalty payments in connection with the sale of products developed under these agreements. As of June 30, 2020, we were unable to estimate the timing or likelihood of achieving the milestones or making future product sales. For additional information regarding our agreements, see “—Our Research and Development and License Agreements” above.

Additionally, we have entered into agreements with third-party contract manufacturers for the manufacture and processing of certain of our product candidates for clinical testing purposes, and we have entered and will enter into other contracts in the normal course of business with contract research organizations for clinical trials and other vendors for other services and products for operating purposes. These agreements generally provide for termination or cancellation, other than for costs already incurred. As of June 30, 2020, the Company had non-cancellable purchase commitments of \$5.6 million.

We also have a Change in Control and Severance Plan that require the funding of specific payments, if certain events occur, such as a change of control and the termination of employment without cause.

### **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 SEC rules.

### **Critical Accounting Policies and Significant Judgments and Estimates**

Our management’s discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the assumptions and estimates associated with accrued research and development expenditures and stock-based compensation have the most significant impact on our condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

There have been no significant changes in our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in the section titled “Management’s Discussion and Analysis of Financial Condition and Operations” included in our Annual Report.

### **Recent Accounting Pronouncements**

Please refer to Note 2 to our unaudited condensed consolidated financial statements appearing under Part 1, Item 1 of this report for a discussion of new accounting standards updates that may impact us.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risks in the ordinary course of our business. These risks primarily relate to interest rate fluctuations.

#### ***Interest Rate Risk***

Our cash, cash equivalents and investments of \$1.1 billion as of June 30, 2020 consist of bank deposits, money market funds and available-for-sale securities. Such interest-earning instruments carry a degree of interest rate risk; however, historical fluctuations in interest income have not been significant for us. A 10% change in the interest rates in effect on June 30, 2020 would not have had a material effect on the fair market value of our cash equivalents and available-for-sale securities.

#### ***Foreign Exchange Rate Risk***

Our collaboration agreement with Servier requires collaboration payments for shared clinical development costs to be paid in Euros, and thus we face foreign exchange risk as a result of entering into transactions denominated in currencies other than U.S. dollars. Due to the uncertain timing of expected payments in foreign currencies, we do not utilize any forward exchange contracts. All foreign transactions settle on the applicable spot exchange basis at the time such payments are made. An adverse movement in foreign exchange rates could have an effect on payments due and made to our collaboration partner as well as other foreign suppliers and for license agreements. A 10% change in the applicable foreign exchange rates during the periods presented would not have had a material effect on our condensed consolidated financial statements. As of June 30, 2020, we had \$0.8 million of other receivables denominated in foreign currency.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation and supervision of our Chief Executive Officer and our Chief Financial Officer, have evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control over Financial Reporting**

An evaluation was also performed under the supervision and with the participation of our management, including our principal executive officer and our principal financial and accounting officer, of any change in our internal control over financial reporting that occurred during our last fiscal quarter and that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. That evaluation did not identify any changes in our internal control over financial reporting during the quarter ended June 30, 2020 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 legal proceedings relating to claims arising from the ordinary course of business. Our management believes that there are currently no claims or actions pending against us, the ultimate disposition of which could have a material adverse effect on our results of operations, financial condition or cash flows.

### Item 1A. Risk Factors

#### 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 the other information in this report, before deciding whether to purchase, hold or sell shares of our common stock. The occurrence of any of the following risks could harm our business, financial condition, results of operations and/or growth prospects or cause our actual results to differ materially from those contained in forward-looking statements we have made in this report and those we may make from time to time. You should consider all of the risk factors described when evaluating our business. The risk factors set forth below that are marked with an asterisk (\*) contain changes to the similarly titled risk factors included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2019 (Annual Report), which was filed with the Securities and Exchange Commission (SEC) on February 27, 2020.*

#### Risks Related to Our Business and Industry

***We have a limited operating history and face significant challenges and expense as we build our capabilities.\****

We were incorporated in 2017 and acquired certain rights to multiple allogeneic CAR T cell therapy assets from Pfizer in April 2018. We have a limited operating history and are subject to the risks inherent in any newly-formed organization, including, among other things, risks that we may not be able to hire sufficient qualified personnel and establish operating controls and procedures. Several support services were provided by Pfizer through a Transition Services Agreement (TSA), including certain research and development and general and administrative services, which terminated in September 2019. As we build our own capabilities, we expect to encounter risks and uncertainties frequently experienced by growing companies in new and rapidly evolving fields, including the risks and uncertainties related to the COVID-19 pandemic and those described herein. If we are unable to build and manage our support services in a timely manner, our operating and financial results could differ materially from our expectations, and our business could suffer.

As a company, we have not progressed any product candidates through clinical development to commercialization. While our clinical trials continue to enroll patients, we cannot be certain that any of our ongoing and planned clinical trials will be completed or begin on time, if at all.

***We have incurred net losses in every period since our inception and anticipate that we will incur substantial net losses in the future.\****

We are a clinical-stage biopharmaceutical company and investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will fail to demonstrate adequate efficacy or an acceptable safety profile, gain regulatory approval and become commercially viable. We have only recently acquired rights to an allogeneic CAR T platform of primarily early-stage product candidates and have no products approved for commercial sale and have not generated any revenue from product sales to date, and we will continue to incur significant research and development and other expenses related to our ongoing operations. As a result, we are not profitable and have incurred net losses in each period since our inception. For the year ended December 31, 2019, we reported a net loss of \$184.6 million. For the six months ended June 30, 2020, we reported a net loss of \$115.5 million. As of June 30, 2020, we had an accumulated deficit of \$511.6 million.

We expect to incur significant expenditures for the foreseeable future, and we expect these expenditures to increase as we continue our research and development of, and seek regulatory approvals for, product candidates based on our engineered allogeneic T cell platform. Even if we succeed in commercializing one or more of our product candidates, we will continue to incur substantial research and development and other expenditures to develop and market additional product candidates. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. The size of our future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenue. Our prior losses and expected future losses have had and will continue to have an adverse effect on our stockholders' equity and working capital.

***Our engineered allogeneic T cell product candidates represent a novel approach to cancer treatment that creates significant challenges for us.\****

We are developing a pipeline of allogeneic T cell product candidates that are engineered from healthy donor T cells to express CARs and are intended for use in any patient with certain cancers. Advancing these novel product candidates creates significant challenges for us, including:

- manufacturing our product candidates to our or regulatory specifications and in a timely manner to support our clinical trials, and, if approved, commercialization;
- sourcing clinical and, if approved, commercial supplies for the raw materials used to manufacture our product candidates;
- understanding and addressing variability in the quality of a donor's T cells, which could ultimately affect our ability to produce product in a reliable and consistent manner and treat certain patients;
- educating medical personnel regarding the potential side effect profile of our product candidates, if approved, such as the potential adverse side effects related to cytokine release syndrome (CRS), neurotoxicity, graft-versus-host disease (GvHD), prolonged cytopenia and neutropenic sepsis;
- using medicines to preempt or manage adverse side effects of our product candidates, which may not adequately control the side effects and/or may have other safety risks or a detrimental impact on the efficacy of the treatment;
- conditioning patients with chemotherapy and ALLO-647 or other lymphodepletion agents in advance of administering our product candidates, which may increase the risk of adverse side effects;
- obtaining regulatory approval, as the U.S. Food and Drug Administration (FDA) and other regulatory authorities have limited experience with development of allogeneic T cell therapies for cancer; and
- establishing sales and marketing capabilities upon obtaining any regulatory approval to gain market acceptance of a novel therapy.

***Gene-editing is a relatively new technology, and if we are unable to use this technology in our intended product candidates, our revenue opportunities will be materially limited.\****

Collectis's TALEN technology involves a relatively new approach to gene editing, using sequence-specific DNA-cutting enzymes, or nucleases, to perform precise and stable modifications in the DNA of living-cells and organisms. Although Collectis has generated nucleases for many specific gene sequences, it has not created nucleases for all gene sequences that we may seek to target, and we may not be able to do so, which could limit the usefulness of this technology. This technology may also not be shown to be effective in clinical studies that Collectis, we or other licensees of Collectis technology may conduct, or may be associated with safety issues that may negatively affect our development programs. For instance, gene-editing may create unintended changes to the DNA such as a non-target site gene-editing, a large deletion, or a DNA translocation, any of which could lead to oncogenesis. The gene-editing of our product candidates may also not be successful in limiting the risk of GvHD or premature rejection by the patient.

In addition, the gene-editing industry is rapidly developing, and our competitors may introduce new technologies that render our technology obsolete or less attractive. New technology could emerge at any point in the development cycle of our product candidates. As competitors use or develop new technologies, any failures of such technology could adversely impact our program. We also may be placed at a competitive disadvantage, and competitive pressures may force us to implement new technologies at a substantial cost. In addition, our competitors may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we can. We cannot be certain that we will be able to implement technologies on a timely basis or at a cost that is acceptable to us. If we are unable to maintain technological advancements consistent with industry standards, our operations and financial condition may be adversely affected.

***The COVID-19 global pandemic is adversely impacting our business, including our preclinical studies and clinical trials.\****

Public health crises such as pandemics or other outbreaks could adversely impact our business. As a result of the COVID-19 pandemic, or similar pandemics, and government response to pandemics, we have and may in the future experience disruptions that could severely impact our business, preclinical studies and clinical trials, including:

- halting or suspending enrollment in our clinical trials;



- delays or difficulties in enrolling and retaining patients in our clinical trials;
- interruption of key clinical trial activities, such as clinical trial site data monitoring and efficacy, safety and translational data collection, processing and analyses, due to limitations on travel imposed or recommended by federal, state or local governments, employers and others or interruption of clinical trial subject visits, which may impact the collection and integrity of subject data and clinical study endpoints;
- delays or difficulties in initiating or expanding clinical trials, including delays or difficulties with clinical site initiation and recruiting clinical site investigators and clinical site staff;
- increased adverse events and deaths in our clinical trials due to COVID-19 related infections, which may result in increased complications due to immune suppression from our lymphodepletion regimen;
- increased rates of patients withdrawing from our clinical trials following enrollment as a result of contracting COVID-19 or being forced to quarantine;
- 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;
- delays or disruptions in preclinical experiments and investigational new drug application-enabling studies due to restrictions of on-site staff and unforeseen circumstances at contract research organizations and vendors;
- interruption or delays in the operations of the FDA and comparable foreign regulatory agencies;
- interruption of, or delays in receiving, supplies of our product candidates from our contract manufacturing organizations due to staffing shortages, production slowdowns or stoppages and disruptions in delivery systems;
- interruption or delays in our capital projects, including construction of our manufacturing facility in Newark, California which, as a result of the COVID-19 pandemic, has experienced interruptions in the past and may experience interruptions or delays in the future; and
- limitations on employee resources that would otherwise be focused on advancing our business, including because of sickness of employees or their families, including executive officers and other key employees, the desire of employees to avoid contact with large groups of people, an increased reliance on working from home or mass transit disruptions.

State and local government response to the pandemic has included "shelter in place", "stay at home" and similar types of orders, which have limited travel and business operations in our locations, the location of our clinical trial sites, and the location of key vendors, including our contract manufacturing organizations (CMOs). Beginning the week of March 9, 2020, our workforce began working from home, except for a limited number of staff primarily working in our laboratories. The effects of the stay-at-home orders and our work-from-home policies may negatively impact productivity, disrupt our business and delay our development programs, regulatory and commercialization timelines, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course. While we, our clinical trials sites and certain of our vendors, including our CMOs, are currently exempt from the orders for certain essential operations, any of the applicable exemptions may be curtailed or revoked, which would further adversely impact our business.

In addition, the trading prices for our common stock and other biopharmaceutical companies have been highly volatile as a result of the COVID-19 pandemic. As a result, we may face difficulties raising capital through sales of our common stock or such sales may be on unfavorable terms. Market and economic deterioration could also adversely impact our portfolio of corporate and government bonds.

The COVID-19 pandemic continues to rapidly evolve. The extent to which the pandemic may impact our business, preclinical studies and clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the pandemic, travel restrictions and actions to contain the pandemic or treat its impact, such as social distancing and quarantines or lock-downs in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

***We are heavily reliant on our partners for access to key gene editing technology for the manufacturing and development of our product candidates.\****

A critical aspect to manufacturing allogeneic T cell product candidates involves gene editing the healthy donor T cells in an effort to avoid GvHD and to limit the patient's immune system from attacking the allogeneic T cells. GvHD results when allogeneic T cells start recognizing the patient's normal tissue as foreign. We use Collectis's TALEN gene-editing technology to inactivate a gene coding for TCR $\alpha$ , a key component of the natural antigen receptor of T cells, to cause the engineered T cells to be incapable of recognizing foreign antigens. Accordingly, when injected into a patient, the intent is for the engineered T cell not to recognize the tissue of the patient as foreign and thus avoid attacking the patient's tissue. In addition, we use TALEN gene editing to inactivate the CD52 gene in donor T cells, which codes for the target of an anti-CD52 monoclonal antibody. Anti-CD52 monoclonal antibodies deplete CD52 expressing T cells in patients while sparing therapeutic allogeneic T cells lacking CD52. By administering an anti-CD52 antibody prior to infusing our product candidates, we believe we have the potential to reduce the likelihood of a patient's immune system from rejecting the engineered allogeneic T cells for a sufficient period of time to enable a window of persistence during which the engineered allogeneic T cells can actively target and destroy the cancer cells. However, the antibody may not have the benefits that we anticipate and could have adverse effects.

We rely on an agreement with Collectis for rights to use TALEN technology for 15 select cancer targets, including BCMA, FLT3, CD70, DLL3 and other targets included in our pipeline. We also rely on Collectis, through our agreement with Servier, for rights to UCART19, ALLO-501 and ALLO-501A. We would need an additional license from Collectis or access to other gene-editing technology to research and develop product candidates directed at targets not covered by our existing agreements with Collectis and Servier. In addition, the Collectis gene-editing technology may fail to produce viable product candidates. Moreover, both Servier and Collectis may terminate our respective agreements in the event of a material breach of the agreements, or upon certain insolvency events. If our agreements were terminated or we required other gene editing technology, such a license or technology may not be available to us on reasonable terms, or at all, particularly given the limited number of alternative gene-editing technologies in the market.

In addition, under the Servier Agreement, Servier is responsible for developing UCART19. Other than the agreed-upon global research and development plan for UCART19, we have limited control over the nature or timing of Servier's clinical trials and limited visibility into their day-to-day activities. Additionally, other clinical trials being conducted by Servier may at times receive higher priority than research on our programs. If UCART19 encounters safety or efficacy problems, manufacturing problems, further developmental delays, regulatory issues or other problems, our development plans and business could be significantly harmed. We also expect Servier to support our clinical trials of ALLO-501 and ALLO-501A for the treatment of patients with R/R NHL. If Servier does not provide its share of support for the ALLO-501 and ALLO-501A clinical trials, our expenses may be greater than we currently expect and we may have difficulty progressing our ongoing and planned clinical trials in a timely manner.

***Our product candidates are based on novel technologies, which makes it difficult to predict the time and cost of product candidate development and obtaining regulatory approval.\****

We have concentrated our research, development and manufacturing efforts on our engineered allogeneic T cell therapy and our future success depends on the successful development of this therapeutic approach. We are in the early stages of developing our platform and there can be no assurance that any development problems we experience in the future will not cause significant delays or unanticipated costs, or that such development problems can be overcome. We may also experience delays in developing a sustainable, reproducible and scalable manufacturing process or transferring that process to commercial partners, which may prevent us from completing our clinical studies or commercializing our products on a timely or profitable basis, if at all. In addition, since we are in the early stages of clinical development, we do not know the doses to be evaluated in pivotal trials or, if approved, commercially. Finding a suitable dose for our cell therapy product candidates as well as ALLO-647 may delay our anticipated clinical development timelines. In addition, our expectations with regard to our scalability and costs of manufacturing may vary significantly as we develop our product candidates and understand these critical factors.

The clinical study requirements of the FDA, European Medicines Agency (EMA) and other regulatory agencies and the criteria these regulators use to determine the safety and efficacy of a product candidate are determined according to the type, complexity, novelty and intended use and market of the potential products. The regulatory approval process for novel product candidates such as ours can be more complex and consequently more expensive and take longer than for other, better known or extensively studied pharmaceutical or other product candidates. We face additional challenges in obtaining regulatory approval for ALLO-647, which we use as part of our lymphodepletion regimen, and for which we would seek to obtain approval concurrently with approval of another CAR T cell product candidate. Approvals by the EMA and FDA for existing autologous CAR T therapies, such as Kymriah and Yescarta, may not be indicative of what these regulators may require for approval of our therapies. Also, while we expect reduced variability in our products candidates compared to autologous products, we do not have significant clinical data supporting any benefit of lower variability and the use of healthy donor material may create separate variability challenges for us. More generally, approvals by any regulatory agency may not be indicative of what any

other regulatory agency may require for approval or what such regulatory agencies may require for approval in connection with new product candidates. Moreover, our product candidates may not perform successfully in clinical trials or may be associated with adverse events that distinguish them from the autologous CAR T therapies that have previously been approved. For instance, allogeneic product candidates may result in GvHD not experienced with autologous products. Even if we collect promising initial clinical data of our product candidates, longer-term data may reveal new adverse events or responses that are not durable. Unexpected clinical outcomes would significantly impact our business.

***Our business is highly dependent on the success of our lead product candidates. If we are unable to obtain approval for our lead product candidates and effectively commercialize our lead product candidates for the treatment of patients in approved indications, our business would be significantly harmed.\****

Our business and future success depends on our ability to obtain regulatory approval of, and then successfully commercialize, our most advanced product candidates, including ALLO-501A and ALLO-715. Because UCART19, ALLO-501, ALLO-501A and ALLO-715 are among the first allogeneic products to be evaluated in the clinic, the failure of any such product candidate, or the failure of other allogeneic T cell therapies, may impede our ability to develop our product candidates, and significantly influence physicians' and regulators' opinions in regards to the viability of our entire pipeline of allogeneic T cell therapies, particularly if high or uncontrolled rates of GvHD are observed. If significant GvHD or other adverse events are observed with the administration of our product candidates, or if any of the product candidates is viewed as less safe or effective than autologous therapies, our ability to develop other allogeneic therapies may be significantly harmed.

We are also dependent on Servier to develop UCART19 in a timely and appropriate manner. Due to the COVID-19 pandemic, the CALM and PALL trials were temporarily suspended by Servier earlier this year. The CALM trial recently completed previously planned enrollment, and while the PALL trial is open for enrollment, we do not know when the PALL trial will complete planned enrollment, if at all, or whether Servier will undertake any additional clinical development work for UCART19.

All of our product candidates, including our lead product candidates, will require additional clinical and non-clinical development, regulatory review and approval in multiple jurisdictions, substantial investment, access to sufficient commercial manufacturing capacity and significant marketing efforts before we can generate any revenue from product sales. In addition, because our other product candidates are based on similar technology as our lead product candidates, if any of the lead product candidates encounters safety or efficacy problems, manufacturing problems, developmental delays, regulatory issues or other problems, our development plans and business would be significantly harmed.

***Our product candidates may cause undesirable side effects or have other properties that could halt their clinical development, prevent their regulatory approval, limit their commercial potential or result in significant negative consequences.\****

Undesirable or unacceptable side effects 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 or the delay or denial of regulatory approval by the FDA or other comparable foreign regulatory authorities. Results of our clinical trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics. Approved autologous CAR T therapies and those under development have shown frequent rates of CRS and neurotoxicity, and adverse events have resulted in the death of patients. We expect similar adverse events for allogeneic CAR T product candidates. Our allogeneic CAR T cell product candidates undergo gene engineering by using lentivirus and TALEN nucleases that can cause insertion, deletion, or chromosomal translocation. These changes can cause allogeneic CAR T cells to proliferate uncontrollably and may cause adverse events. Our allogeneic CAR T cell product candidates may also cause unique adverse events related to the differences between the donor and patients, such as GvHD or infusion reactions.

In addition, we utilize a lymphodepletion regimen, which generally includes fludarabine, cyclophosphamide and ALLO-647, that may cause serious adverse events. For instance, because the regimen will cause a transient and sometimes prolonged immune suppression, patients will have an increased risk of infection, such as to COVID-19, that may be unable to be cleared by the patient and ultimately lead to death. We are also exploring various dosing strategies for lymphodepletion in our clinical trials, such as higher dosing of ALLO-647, which may increase the risk of adverse events.

In the PALL and CALM clinical trials, the most common severe or life threatening adverse events resulted from CRS, prolonged cytopenia and neutropenic sepsis. Multiple patients have died in these trials, including deaths that were attributed to UCART19.

As we reported at the American Society of Clinical Oncology annual meeting on May 29, 2020, in the ALPHA trial of ALLO-501 and ALLO-647, four patients experienced serious adverse events. One patient had Grade 2 pyrexia and Grade 2

cytomegalovirus (CMV) reactivation which resolved in two days and six days, respectively. One patient had Grade 3 rotavirus infection and Grade 3 hypokalemia which resolved in 15 days and two days, respectively. One patient had Grade 3 febrile neutropenia and Grade 3 hypotension which each resolved in two days. One patient had a Grade 3 upper gastrointestinal hemorrhage which resolved in one day and Grade 3 CMV reactivation which resolved in 25 days. Other common adverse events included CRS, neutropenia and infusion reactions.

As an anti-CD19 CAR T cell product candidate, we expect ALLO-501A to cause similar toxicities as UCART19 and ALLO-501. Other of our allogeneic CAR T product candidates may also cause similar or worse toxicities. For instance, because ALLO-715 may require a higher dose than anti-CD19 CAR T therapies and could be used in a more elderly patient population, it is possible that the risk of GvHD or other adverse events for ALLO-715 could be greater than for UCART19, ALLO-501 and ALLO-501A. As we treat and re-treat more patients with our product candidates in our clinical trials, new less common side effects may also emerge.

If unacceptable toxicities arise in the development of our product candidates, we or Servier could suspend or terminate our 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. The data safety monitoring board may also suspend or terminate a clinical trial at any time on various grounds, including a finding that the research patients are being exposed to an unacceptable health risk, including risks inferred from other unrelated immunotherapy trials. Treatment-related side effects could also affect patient recruitment or the ability of enrolled subjects 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, as toxicities resulting from T cell therapy are not normally encountered in the general patient population and by medical personnel. We have trained and expect to have to train medical personnel using CAR T cell product candidates to understand the side effect profile of our product candidates for both our clinical trials and upon any commercialization of any of our product candidates. Inadequate training in recognizing or managing the potential side effects of our product candidates could result in patient deaths. Any of these occurrences may harm our business, financial condition and prospects significantly.

***Our clinical trials may fail to demonstrate the safety and efficacy of any of our product candidates, which would prevent or delay regulatory approval and commercialization.\****

Before obtaining regulatory approvals for the commercial sale of our product candidates, we must demonstrate through lengthy, complex and expensive preclinical testing and clinical trials that our product candidates are both safe and effective for use in each target indication. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials, including in any post-approval studies.

There is typically an extremely high rate of attrition from the failure of product candidates proceeding through clinical trials. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy profile despite having progressed through preclinical studies and initial clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy, insufficient durability of efficacy or unacceptable safety issues, notwithstanding promising results in earlier trials. Most product candidates that commence clinical trials are never approved as products.

In addition, for ongoing and any future trials that may be completed, we cannot guarantee that the FDA or foreign regulatory authorities will interpret the results as we do, and more trials could be required before we submit our product candidates for approval. To the extent that the results of the trials are not satisfactory to the FDA or foreign regulatory authorities for support of a marketing application, approval of our product candidates may be significantly delayed, or we may be required to expend significant additional resources, which may not be available to us, to conduct additional trials in support of potential approval of our product candidates.

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

From time to time, we may publish initial, interim or preliminary data from our clinical studies. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. For instance, we and Servier have published preliminary data from the CALM, PALL and ALPHA clinical trials, however such results are preliminary in nature, do not bear statistical

significance and should not be viewed as predictive of ultimate success. It is possible that such results will not continue or may not be repeated in ongoing or future clinical trials of anti-CD19 CAR T cell product candidates or our other product candidates.

Preliminary data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, initial, interim and preliminary data should be viewed with caution until the final data are available. Adverse differences between preliminary or interim data and final data could significantly harm our business prospects.

***We may not be able to file INDs to commence additional clinical trials on the timelines we expect, and even if we are able to, the FDA may not permit us to proceed.\****

We plan to submit INDs for additional product candidates in the future, including an IND for ALLO-316 by year-end 2020 and an IND for ALLO-605 in 2021. We plan to submit an IND in the second half of 2020 to support the initiation of a combination trial of ALLO-715 and the SpringWorks' compound, nirogacestat. We cannot be sure that submission of an IND or IND amendment will result in the FDA allowing testing and clinical trials to begin, or that, once begun, issues will not arise that suspend or terminate such clinical trials. The manufacturing of allogeneic CAR T cell therapy remains an emerging and evolving field. Accordingly, we expect chemistry, manufacturing and control related topics, including product specification, will be a focus of IND reviews, which may delay the clearance of INDs. Additionally, even if such regulatory authorities agree with the design and implementation of the clinical trials set forth in an IND or clinical trial application, we cannot guarantee that such regulatory authorities will not change their requirements in the future.

In addition, we submitted a standalone cross-reference IND for ALLO-647, which is being used as part of lymphodepletion in all our clinical trials. While our IND has been accepted, we plan to update the IND as we finalize pivotal manufacturing of ALLO-647 at one of our CMOs. Any regulatory issues related to the development of ALLO-647 could delay development of our allogeneic CAR T cell product candidates and significantly affect our business.

***We may encounter substantial delays in our clinical trials, or may not be able to conduct our trials on the timelines we expect.\****

Clinical testing is expensive, time consuming and subject to uncertainty. We cannot guarantee that any clinical studies will be conducted as planned or completed on schedule, if at all. Even if our trials begin as planned, issues may arise that could suspend or terminate such clinical trials. A failure of one or more clinical study can occur at any stage of testing, and our future clinical studies may not be successful. Events that may prevent successful or timely completion of clinical development include:

- inability to generate sufficient preclinical, toxicology or other in vivo or in vitro data to support the initiation of clinical studies;
- delays in sufficiently developing, characterizing or controlling a manufacturing process suitable for clinical trials;
- difficulty sourcing healthy donor material of sufficient quality and in sufficient quantity to meet our development needs;
- delays in developing suitable assays for screening patients for eligibility for trials with respect to certain product candidates;
- delays in reaching a consensus with regulatory agencies on study design;
- delays in reaching agreement on acceptable terms with prospective contract research organizations (CROs) and clinical study sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and clinical study sites;
- delays in obtaining required institutional review board (IRB) approval at each clinical study site;
- imposition of a temporary or permanent clinical hold by regulatory agencies for a number of reasons, including after review of an IND application or amendment, or equivalent application or amendment; as a result of a new safety finding that presents unreasonable risk to clinical trial participants; a negative finding from an inspection of our clinical study operations or study sites; developments on trials conducted by competitors for related technology that raises FDA concerns about risk to patients of the technology broadly; or if FDA finds that the investigational protocol or plan is clearly deficient to meet its stated objectives;
- delays in recruiting suitable patients to participate in our clinical studies;

- difficulty collaborating with patient groups and investigators;
- failure by our CROs, other third parties or us to adhere to clinical study requirements;
- failure to perform in accordance with the FDA's good clinical practice (GCP) requirements or applicable regulatory guidelines in other countries;
- transfer of manufacturing processes to any new CMO or our own manufacturing facilities or any other development or commercialization partner for the manufacture of product candidates;
- delays in having patients complete participation in a study or return for post-treatment follow-up;
- patients dropping out of a study;
- occurrence of adverse events associated with the product candidate that are viewed to outweigh its potential benefits;
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols;
- changes in the standard of care on which a clinical development plan was based, which may require new or additional trials;
- the cost of clinical studies of our product candidates being greater than we anticipate;
- clinical studies of our product candidates producing negative or inconclusive results, which may result in our deciding, or regulators requiring us, to conduct additional clinical studies or abandon product development programs;
- delays or failure to secure supply agreements with suitable raw material suppliers, or any failures by suppliers to meet our quantity or quality requirements for necessary raw materials; and
- delays in manufacturing, testing, releasing, validating, or importing/exporting sufficient stable quantities of our product candidates for use in clinical studies or the inability to do any of the foregoing.

The COVID-19 pandemic may also increase the risk of certain of the events described above and delay our development timelines. Any inability to successfully complete preclinical and clinical development could result in additional costs to us or impair our ability to generate revenue. In addition, if we make manufacturing or formulation changes to our product candidates, we may be required to or we may elect to conduct additional studies to bridge our modified product candidates to earlier versions. Clinical study delays could also shorten any periods during which our products have patent protection and may allow our competitors to bring products to market before we do, which could impair our ability to successfully commercialize our product candidates and may harm our business and results of operations.

***Monitoring and managing toxicities in patients receiving our product candidates is challenging, which could adversely affect our ability to obtain regulatory approval and commercialize.\****

For our ongoing and planned clinical trials of our product candidates, we contract or will contract with academic medical centers and hospitals experienced in the assessment and management of toxicities arising during clinical trials. Nonetheless, these centers and hospitals may have difficulty observing patients and treating toxicities, which may be more challenging due to personnel changes, inexperience, shift changes, house staff coverage or related issues. This could lead to more severe or prolonged toxicities or even patient deaths, which could result in us or the FDA delaying, suspending or terminating one or more of our clinical trials, and which could jeopardize regulatory approval. We also expect the centers using our product candidates, if approved, on a commercial basis could have similar difficulty in managing adverse events. Medicines used at centers to help manage adverse side effects of our product candidates may not adequately control the side effects and/or may have a detrimental impact on the efficacy of the treatment. Use of these medicines may increase with new physicians and centers administering our product candidates.

***If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.\****

We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons. The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the study until its conclusion. The COVID-19 pandemic, including the travel and business restrictions imposed by government authorities in response to the pandemic, have resulted in, and may continue to cause,

reduced enrollment and may also create challenges to related clinical trial activities. In addition, the enrollment of patients depends on many factors, including:

- the patient eligibility criteria defined in the protocol;
- the size of the patient population required for analysis of the trial's primary endpoints;
- the proximity of patients to study sites;
- the design of the trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- our ability to obtain and maintain patient consents; and
- the risk that patients enrolled in clinical trials will drop out of the trials before the infusion of our product candidates or trial completion.

Since we only need to conduct a limited number of manufacturing runs to generate clinical supply, the diversity of our supply is limited during clinical trials. As a result, some patients may have antibodies to certain donor specific antigens that may interact with our product candidates, which would render the patients ineligible for treatment.

In addition, prior treatment with rituximab may interfere with ALLO-501 as ALLO-501 contains rituximab recognition domains. Since rituximab is a typical part of a treatment regimen for a patient with NHL, patient eligibility for the ALLO-501 trial may be limited. Patients may also undergo plasmapheresis to remove rituximab prior to infusion of ALLO-501, which may cause separate adverse effects. We have removed the rituximab recognition domains in the second generation of ALLO-501, known as ALLO-501A, which we believe will potentially facilitate treatment of patients who were recently treated with rituximab. However, ALLO-501A may not behave as expected and may be challenging to develop or manufacture.

Our clinical trials will also compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates, and this competition will 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, some of our clinical trial sites are also being used by some of our competitors, which may reduce the number of patients who are available for our clinical trials in that clinical trial site.

Moreover, because our product candidates represent a departure from more commonly used methods for cancer treatment, potential patients and their doctors may be inclined to use conventional therapies, such as chemotherapy and hematopoietic cell transplantation or autologous CAR T cell therapies, rather than enroll patients in our clinical trial. Patients eligible for allogeneic CAR T cell therapies but ineligible for autologous CAR T cell therapies due to aggressive cancer and inability to wait for autologous CAR T cell therapies may be at greater risk for complications and death from therapy.

Delays in patient enrollment may result in increased costs or may affect the timing or outcome of our ongoing clinical trial and planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our product candidates.

***Clinical trials are expensive, time-consuming and difficult to design and implement.\****

Human clinical trials are expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. Because our allogeneic T cell product candidates are based on new technologies and will require the creation of inventory of mass-produced, off-the-shelf product, we expect that they will require extensive research and development and have substantial manufacturing and processing costs. In addition, costs to treat patients with R/R cancer and to treat potential side effects that may result from our product candidates can be significant. Accordingly, our clinical trial costs are likely to be significantly higher than for more conventional therapeutic technologies or drug products.

***The market opportunities for our product candidates may be limited to those patients who are ineligible for or have failed prior treatments and may be small.\****

The FDA often approves new therapies initially only for use in patients with R/R metastatic disease. We expect to initially seek approval of our product candidates in this setting. Subsequently, for those products that prove to be sufficiently beneficial, if any, we would expect to seek approval in earlier lines of treatment. There is no guarantee that our product candidates, even if approved, would be approved for earlier lines of therapy, and, prior to any such approvals, we will have to

conduct additional clinical trials, including potentially comparative trials against approved therapies. We are also targeting a similar patient population as autologous CAR T product candidates, including approved autologous CAR T products. Our therapies may not be as safe and effective as autologous CAR T therapies and may only be approved for patients who are ineligible for autologous CAR T therapy.

Our projections of both the number of patients who have the cancers we are targeting, as well as the subset of patients with these cancers in a position to receive second or later lines of therapy and who have the potential to benefit from treatment with our product candidates, are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including scientific literature, surveys of clinics, patient foundations, or market research and may prove to be incorrect. Further, new studies may change the estimated incidence or prevalence of these cancers. The number of patients may turn out to be lower than expected. Additionally, the potentially addressable patient population for our product candidates may be limited or may not be amenable to treatment with our product candidates. For instance, we expect ALLO-501A to initially target a small patient population that suffers from R/R NHL. Even if we obtain significant market share for our product candidates, because the potential target populations are small, we may never achieve profitability without obtaining regulatory approval for additional indications.

***If we fail to develop additional product candidates, our commercial opportunity may be limited.\****

One of our core strategies is to pursue clinical development of additional product candidates beyond UCART19, ALLO-501A and ALLO-715, including ALLO-316 and ALLO-605. Developing, obtaining regulatory approval and commercializing additional CAR T cell product candidates will require substantial additional funding and is prone to the risks of failure inherent in medical product development. We cannot provide you any assurance that we will be able to successfully advance any of these additional product candidates through the development process.

Even if we receive FDA approval to market additional product candidates for the treatment of cancer, we cannot assure you that any such product candidates will 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 additional product candidates, our commercial opportunity may be limited. Moreover, a failure in obtaining regulatory approval of additional product candidates may have a negative effect on the approval process of any other, or result in losing approval of any approved, product candidate.

***Our development strategy relies on incorporating an anti-CD52 monoclonal antibody as part of the lymphodepletion preconditioning regimen prior to infusing allogeneic CAR T cell product candidates.\****

We utilize an anti-CD52 monoclonal antibody as part of a lymphodepletion regimen to be infused prior to infusing our product candidates. While we believe an anti-CD52 antibody may be able to reduce the likelihood of a patient's immune system rejecting the engineered allogeneic T cells for a sufficient period of time to enable a window of persistence during which such engineered allogeneic T cells can actively target and destroy cancer cells, the antibody may not have the benefits that we anticipate and could have adverse effects. For instance, our lymphodepletion regimen, including using an anti-CD52 antibody, will cause a transient and sometimes prolonged immune suppression that is associated with an increased risk of infection, such as to COVID-19, that may be unable to be cleared by the patient and ultimately lead to death.

In the CALM and PALL trials, a commercially available monoclonal antibody, alemtuzumab, that binds CD52 was used. Alemtuzumab is known to have risk of causing certain adverse events. In 2020, the EMA completed a pharmacovigilance review of alemtuzumab in the context of the treatment of multiple sclerosis following reports of immune-mediated conditions and problems affecting the heart and blood vessels, including fatal cases. The EMA recommended that alemtuzumab should not be used in patients with certain heart, circulation or bleeding disorders or in patients who have autoimmune disorders other than multiple sclerosis. The EMA also recommended that alemtuzumab only be given in a hospital with ready access to intensive care facilities and specialists who can manage serious adverse reactions. Based on the recommendations, we have added relevant new safety information to certain of our clinical trial documentation, including informed consent forms. Our product candidates will also continue to be administered at specialized centers, which are experienced at managing patients with advanced malignancies as well as toxicities associated with immunomodulatory therapies. We will continue to monitor any new safety information that will be reported or added to the product labels of alemtuzumab. If the EMA or other regulatory agencies further limit the use of alemtuzumab or anti-CD52 antibodies, our clinical program would be adversely affected.

To secure our own readily available source of anti-CD52 antibody, we are developing our own monoclonal anti-CD52 antibody, ALLO-647. We are using ALLO-647 in our clinical trials of ALLO-501, ALLO-501A and ALLO-715, and plan to use ALLO-647 in our clinical trial of ALLO-316. In the ALPHA trial, the most common adverse events related to ALLO-647 were infusion reactions. ALLO-647 may also cause other and more serious adverse events, including but not limited to those



events that alemtuzumab may cause. In addition, we are exploring various dosing strategies of ALLO-647 in our clinical trials, and higher doses or redosing of ALLO-647 may increase the risk of adverse events.

If we are unable to successfully develop and manufacture ALLO-647 in the timeframe we anticipate, or at all, or if regulatory authorities do not approve the use of ALLO-647 in combination with our allogeneic T cell product candidates, we may be unable to source alemtuzumab and our engineered allogeneic T cell product candidates may be less effective, which could result in delays in our product development efforts and/or the commercial potential of our product candidates.

***We intend to operate our own manufacturing facility, which will require significant resources and we may fail to successfully operate our facility, which could adversely affect our clinical trials and the commercial viability of our product candidates.\****

We may not be able to achieve clinical or commercial manufacturing and cell processing on our own or at our CMO, including mass-producing off-the-shelf product to satisfy demands for any of our product candidates. While we believe the manufacturing and processing approaches are appropriate to support our clinical product development, we have limited experience in managing the allogeneic T cell engineering process, and our allogeneic processes may be more difficult or more expensive than the approaches taken by our competitors. We cannot be sure that the manufacturing processes employed by us or the technologies that we incorporate for manufacturing will result in T cells that will be safe and effective.

In February 2019, we entered into a lease for approximately 118,000 square feet to develop a state-of-the-art cell therapy manufacturing facility in Newark, California. The facility requires substantial improvements and there can be no assurance that we will complete the build-out of our manufacturing facility in a timely manner or at all. Construction of our manufacturing facility was interrupted for a period of time by the COVID-19 pandemic. While we have re-commenced construction and continue to expect to initiate manufacturing under current good manufacturing practices (cGMP) in 2021, any further delays to our construction by COVID-19 or other events will delay our manufacturing timelines.

Any changes in manufacturing of our product candidates currently in the clinic, including introducing product candidates manufactured at our facility into any ongoing clinical trials, will require that we meet certain regulatory conditions and our inability to meet such conditions may result in a delay in using our manufacturing facility for production or extend our clinical trial timelines.

We also do not yet have sufficient information to reliably estimate the cost of the clinical and commercial manufacturing and processing of our product candidates, and the actual cost to manufacture and process our product candidates could materially and adversely affect the commercial viability of our product candidates. In addition, the ultimate clinical and any commercial dose will affect our ability to scale and our costs per dose. For instance, because ALLO-715 may require a higher dose than ALLO-501, it is possible that it may be more difficult to scale ALLO-715 production. As a result, we may never be able to develop a commercially viable product. The commercial manufacturing facility we build will also require FDA approval, which we may never obtain. Even if approved, we would be subject to ongoing periodic unannounced inspection by the FDA, the Drug Enforcement Administration and corresponding state agencies to ensure strict compliance with current good manufacturing practices (cGMPs), and other government regulations.

The manufacture of biopharmaceutical products is complex and requires significant expertise, including the development of advanced manufacturing techniques and process controls. Manufacturers of cell therapy products often encounter difficulties in production, particularly in scaling out and validating initial production and ensuring the absence of contamination. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, operator error, shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. The application of new regulatory guidelines or parameters, such as those related to release testing, may also adversely affect our ability to manufacture our product candidates. Furthermore, if contaminants are discovered in our supply of product candidates or in the manufacturing facilities, such supply may have to be discarded and our manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot assure you that any stability or other issues relating to the manufacture of our product candidates will not occur in the future.

We, our CMOs or any other of our or their vendors may fail to manage the logistics of storing and shipping our raw materials and product candidates. Storage failures and shipment delays and problems caused by us, our vendors or other factors not in our control, such as weather, could result in the inability to manufacture product, the loss of usable product or prevent or delay the delivery of product candidates to patients.

We may also experience manufacturing difficulties due to resource constraints or as a result of labor disputes. If we were to encounter any of these difficulties, our ability to provide our product candidates to patients would be jeopardized.

***We currently have no marketing and sales organization and as a company have no experience in marketing products. If we are unable to establish marketing and sales capabilities or enter into agreements with third parties to market and sell our product candidates, we may not be able to generate product revenue.***

We currently have no sales, marketing or distribution capabilities and as a company have no experience in marketing products. We intend to develop an in-house marketing organization and sales force, which will require significant capital expenditures, management resources and time. We will have to compete with other pharmaceutical and biotechnology companies to recruit, hire, train and retain marketing and sales personnel.

If we are unable or decide not to establish internal sales, marketing and distribution capabilities, we will pursue collaborative arrangements regarding the sales and marketing of our products; however, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend upon the efforts of such third parties, which may not be successful. We may have little or no control over the marketing and sales efforts of such third parties and our revenue from product sales may be lower than if we had commercialized our product candidates ourselves. We also face competition in our search for third parties to assist us with the sales and marketing efforts of our product candidates.

There can be no assurance that we will be able to develop in-house sales and distribution capabilities or establish or maintain relationships with third-party collaborators to commercialize any product that receives regulatory approval in the United States or in other markets.

***A variety of risks associated with conducting research and clinical trials abroad and marketing our product candidates internationally could materially adversely affect our business.\****

We plan to globally develop our product candidates. Accordingly, we expect that we will be subject to additional risks related to operating in foreign countries, including:

- differing regulatory requirements in foreign countries;
- unexpected changes in tariffs, trade barriers, price and exchange controls and other regulatory requirements;
- differing standards for the conduct of clinical trials;
- increased difficulties in managing the logistics and transportation of storing and shipping product candidates produced in the United States and shipping the product candidate to the patient abroad;
- import and export requirements and restrictions;
- 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 taxes, including withholding of payroll taxes;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- difficulties staffing and managing foreign operations;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- differing payor reimbursement regimes, governmental payors or patient self-pay systems, and price controls;
- potential liability under the Foreign Corrupt Practices Act of 1977 or comparable foreign regulations;
- challenges enforcing our contractual and intellectual property rights, especially in those foreign countries that do not respect and protect intellectual property rights to the same extent as the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from the COVID-19 pandemic or other natural or man-made disasters, including earthquakes, tsunamis, fires or other medical epidemics, or geo-political actions, including war and terrorism.

These and other risks associated with our international operations and our collaborations with Servier and Cellectis, each based in France, and with Notch Therapeutics Inc. (Notch), based in Canada, may materially adversely affect our ability to attain or maintain profitable operations.

***We face significant competition from other biotechnology and pharmaceutical companies, and our operating results will suffer if we fail to compete effectively.***

The biopharmaceutical industry, and the immuno-oncology industry specifically, is characterized by intense competition and rapid innovation. Our competitors may be able to develop other compounds or drugs that are able to achieve similar or better results. Our potential competitors include major multinational pharmaceutical companies, established biotechnology companies, specialty pharmaceutical companies and universities and other research institutions. Many of our competitors have substantially greater financial, technical and other resources, such as larger research and development staff and experienced marketing and manufacturing organizations and well-established sales forces. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated in our competitors. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors, either alone or with collaborative partners, may succeed in developing, acquiring or licensing on an exclusive basis drug or biologic products that are more effective, safer, more easily commercialized or less costly than our product candidates or may develop proprietary technologies or secure patent protection that we may need for the development of our technologies and products.

Specifically, engineered T cells face significant competition from multiple companies. Even if we obtain regulatory approval of our product candidates, the availability and price of our competitors' products could limit the demand and the price we are able to charge for our product candidates. We may not be able to implement our business plan if the acceptance of our product candidates is inhibited by price competition or the reluctance of physicians to switch from existing methods of treatment to our product candidates, or if physicians switch to other new drug or biologic products or choose to reserve our product candidates for use in limited circumstances. For additional information regarding our competition, see "Item 1. Business—Competition" in our Annual Report.

***We are highly dependent on our key personnel, and if we are not successful in attracting and retaining highly qualified personnel, we may not be able to successfully implement our business strategy.\****

Our ability to compete in the highly competitive biotechnology and pharmaceutical industries depends upon our ability to attract and retain highly qualified managerial, scientific and medical personnel. We are highly dependent on our management, scientific and medical personnel, including our Executive Chairman, our President and Chief Executive Officer, our Chief Financial Officer, our Executive Vice President of Research & Development and Chief Medical Officer, our Chief Technical Officer, and our General Counsel. The loss of the services of any of our executive officers, other key employees, and other scientific and medical advisors, and our inability to find suitable replacements could result in delays in product development and harm our business.

We conduct substantially all of our operations at our facilities in South San Francisco. This region is headquarters to many other biopharmaceutical companies and many academic and research institutions. Competition for skilled personnel in our market is intense and may limit our ability to hire and retain highly qualified personnel on acceptable terms or at all.

To induce valuable employees to remain at our company, in addition to salary and cash incentives, we have provided stock options and restricted stock unit (RSU) awards that vest over time. The value to employees of stock options and RSU awards that vest over time may be significantly affected by movements in our stock price that are beyond our control and may at any time be insufficient to counteract more lucrative offers from other companies. Despite our efforts to retain valuable employees, members of our management, scientific and development teams may terminate their employment with us on short notice. Although we have employment agreements with our key employees, these employment agreements provide for at-will employment, which means that any of our employees could leave our employment at any time, with or without notice. We do not maintain "key person" insurance policies on the lives of these individuals or the lives of any of our other employees. Our success also depends on our ability to continue to attract, retain and motivate highly skilled junior, mid-level and senior managers as well as junior, mid-level and senior scientific and medical personnel.

***We have grown rapidly and will need to continue to grow the size of our organization, and we may experience difficulties in managing this growth.\****

As of August 1, 2020, we had 236 full-time employees. As our development and commercialization plans and strategies develop, and as we continue to transition into operating as a public company, we have rapidly expanded our employee base and expect to add managerial, operational, sales, research and development, marketing, financial and other personnel. Current and future growth imposes significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;
- managing our internal development efforts effectively, including the clinical and FDA review process for our product candidates, while complying with our contractual obligations to contractors and other third parties; and
- improving our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to commercialize our product candidates will depend, in part, on our ability to effectively manage our growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities. Our ability to build our organization and manage our employees has also been affected by the COVID-19 pandemic, as our staff are working from home, except for a limited number primarily working in our laboratories. The effects of the stay-at-home orders and our work-from-home policies may negatively impact productivity, disrupt our business and delay our development programs, regulatory and commercialization timelines, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course.

We currently rely, and for the foreseeable future will continue to rely, in substantial part on certain independent organizations, advisors and consultants. There can be no assurance that the services of independent organizations, advisors and consultants will continue to be available to us on a timely basis when needed, or that we can find qualified replacements. We may also be subject to penalties or other liabilities if we mis-classify employees as consultants. In addition, if we are unable to effectively manage our outsourced activities or if the quality or accuracy of the services provided by consultants is compromised for any reason, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain regulatory approval of our product candidates or otherwise advance our business. There can be no assurance that we will be able to manage our existing consultants or find other competent outside contractors and consultants on economically reasonable terms, or at all.

If we are not able to effectively expand our organization by hiring new employees and expanding our groups of consultants and contractors, we may not be able to successfully implement the tasks necessary to further develop, manufacture and commercialize our product candidates and, accordingly, may not achieve our research, development, manufacturing and commercialization goals.

***We may form or seek strategic alliances or enter into additional licensing arrangements in the future, and we may not realize the benefits of such alliances or licensing arrangements.***

We may form or seek strategic alliances, create joint ventures or collaborations or enter into additional licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our product candidates and any future product candidates that we may develop. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing stockholders or disrupt our management and business. In addition, we face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our product candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our product candidates as having the requisite potential to demonstrate safety and efficacy. Any delays in entering into new strategic partnership agreements related to our product candidates could delay the development and commercialization of our product candidates in certain geographies for certain indications, which would harm our business prospects, financial condition and results of operations.

If we license products or acquire businesses, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture. For instance, our agreements with Servier, Notch and SpringWorks require significant research and development that may not result in the development and commercialization of product candidates. We cannot be certain that, following a strategic transaction or license, we will achieve the results, revenue or specific net income that justifies such transaction.

***We may not realize the benefits of acquired assets or other strategic transactions.\****

We actively evaluate various strategic transactions on an ongoing basis. We may acquire other businesses, products or technologies as well as pursue joint ventures or investments in complementary businesses. The success of our strategic transactions, including our acquisition of CAR T cell assets from Pfizer, licenses with Cellectis, Servier and Notch, and any future strategic transactions depends on the risks and uncertainties involved including:

- unanticipated liabilities related to acquired companies or joint ventures;
- difficulties integrating acquired personnel, technologies and operations into our existing business;
- retention of key employees;
- diversion of management time and focus from operating our business to management of strategic alliances or joint ventures or acquisition integration challenges;
- increases in our expenses and reductions in our cash available for operations and other uses;
- disruption in or termination of our relationships with collaborators or suppliers as a result of such a transaction; and
- possible write-offs or impairment charges relating to acquired businesses or joint ventures.

If any of these risks or uncertainties occur, we may not realize the anticipated benefit of any acquisition or strategic transaction. Additionally, foreign acquisitions and joint ventures are subject to additional risks, including those related to integration of operations across different cultures and languages, currency risks, potentially adverse tax consequences of overseas operations and the particular economic, political and regulatory risks associated with specific countries.

Future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses or write-offs of goodwill, any of which could harm our financial condition.

***We will need substantial additional financing to develop our products and implement our operating plans. If we fail to obtain additional financing, we may be unable to complete the development and commercialization of our product candidates.\****

We expect to spend a substantial amount of capital in the development and manufacture of our product candidates. We will need substantial additional financing to develop our products and implement our operating plans. In particular, we will require substantial additional financing to enable commercial production of our products and initiate and complete registration trials for multiple products. Further, if approved, we will require significant additional amounts in order to launch and commercialize our product candidates.

As of June 30, 2020, we had \$1.1 billion in cash, cash equivalents and investments. Changing circumstances may cause us to consume capital significantly faster than we currently anticipate, and we may need to spend more money than currently expected because of circumstances beyond our control. We may also need to raise additional capital sooner than we currently anticipate if we choose to expand more rapidly than we presently plan. In any event, we will require additional capital for the further development and commercialization of our product candidates, including funding our internal manufacturing capabilities.

We cannot be certain that additional funding will be available on acceptable terms, or at all. We have no committed source of additional capital and if we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of our product candidates or other research and development initiatives. Our license agreements may also be terminated if we are unable to meet the payment obligations under the agreements. We could be required to seek collaborators for our product candidates at an earlier stage than otherwise would be desirable or on terms that are less favorable than might otherwise be available or relinquish or license on unfavorable terms our rights to our product candidates in markets where we otherwise would seek to pursue development or commercialization ourselves.

Any of the above events could significantly harm our business, prospects, financial condition and results of operations and cause the price of our common stock to decline.

***Our internal computer systems, or those used by our CROs, collaborators or other contractors or consultants, may fail or suffer security breaches.***

Our internal computer systems and those of our CROs, collaborators, and other contractors or consultants are vulnerable to damage from computer viruses, unauthorized access, cybersecurity threats, and telecommunication and electrical failures. While we have not experienced any such material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. 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 and the further development and commercialization of our product candidates could be delayed. In addition, our increased reliance on personnel working from home could increase our cybersecurity risk, create data accessibility concerns, and make us more susceptible to communication disruptions, any of which could adversely impact our business.

***Changes in funding for the FDA, the SEC and other government agencies could hinder their ability to hire and retain key leadership and other personnel, prevent new products and services from being developed or commercialized in a timely manner or otherwise prevent those agencies from performing normal functions on which the operation of our business may rely, which could negatively impact our business.\****

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept payment of user fees, statutory, regulatory and policy changes, and business disruptions, such as those caused by the COVID-19 pandemic. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of the SEC and other government agencies on which our operations may rely, including those that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA and the SEC, have had to furlough critical FDA, SEC and other government employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Further, future government shutdowns could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.

***Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.\****

In addition to the business disruptions caused by the COVID-19 pandemic described above, our operations, and those of our CMOs, CROs and other contractors and consultants, could be subject to other disruptions, including those caused by earthquakes, power shortages, telecommunications failures, water shortages, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or man-made disasters or business interruptions, for which we are predominantly self-insured. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses.

Our ability to manufacture our product candidates could be disrupted if our operations or those of our suppliers are affected by a man-made or natural disaster or other business interruption. Our corporate headquarters and planned manufacturing facility are located in California near major earthquake faults and fire zones. The ultimate impact on us, our significant suppliers and our general infrastructure of being located near major earthquake faults and fire zones and being consolidated in certain geographical areas is unknown, but our operations and financial condition could suffer in the event of a major earthquake, fire or other natural disaster.

***Our relationships with customers, physicians, and third-party payors are subject, directly or indirectly, to federal, state, local and foreign healthcare fraud and abuse laws, false claims laws, health information privacy and security laws, and other healthcare laws and regulations. If we or our employees, independent contractors, consultants, commercial partners and vendors violate these laws, we could face substantial penalties.***

These laws may impact, among other things, our clinical research program, as well as our proposed and future sales, marketing and education programs. In particular, the promotion, sales and marketing of healthcare items and services is subject to extensive laws and regulations designed to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive and other business arrangements. We may also be subject to federal, state and foreign laws governing the privacy and

security of identifiable patient information. The U.S. healthcare laws and regulations that may affect our ability to operate include, but are not limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, any person or entity from knowingly and willfully, offering, paying, soliciting or receiving any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce, or in return for, the purchasing, leasing, ordering or arranging for the purchase, lease, or order of any item or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The term “remuneration” has been broadly interpreted to include anything of value. Although there are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution, the exceptions and safe harbors are drawn narrowly and require strict compliance in order to offer protection. Practices that may be alleged to be intended to induce prescribing, purchases or recommendations, include any payments of more than fair market value, and may be subject to scrutiny if they do not qualify for an exception or safe harbor. In addition, a person or entity does not need to have actual knowledge of this statute or specific intent to violate it in order to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act and the civil monetary penalties statute;
- federal civil and criminal false claims laws, including the federal civil False Claims Act and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment or approval from Medicare, Medicaid, or other federal government programs that are false or fraudulent or knowingly making a false statement to improperly avoid, decrease or conceal an obligation to pay money to the federal government, including federal healthcare programs;
- the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA), which created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, including private third-party payors and knowingly and willfully falsifying, concealing or covering up by any trick, scheme or device, a material fact or making any materially false, fictitious or fraudulent statements in connection with the delivery of, or payment for, healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH) and their respective implementing regulations, which impose requirements on certain covered healthcare providers, health plans, and healthcare clearinghouses as well as their respective business associates that perform services for them that involve the use, or disclosure of, individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information;
- the federal Physician Payments Sunshine Act, which requires certain manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children’s Health Insurance Program (with certain exceptions) to report annually to the United States Department of Health and Human Services’ (HHS) Centers for Medicare & Medicaid Services (CMS) information related to payments or other transfers of value made to physicians, as defined by such law, and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and
- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers.

Additionally, we may be subject to state, local and foreign equivalents of each of the healthcare laws described above, among others, some of which may be broader in scope. For example, we may be subject to the following: state anti-kickback and false claims laws that may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third party payors, including private insurers, or that apply regardless of payor; state laws that require pharmaceutical companies to comply with the pharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government; state and local laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; state laws that require the reporting of information related to drug pricing; state and local laws requiring the registration of pharmaceutical sales representatives; and state and foreign laws governing the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and regulatory safe harbors available, it is possible that some of our business activities, or our arrangements with physicians, some of who receive stock options as compensation, could be subject to challenge under one or more of such laws. If we or our employees, independent contractors, consultants, commercial partners and vendors violate these laws, we may be subject to investigations, enforcement actions and/or significant penalties. We have adopted a code of business conduct and ethics, but it is not always possible to identify and deter employee misconduct or business noncompliance, and the precautions we take to detect and prevent inappropriate conduct may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. Efforts to ensure that our business arrangements will comply with applicable healthcare laws may involve substantial costs. It is possible that governmental and enforcement authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law interpreting applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant civil, criminal and administrative penalties, damages, disgorgement, monetary fines, imprisonment, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, additional reporting requirements and/or oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations. In addition, the approval and commercialization of any of our product candidates outside the United States will also likely subject us to foreign equivalents of the healthcare laws mentioned above, among other foreign laws.

***European data collection is governed by restrictive regulations governing the use, processing, and cross-border transfer of personal information.***

The collection and use of personal data in the European Union (EU) are governed by the General Data Protection Regulation (GDPR). The GDPR imposes stringent requirements for controllers and processors of personal data, including, for example, more robust disclosures to individuals and a strengthened individual data rights regime, shortened timelines for data breach notifications, limitations on retention of information, increased requirements pertaining to special categories of data, such as health data, and additional obligations when we contract with third-party processors in connection with the processing of the personal data. The GDPR also imposes strict rules on the transfer of personal data out of the European Union to the United States and other third countries. In addition, the GDPR provides that EU member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric or health data.

The GDPR applies extraterritorially, and we may be subject to the GDPR because of our data processing activities that involve the personal data of individuals located in the European Union, such as in connection with our EU clinical trials. Failure to comply with the requirements of the GDPR and the applicable national data protection laws of the EU member states may result in fines of up to €20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, and other administrative penalties. GDPR regulations may impose additional responsibility and liability in relation to the personal data that we process and we may be required to put in place additional mechanisms to ensure compliance with the new data protection rules. This may be onerous and may interrupt or delay our development activities, and adversely affect our business, financial condition, results of operations and prospects.

Additionally, California recently enacted legislation that has been dubbed the first “GDPR-like” law in the United States. Known as the California Consumer Privacy Act (CCPA), it creates new individual privacy rights for consumers (as that word is broadly defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households. The CCPA requires covered companies to provide new disclosures to California consumers, provide such consumers new ways to opt-out of certain sales of personal information, and allow for a new cause of action for data breaches. As our business progresses, the CCPA may significantly impact our business activities and exemplifies the vulnerability of our business to evolving regulatory environment related to personal data and protected health information.

***If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of our product candidates.***

We face an inherent risk of product liability as a result of the clinical testing of our product candidates and will face an even greater risk if we commercialize any products. For example, we may be sued if our product candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability or a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities



or be required to limit commercialization of our product candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our product candidates;
- injury to our reputation;
- withdrawal of clinical trial participants;
- initiation of investigations by regulators;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue;
- exhaustion of any available insurance and our capital resources;
- the inability to commercialize any product candidate; and
- a decline in our share price.

Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we develop, alone or with corporate collaborators. Our insurance policies may also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. While we have obtained and expect to obtain clinical trial insurance for our clinical trials, we may have to pay amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. Even if our agreements with any future corporate collaborators entitle us to indemnification against losses, such indemnification may not be available or adequate should any claim arise.

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

The global credit and financial markets have experienced extreme volatility and disruptions in the past, most recently as a result of the COVID-19 pandemic. These disruptions can result in severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. There can be no assurance that further deterioration in credit and financial markets and confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, volatile business environment or continued unpredictable and unstable market conditions. If the current equity and credit markets deteriorate, it may make any necessary debt or equity financing more difficult, more costly and more dilutive. Our portfolio of corporate and government bonds would also be adversely impacted. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our operations, growth strategy, financial performance and stock price and could require us to delay or abandon clinical development plans. In addition, there is a risk that one or more of our current service providers, manufacturers and other partners may not survive an economic downturn, which could directly affect our ability to attain our operating goals on schedule and on budget.

***Legal, regulatory, political and economic uncertainty surrounding the exit of the U.K. from the European Union may be a source of instability in international markets, create significant currency fluctuations, adversely affect operations in the U.K. and pose additional risks to our business.***

Following the result of a referendum in 2016, the U.K. left the EU on January 31, 2020, commonly referred to as Brexit. Pursuant to the formal withdrawal arrangements agreed between the U.K. and the EU, the U.K. will be subject to a transition period until December 31, 2020 (Transition Period), during which EU rules will continue to apply. Negotiations between the U.K. and the EU are expected to continue in relation to the customs and trading relationship between the U.K. and the EU following the expiry of the Transition Period. Such a withdrawal from the EU is unprecedented, and it is unclear how the U.K.'s access to the European single market for goods, capital, services and labor within the EU, or single market, and the wider commercial, legal and regulatory environment, will impact our business.

The uncertainty concerning the U.K.'s legal, regulatory, political and economic relationship with the EU after the Transition Period may be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border co-operation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise). It could also lead to a period of considerable uncertainty in relation to the regulatory process for drug development and approval in Europe, and make it more costly or difficult to advance our product candidates in the EU and U.K.

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

Under legislation enacted in 2017, informally titled the Tax Cuts and Jobs Act (Tax Act), as modified by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), federal net operating losses incurred in tax years beginning after December 31, 2017, may be carried forward indefinitely, but the deductibility of such federal net operating losses in tax years beginning after December 31, 2020, is limited to 80% of taxable income. It is uncertain if and to what extent various states will conform to the Tax Act or the CARES Act. In addition, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an "ownership change" (generally defined as a greater than 50 percentage point change (by value) in the equity ownership of certain stockholders over a rolling three-year period), the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income and taxes may be limited. As a result of our IPO in October 2018 and private placements and other transactions that have occurred since our incorporation, we may have experienced such an "ownership change". We may also experience ownership changes in the future as a result of subsequent shifts in our stock ownership. We anticipate incurring significant additional net losses for the foreseeable future, and our ability to utilize net operating loss carryforwards associated with any such losses to offset future taxable income may be limited to the extent we incur future ownership changes. In addition, at the state level, there may be periods during which the use of net operating loss carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. As a result, we may be unable to use all or a material portion of our net operating loss carryforwards and other tax attributes, which could adversely affect our future cash flows.

**Risks Related to Our Reliance on Third Parties**

***We rely and will continue to rely on third parties to conduct our clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval of or commercialize our product candidates.\****

We depend and will continue to depend upon independent investigators and collaborators, such as universities, medical institutions, CROs and strategic partners to conduct our preclinical and clinical trials under agreements with us.

We negotiate budgets and contracts with CROs and study sites, which may result in delays to our development timelines and increased costs. We will rely heavily on these third parties over the course of our clinical trials, and we control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with applicable protocol, legal, regulatory and scientific standards, and our reliance on third parties does not relieve us of our regulatory responsibilities. We and these third parties are required to comply with good clinical practices (GCPs), which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities for product candidates in clinical development. Regulatory authorities enforce these GCPs through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of these third parties fail to comply with applicable GCP regulations, 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, such regulatory authorities will determine that any of our clinical trials comply with the GCP regulations. In addition, our clinical trials must be conducted with biologic product produced under cGMPs and will require a large number of test patients. Our failure or any failure by these third parties to comply with these regulations or to recruit a sufficient number of patients may require us to repeat clinical trials, which would delay the regulatory approval process. Moreover, our business may be implicated if any of these third parties violates federal or state fraud and abuse or false claims laws and regulations or healthcare privacy and security laws.

Any third parties conducting our clinical trials are and will not be our employees and, except for remedies available to us under our agreements with such third parties, we cannot control whether or not they devote sufficient time and resources to our ongoing preclinical, clinical and nonclinical programs. These third parties may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting clinical studies or other drug development activities, which could affect their performance on our behalf. If these 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 is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to complete development of, obtain regulatory approval of or successfully commercialize our product candidates. As a result, our financial results and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenue could be delayed.

If any of our relationships with trial sites, or any CRO that we may use in the future, terminates, we may not be able to enter into arrangements with alternative trial sites or CROs or do so on commercially reasonable terms. Switching or adding third parties to conduct our clinical trials involves substantial cost and requires extensive management time and focus. In addition, there is a natural transition period when a new third party commences work. As a result, delays occur, which can materially impact our ability to meet our desired clinical development timelines.

***We rely on third parties to manufacture our clinical product supplies, and we may have to rely on third parties to produce and process our product candidates, if approved.\****

ALLO-501, ALLO-501A, ALLO-715 and ALLO-647 are manufactured in the United States by our CMOs, and we manage all other aspects of the supply, including planning, CMO oversight, disposition and distribution logistics. Servier has been responsible for UCART19 manufacturing, and has experienced UCART19 supply issues that limited its ability to recruit new patients in the past. There can be no assurance that we or Servier will not experience additional supply or manufacturing issues in the future.

While we have leased space to build a manufacturing facility, we must currently rely on outside vendors to manufacture supplies and process our product candidates. We do not have long-term agreements in place with CMOs for the manufacture of our cell therapies or of ALLO-647. If we are unable to contract with CMOs on acceptable terms or at all, our clinical development program would be delayed and our business would be significantly harmed.

We have not yet caused our product candidates to be manufactured or processed on a commercial scale and may not be able to achieve manufacturing and processing and may be unable to create an inventory of mass-produced, off-the-shelf product to satisfy demands for any of our product candidates.

We do not yet have sufficient information to reliably estimate the cost of the commercial manufacturing and processing of our product candidates, and the actual cost to manufacture and process our product candidates could materially and adversely affect the commercial viability of our product candidates. As a result, we may never be able to develop a commercially viable product.

In addition, our anticipated reliance on a limited number of third-party manufacturers exposes us to the following risks:

- We may be unable to identify manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and the FDA may have questions regarding any replacement contractor. This may require new testing and regulatory interactions. In addition, a new manufacturer would have to be educated in, or develop substantially equivalent processes for, production of our products after receipt of FDA questions, if any.
- Our third-party manufacturers might be unable to timely formulate and manufacture our product or produce the quantity and quality required to meet our clinical and commercial needs, if any.
- Contract manufacturers may not be able to execute our manufacturing procedures appropriately.
- Manufacturers are subject to ongoing periodic unannounced inspection by the FDA, the Drug Enforcement Administration and corresponding state agencies to ensure strict compliance with cGMP and other government regulations and corresponding foreign standards. We do not have control over third-party manufacturers' compliance with these regulations and standards.
- We may not own, or may have to share, the intellectual property rights to any improvements made by our third-party manufacturers in the manufacturing process for our products.
- Our future contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to supply our clinical trials or to successfully produce, store and distribute our products.
- Our third-party manufacturers could breach or terminate their agreement with us.

Our contract manufacturers would also be subject to the same risks we face in developing our own manufacturing capabilities, as described above. For instance, our CMOs may be required to shutdown in response to the spread of COVID-19. In addition, our CMOs have certain responsibilities for storage of raw materials and in the past have lost or failed to adequately store our raw materials. Any additional or future damage or loss of raw materials could materially impact our ability to manufacture and supply our product candidates. Each of these risks could delay our clinical trials, the approval, if any of our product candidates by the FDA or the commercialization of our product candidates or result in higher costs or deprive us of potential product revenue. In addition, we will rely on third parties to perform release tests on our product candidates prior to delivery to patients. If these tests are not appropriately done and test data are not reliable, patients could be put at risk of serious harm.

***We rely on donors of T cells to manufacture our product candidates, and if we do not obtain an adequate supply of T cells from qualified donors, development of those product candidates may be adversely impacted.\****

Unlike autologous CAR T companies, we are reliant on receiving healthy donor material to manufacture our product candidates. Healthy donor T cells vary in type and quality, and this variation makes producing standardized product candidates more difficult and makes the development and commercialization pathway of those product candidates more uncertain. We have developed a screening process designed to enhance the quality and consistency of T cells used in the manufacture of our CAR T cell product candidates, but our screening process may fail to identify suitable donor material and we may discover failures with the material after production. We may also have to update our specifications for new risks that may emerge, such as to screen for new viruses.

We have strict specifications for donor material, which include specifications required by regulatory authorities. If we are unable to identify and obtain donor material that satisfy specifications, agree with regulatory authorities on appropriate specifications, or address variability in donor T cells, there may be inconsistencies in the product candidates we produce or we may be unable to initiate or continue ongoing clinical trials on the timelines we expect, which could harm our reputation and adversely impact our business and prospects.

In addition, vendors have in the past been unable to secure donor material during the COVID-19 pandemic due to government restrictions on business activity and travel. While we have donor material on hand, and our vendors are currently able to provide us with donor material, if the COVID-19 pandemic continues and our vendors are unable to secure donor material, we may no longer have sufficient donor material to manufacture our product candidates.

***Cell-based therapies rely on the availability of specialty raw materials, which may not be available to us on acceptable terms or at all.\****

Our product candidates require many specialty raw materials, including viral vectors that deliver the CAR sequence and electroporation technology, some of which are manufactured by small companies with limited resources and experience to support a commercial product, and the suppliers may not be able to deliver raw materials to our specifications. We do not have contracts with many of the suppliers, and we may not be able to contract with them on acceptable terms, or at all. Many suppliers have curtailed their operations during the COVID-19 pandemic and our ability to source raw materials has been impacted. Accordingly, we may experience delays in receiving, or fail to secure entirely, key raw materials to support clinical or commercial manufacturing. Certain raw materials also require third-party testing, and some of the testing service companies may not have capacity or be able to conduct the testing that we request.

In addition, many of our suppliers normally support blood-based hospital businesses and generally do not have the capacity to support commercial products manufactured under cGMP by biopharmaceutical firms. The suppliers may be ill-equipped to support our needs, especially in non-routine circumstances like an FDA inspection or medical crisis, such as widespread contamination. We also face competition for supplies from other cell therapy companies. Such competition may make it difficult for us to secure raw materials or the testing of such materials on commercially reasonable terms or in a timely manner.

Some raw materials are currently available from a single supplier, or a small number of suppliers. We cannot be sure that these suppliers will remain in business or that they will not be purchased by one of our competitors or another company that is not interested in continuing to produce these materials for our intended purpose. In addition, the lead time needed to establish a relationship with a new supplier can be lengthy, and we may experience delays in meeting demand in the event we must switch to a new supplier. The time and effort to qualify a new supplier, including to meet any regulatory requirements for such qualification, could result in additional costs, diversion of resources or reduced manufacturing yields, any of which would negatively impact our operating results. Further, we may be unable to enter into agreements with a new supplier on commercially reasonable terms, which could have a material adverse impact on our business.

***If we or our third-party suppliers use hazardous, non-hazardous, biological or other materials in a manner that causes injury or violates applicable law, we may be liable for damages.***

Our research and development activities involve the controlled use of potentially hazardous substances, including chemical and biological materials. We and our suppliers are subject to federal, state and local laws and regulations in the United States governing the use, manufacture, storage, handling and disposal of medical and hazardous materials. Although we believe that we and our suppliers' procedures for using, handling, storing and disposing of these materials comply with legally prescribed standards, we and our suppliers cannot completely eliminate the risk of contamination or injury resulting from medical or hazardous materials. As a result of any such contamination or injury, we may incur liability or local, city, state or federal authorities may curtail the use of these materials and interrupt our business operations. In the event of an accident, we could be held liable for damages or penalized with fines, and the liability could exceed our resources. We do not have any insurance for liabilities arising from medical or hazardous materials. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development and production efforts, which could harm our business, prospects, financial condition or results of operations.

#### **Risks Related to Government Regulation**

***The FDA regulatory approval process is lengthy and time-consuming, and we may experience significant delays in the clinical development and regulatory approval of our product candidates.***

The research, testing, manufacturing, labeling, approval, selling, import, export, marketing, and distribution of drug products, including biologics, are subject to extensive regulation by the FDA and other regulatory authorities in the United States. We are not permitted to market any biological drug product in the United States until we receive approval of a biologics license application (BLA) from the FDA. We have not previously submitted a BLA to the FDA, or similar approval filings to comparable foreign authorities. A BLA must include extensive preclinical and clinical data and supporting information to establish the product candidate's safety and effectiveness for each desired indication. The BLA must also include significant information regarding the chemistry, manufacturing and controls for the product.

We expect the novel nature of our product candidates to create further challenges in obtaining regulatory approval. For example, the FDA has limited experience with commercial development of allogeneic T cell therapies for cancer. We may also request regulatory approval of future CAR-based product candidates by target, regardless of cancer type or origin, which the FDA may have difficulty accepting if our clinical trials only involved cancers of certain origins. The FDA may also require a panel of experts, referred to as an Advisory Committee, to deliberate on the adequacy of the safety and efficacy data to support licensure. The opinion of the Advisory Committee, although not binding, may have a significant impact on our ability to obtain licensure of the product candidates based on the completed clinical trials, as the FDA often adheres to the Advisory Committee's recommendations. Accordingly, the regulatory approval pathway for our product candidates may be uncertain, complex, expensive and lengthy, and approval may not be obtained.

We may also experience delays in completing planned clinical trials for a variety of reasons, including delays related to:

- obtaining regulatory authorization to begin a trial, if applicable;
- the availability of financial resources to commence and complete the planned trials;
- reaching agreement on acceptable terms with prospective CROs and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- obtaining approval at each clinical trial site by an independent IRB;
- recruiting suitable patients to participate in a trial;
- having patients complete a trial, including having patients enrolled in clinical trials dropping out of the trial before the product candidate is manufactured and returned to the site, or return for post-treatment follow-up;
- clinical trial sites deviating from trial protocol or dropping out of a trial;
- addressing any patient safety concerns that arise during the course of a trial;
- adding new clinical trial sites; or
- manufacturing sufficient quantities of qualified materials under cGMPs and delivering product candidates for use in clinical trials.

We could also encounter delays if physicians encounter unresolved ethical issues associated with enrolling patients in clinical trials of our product candidates in lieu of prescribing existing treatments that have established safety and efficacy profiles. Further, a clinical trial may be suspended or terminated by us, the IRBs for the institutions in which such trials are being conducted or by the FDA or other regulatory authorities due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a product candidate, changes in governmental regulations or administrative actions, lack of adequate funding to continue the clinical trial, or based on a recommendation by the Data Safety Monitoring Committee. The FDA's review of our data of our ongoing clinical trials may, depending on the data, also result in the delay, suspension or termination of one or more of our clinical trials, which would also delay or prevent the initiation of our other planned clinical trials. If we experience termination of, or delays in the completion of, any clinical trial of our product candidates, the commercial prospects for our product candidates will be harmed, and our ability to generate product revenue will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product development and approval process and jeopardize our ability to commence product sales and generate revenue.

Many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may ultimately lead to the denial of regulatory approval of our product candidates.

***We expect the product candidates we develop will be regulated as biological products, or biologics, and therefore they may be subject to competition sooner than anticipated.***

The Biologics Price Competition and Innovation Act of 2009 (BPCIA) was enacted as part of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Affordable Care Act) to establish an abbreviated pathway for the approval of biosimilar and interchangeable biological products. The regulatory pathway establishes legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as "interchangeable" based on its similarity to an approved biologic. Under the BPCIA, an application for a biosimilar product cannot be approved by the FDA until 12 years after the reference product was approved under a BLA. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. While it is uncertain when such processes intended to implement the BPCIA may be fully adopted by the FDA, any such processes could have a material adverse effect on the future commercial prospects for our biological products.

We believe that any of the product candidates we develop that is approved in the United States as a biological product under a BLA should qualify for the 12-year period of exclusivity. However, there is a risk that this exclusivity could be shortened due to congressional action or otherwise, or that the FDA will not consider the subject product candidates to be reference products for competing products, potentially creating the opportunity for generic competition sooner than anticipated. Moreover, the extent to which a biosimilar, once approved, will be substituted for any one of the reference products in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.

***The regulatory landscape that will govern our product candidates is uncertain; regulations relating to more established gene therapy and cell therapy products are still developing, and changes in regulatory requirements could result in delays or discontinuation of development of our product candidates or unexpected costs in obtaining regulatory approval.\****

Because we are developing novel CAR T cell immunotherapy product candidates that are unique biological entities, the regulatory requirements that we will be subject to are not entirely clear. Even with respect to more established products that fit into the categories of gene therapies or cell therapies, the regulatory landscape is still developing. For example, regulatory requirements governing gene therapy products and cell therapy products have changed frequently and may continue to change in the future. Moreover, there is substantial, and sometimes uncoordinated, overlap in those responsible for regulation of existing gene therapy products and cell therapy products. For example, in the United States, the FDA has established the Office of Tissues and Advanced Therapies (OTAT), formerly known as the Office of Cellular, Tissue and Gene Therapies (OCTGT), within its Center for Biologics Evaluation and Research (CBER) to consolidate the review of gene therapy and related products, and the Cellular, Tissue and Gene Therapies Advisory Committee to advise CBER on its review. Gene therapy clinical trials are also subject to review and oversight by an institutional biosafety committee (IBC), a local institutional committee that reviews and oversees basic and clinical research conducted at the institution participating in the clinical trial. Although the FDA decides whether individual gene therapy protocols may proceed, review process and determinations of other reviewing bodies can impede or delay the initiation of a clinical study, even if the FDA has reviewed the study and approved its initiation. Conversely, the FDA can place an IND application on clinical hold even if such other entities have provided a favorable review. Furthermore, each clinical trial must be reviewed and approved by an independent IRB at or servicing each institution at which

a clinical trial will be conducted. In addition, adverse developments in clinical trials of gene therapy products conducted by others may cause the FDA or other regulatory bodies to change the requirements for approval of any of our product candidates.

Complex regulatory environments exist in other jurisdictions in which we might consider seeking regulatory approvals for our product candidates, further complicating the regulatory landscape. For example, in the EU a special committee called the Committee for Advanced Therapies (CAT) was established within the EMA in accordance with Regulation (EC) No 1394/2007 on advanced-therapy medicinal products (ATMPs) to assess the quality, safety and efficacy of ATMPs, and to follow scientific developments in the field. ATMPs include gene therapy products as well as somatic cell therapy products and tissue engineered products. In this regard, on May 28, 2014, the EMA issued a recommendation that UCART19 be considered a gene therapy product under Regulation (EC) No 1394/2007 on ATMPs. We believe this recommendation is likely to be applicable to our UCART19 product candidate; however, this recommendation is not definitive until UCART19 obtains regulatory approval for commercialization.

These various regulatory review committees and advisory groups and new or revised guidelines that they promulgate from time to time may lengthen the regulatory review process, require us to perform additional studies, increase our development costs, lead to changes in regulatory positions and interpretations, delay or prevent approval and commercialization of our product candidates or lead to significant post-approval limitations or restrictions. Because the regulatory landscape for our CAR T cell immunotherapy product candidates is new, we may face even more cumbersome and complex regulations than those emerging for gene therapy products and cell therapy products. Furthermore, even if our product candidates obtain required regulatory approvals, such approvals may later be withdrawn as a result of changes in regulations or the interpretation of regulations by applicable regulatory agencies.

Delay or failure to obtain, or unexpected costs in obtaining, the regulatory approval necessary to bring a potential product to market could decrease our ability to generate sufficient product revenue to maintain our business.

***The FDA may disagree with our regulatory plan and we may fail to obtain regulatory approval of our CAR T cell product candidates.\****

If and when our ongoing and planned Phase 1 clinical trials are completed and, assuming positive data, we expect to advance to potential registrational trials. The general approach for FDA approval of a new biologic or drug is for the sponsor to provide dispositive data from two well-controlled, Phase 3 clinical studies of the relevant biologic or drug in the relevant patient population. Phase 3 clinical studies typically involve hundreds of patients, have significant costs and take years to complete. We expect registrational trials for ALLO-501A and ALLO-715 to be designed to evaluate the efficacy of the product candidate in an open-label, non-comparative, two-stage, pivotal, multicenter, single-arm clinical trial in patients who have exhausted available treatment options. If the results are sufficiently compelling, we intend to discuss with the FDA submission of a BLA for the relevant product candidate. However, we do not have any agreement or guidance from the FDA that our regulatory development plans will be sufficient for submission of a BLA. For example, the FDA may require that we conduct a comparative trial against an approved therapy including potentially an approved autologous T cell therapy, which would significantly delay our development timelines and require substantially more resources. In addition, the FDA may only allow us to evaluate patients that have failed or who are ineligible for autologous therapy, which are extremely difficult patients to treat and patients with advanced and aggressive cancer, and our product candidates may fail to improve outcomes for such patients.

Given the molecular similarities between UCART19, ALLO-501 and ALLO-501A, we may have additional difficulties progressing any clinical trial of ALLO-501A, if emerging data from the clinical trials of ALLO-501 or UCART19 have safety or other issues.

The FDA may grant accelerated approval for our product candidates and, as a condition for accelerated approval, the FDA may require a sponsor of a drug or biologic receiving accelerated approval to perform post-marketing studies to verify and describe the predicted effect on irreversible morbidity or mortality or other clinical endpoint, and the drug or biologic may be subject to withdrawal procedures by the FDA that are more accelerated than those available for regular approvals. We believe our accelerated approval strategy is warranted given the limited alternatives for patients with R/R cancers, but the FDA may ultimately require a Phase 3 clinical trial prior to approval, particularly since our product candidates represent a novel treatment. In addition, the standard of care may change with the approval of new products in the same indications that we are studying. This may result in the FDA or other regulatory agencies requesting additional studies to show that our product candidate is superior to the new products.

Our clinical trial results may also not support approval. In addition, our product candidates could fail to receive regulatory approval for many reasons, including the following:

- the FDA or comparable foreign regulatory authorities may disagree with the design or implementation of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA or comparable foreign regulatory authorities that our product candidates are safe and effective for any of their proposed indications;
- the results of clinical trials may not meet the level of statistical significance required by the FDA or comparable foreign regulatory authorities for approval, including due to the heterogeneity of patient populations;
- we may be unable to demonstrate that our product candidates' clinical and other benefits outweigh their safety risks;
- the FDA or comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- the data collected from clinical trials of our product candidates may not be sufficient to the satisfaction of the FDA or comparable foreign regulatory authorities to support the submission of a BLA or other comparable submission in foreign jurisdictions or to obtain regulatory approval in the United States or elsewhere;
- the FDA or comparable foreign regulatory authorities will review our manufacturing process and inspect our commercial manufacturing facility and may not approve our manufacturing process or facility; and
- the approval policies or regulations of the FDA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

***We may be unable to obtain regulatory approval for ALLO-647 in a timely manner or at all, which could delay any approval or commercialization of our allogeneic T cell product candidates.\****

As we are concurrently developing ALLO-647 to be used as part of the lymphodepletion regimen for our CAR T cell product candidates, mapping a path for dual approval of ALLO-647 and any of our CAR T cell product candidates and coordinating concurrent review with different divisions of the FDA create additional regulatory uncertainty for us and may delay the development of our product candidates. We expect the Center for Drug Evaluation and Research division of the FDA to exercise authority over the regulatory approval of ALLO-647 while the CBER division will oversee the regulatory approval of our CAR T cell product candidates.

In addition, we expect regulatory authorities will require us to demonstrate the safety of ALLO-647 and its contribution to the overall benefit:risk of the lymphodepletion regimen. If we are unable to meet any of the requirements of the regulatory authorities, we may be required to conduct additional clinical studies. We cannot be certain we will be able to successfully obtain regulatory approval of ALLO-647 in a timely manner or at all. Any delays to ALLO-647 approval could delay any approval or commercialization of our allogeneic T cell product candidates.

***We plan to seek orphan drug designation for some or all of our product candidates across various indications, but we may be unable to obtain such designations or to maintain the benefits associated with orphan drug designation, including market exclusivity, which may cause our revenue, if any, to be reduced.\****

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biologic intended to treat a rare disease or condition, defined as a disease or condition with a patient population of fewer than 200,000 in the United States, or a patient population greater than 200,000 in the United States when there is no reasonable expectation that the cost of developing and making available the drug or biologic in the United States will be recovered from sales in the United States for that drug or biologic. In order to obtain orphan drug designation, the request must be made before submitting a BLA. 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. After the FDA grants orphan drug designation, the generic identity of the drug and its potential orphan use are disclosed publicly by the FDA. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process.

If a product that has orphan drug designation subsequently receives the first FDA approval of that particular product for the disease for which it has such designation, the product is entitled to orphan product exclusivity, which means that the FDA may not approve any other applications, including a BLA, to market the same biologic (meaning, a product with the same principal molecular structural features) for the same indication for seven years, except in limited circumstances such as a showing of clinical superiority to the product with orphan drug exclusivity or if FDA finds that the holder of the orphan drug exclusivity has not shown that it can assure the availability of sufficient quantities of the orphan drug to meet the needs of patients with the disease or condition for which the drug was designated. As a result, even if one of our product candidates receives orphan exclusivity, the FDA can still approve other biologics that do not have the same principal molecular structural



features for use in treating the same indication or disease or the same biologic for a different indication or disease during the exclusivity period. Furthermore, the FDA can waive orphan exclusivity if we are unable to manufacture sufficient supply of our product or if a subsequent applicant demonstrates clinical superiority over our product.

We plan to seek orphan drug designation for some or all of our product candidates in specific orphan indications in which there is a medically plausible basis for the use of these products. Even if we obtain orphan drug designation, exclusive marketing rights in the United States may be limited if we seek approval for an indication broader than the orphan designated indication and may be lost if the FDA later determines that the request for designation was materially defective or if we are unable to assure sufficient quantities of the product to meet the needs of patients with the rare disease or condition, or if a subsequent applicant demonstrates clinical superiority over our products, if approved. In addition, although we may seek orphan drug designation for other product candidates, we may never receive such designations.

***Regenerative Medicine Advanced Therapy designation, even if granted for any of our product candidates, may not lead to a faster development or regulatory review or approval process and it does not increase the likelihood that our product candidates will receive marketing approval.***

We may seek Regenerative Medicine Advanced Therapy (RMAT) designation for one or more of our product candidates. In 2017, the FDA established the RMAT designation to expedite review of a cell therapy, therapeutic tissue engineering product, human cell and tissue product, or any combination product using such therapies or products, with limited exceptions intended to treat, modify, reverse, or cure a serious or life-threatening disease or condition and for which preliminary clinical evidence indicates that the potential to address unmet medical needs for such a disease or condition. RMAT designation provides potential benefits that include more frequent meetings with FDA to discuss the development plan for the product candidate, and eligibility for rolling review and priority review. Products granted RMAT designation may also be eligible for accelerated approval on the basis of a surrogate or intermediate endpoint reasonably likely to predict long-term clinical benefit, or reliance upon data obtained from a meaningful number of sites, including through expansion to additional sites. There is no assurance that we will be able to obtain RMAT designation for any of our product candidates. RMAT designation does not change the FDA's standards for product approval, and there is no assurance that such designation will result in expedited review or approval or that the approved indication will not be narrower than the indication covered by the designation. Additionally, RMAT designation can be revoked if the criteria for eligibility cease to be met as clinical data emerges.

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

Obtaining and maintaining regulatory approval of our product candidates in one jurisdiction does not guarantee that we will be able to obtain or maintain regulatory approval in any other jurisdiction, while a failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the regulatory approval process in others. For example, even if the FDA grants marketing approval of a product candidate, comparable regulatory authorities in foreign jurisdictions must also approve the manufacturing, marketing and promotion of the product candidate in those countries. 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 studies 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.

We may also submit marketing applications in other countries. Regulatory authorities in jurisdictions outside of the United States have requirements for approval of product candidates with which we must comply prior to marketing in those jurisdictions. Obtaining foreign regulatory approvals and compliance with foreign regulatory requirements could result in significant delays, difficulties and costs for us and could delay or prevent the introduction of our products in certain countries. If we fail to comply with the regulatory requirements in international markets and/or receive applicable marketing approvals, our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed.

***Even if we receive regulatory approval of our product candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our product candidates.***

Any regulatory approvals that we receive for our product candidates will require surveillance to monitor the safety and efficacy of the product candidate. The FDA may also require a risk evaluation and mitigation strategy, or REMS, in order to approve our product candidates, which could entail requirements for a medication guide, physician communication plans or

additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. In addition, if the FDA or a comparable foreign regulatory authority approves our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, import, export and recordkeeping for our product candidates will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs and cGCPs for any clinical trials that we conduct post-approval. As such, we and our contract manufacturers will be subject to continual review and inspections to assess compliance with cGMP and adherence to commitments made in any BLA, other marketing application and previous responses to inspectional observations. Accordingly, we and others with whom we work must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control. In addition, the FDA could require us to conduct another study to obtain additional safety or biomarker information. Further, we will be required to comply with FDA promotion and advertising rules, which include, among others, standards for direct-to-consumer advertising, restrictions on promoting products for uses or in patient populations that are not described in the product's approved uses (known as "off-label use"), limitations on industry-sponsored scientific and educational activities and requirements for promotional activities involving the internet and social media. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label may be subject to significant liability. However, physicians may, in their independent medical judgment, prescribe legally available products for off-label uses. The FDA does not regulate the behavior of physicians in their choice of treatments but the FDA does restrict manufacturer's communications on the subject of off-label use of their products.

Later discovery of previously unknown problems with our product candidates, including adverse events of unanticipated severity or frequency, or with our third-party suppliers or manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of our product candidates, withdrawal of the product from the market or voluntary or mandatory product recalls;
- fines, warning letters or holds on clinical trials;
- refusal by the FDA to approve pending applications or supplements to approved applications filed by us or suspension or revocation of license approvals;
- product seizure or detention, or refusal to permit the import or export of our product candidates; and
- injunctions or the imposition of civil or criminal penalties.

The FDA's and other regulatory authorities' policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. For example, certain policies of the current U.S. President's administration may impact our business and industry. Namely, the current U.S. President's administration has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, FDA's ability to engage in routine oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. It is difficult to predict how these orders will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these executive actions impose restrictions on FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted. 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.

***Negative public opinion and increased regulatory scrutiny of genetic research and therapies involving gene editing may damage public perception of our product candidates or adversely affect our ability to conduct our business or obtain regulatory approvals for our product candidates.***

The gene-editing technologies that we use are novel. Public perception may be influenced by claims that gene editing is unsafe, and products incorporating gene editing may not gain the acceptance of the public or the medical community. In particular, our success will depend upon physicians specializing in our targeted diseases prescribing our product candidates as treatments in lieu of, or in addition to, existing, more familiar, treatments for which greater clinical data may be available. Any increase in negative perceptions of gene editing may result in fewer physicians prescribing our treatments or may reduce the

willingness of patients to utilize our treatments or participate in clinical trials for our product candidates. In addition, given the novel nature of gene-editing and cell therapy technologies, governments may place import, export or other restrictions in order to retain control or limit the use of the technologies. Increased negative public opinion or more restrictive government regulations either in the United States or internationally, would have a negative effect on our business or financial condition and may delay or impair the development and commercialization of our product candidates or demand for such product candidates.

***Even if we obtain regulatory approval of our product candidates, the products may not gain market acceptance among physicians, patients, hospitals, cancer treatment centers and others in the medical community.***

The use of engineered T cells as a potential cancer treatment is a recent development and may not become broadly accepted by physicians, patients, hospitals, cancer treatment centers and others in the medical community. We expect physicians in the large bone marrow transplant centers to be particularly important to the market acceptance of our products and we may not be able to educate them on the benefits of using our product candidates for many reasons. For example, certain of the product candidates that we will be developing target a cell surface marker that may be present on cancer cells as well as non-cancerous cells. It is possible that our product candidates may kill these non-cancerous cells, which may result in unacceptable side effects, including death. Additional factors will influence whether our product candidates are accepted in the market, including:

- the clinical indications for which our product candidates are approved;
- physicians, hospitals, cancer treatment centers and patients considering our product candidates as a safe and effective treatment;
- the potential and perceived advantages of our product candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labeling or product insert requirements of the FDA or other regulatory authorities;
- limitations or warnings contained in the labeling approved by the FDA;
- the timing of market introduction of our product candidates as well as competitive products;
- the cost of treatment in relation to alternative treatments;
- the availability of coverage and adequate reimbursement by third-party payors and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage and adequate reimbursement by third-party payors and government authorities;
- relative convenience and ease of administration, including as compared to alternative treatments and competitive therapies; and
- the effectiveness of our sales and marketing efforts.

If our product candidates are approved but fail to achieve market acceptance among physicians, patients, hospitals, cancer treatment centers or others in the medical community, we will not be able to generate significant revenue. Even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our products, are more cost effective or render our products obsolete.

***Coverage and reimbursement may be limited or unavailable in certain market segments for our product candidates, which could make it difficult for us to sell our product candidates, if approved, profitably.***

Successful sales of our product candidates, if approved, depend on the availability of coverage and adequate reimbursement from third-party payors including governmental healthcare programs, such as Medicare and Medicaid, managed care organizations and commercial payors, among others. Significant uncertainty exists as to the coverage and reimbursement status of any product candidates for which we obtain regulatory approval. In addition, because our product candidates represent new approaches to the treatment of cancer, we cannot accurately estimate the potential revenue from our product candidates.

Patients who are provided medical treatment for their conditions generally rely on third-party payors to reimburse all or part of the costs associated with their treatment. Obtaining coverage and adequate reimbursement from third-party payors is critical to new product acceptance.

Third-party payors decide which drugs and treatments they will cover and the amount of reimbursement. Reimbursement by a third-party payor may depend upon a number of factors, including, but not limited to, the third-party payor's determination that use of a product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining coverage and reimbursement of a product from a government or other third-party payor is a time-consuming and costly process that could require us to provide to the payor supporting scientific, clinical and cost-effectiveness data for the use of our products. Even if we obtain coverage for a given product, if the resulting reimbursement rates are insufficient, hospitals may not approve our product for use in their facility or third-party payors may require co-payments that patients find unacceptably high. Patients are unlikely to use our product candidates unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our product candidates. Separate reimbursement for the product itself may or may not be available. Instead, the hospital or administering physician may be reimbursed only for providing the treatment or procedure in which our product is used. Further, from time to time, CMS revises the reimbursement systems used to reimburse health care providers, including the Medicare Physician Fee Schedule and Outpatient Prospective Payment System, which may result in reduced Medicare payments. In some cases, private third-party payers rely on all or portions of Medicare payment systems to determine payment rates. Changes to government healthcare programs that reduce payments under these programs may negatively impact payments from private third-party payers, and reduce the willingness of physicians to use our product candidates.

In the United States, no uniform policy of coverage and reimbursement for products exists among third-party payors. Therefore, coverage and reimbursement for products can differ significantly from payor to payor. Further, one payor's determination to provide coverage for a product does not assure that other payors will also provide coverage for the product. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

We intend to seek approval to market our product candidates in both the United States and in selected foreign jurisdictions. If we obtain approval in one or more foreign jurisdictions for our product candidates, we will be subject to rules and regulations in those jurisdictions. In some foreign countries, particularly those in Europe, the pricing of biologics is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after obtaining marketing approval of a product candidate. Some of these countries may require the completion of clinical trials that compare the cost-effectiveness of a particular product candidate to currently available therapies. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on health care costs has become very intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country.

The marketability of any product candidates for which we receive regulatory approval for commercial sale may suffer if government and other third-party payors fail to provide coverage and adequate reimbursement. We expect downward pressure on pharmaceutical pricing to continue. Further, coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

***The advancement of healthcare reform may negatively impact our ability to sell our product candidates, if approved, profitably.\****

Third-party payors, whether domestic or foreign, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory changes to the health care system that could impact our ability to sell our product candidates, if approved, profitably. In particular, in 2010 the Affordable Care Act was enacted. The Affordable Care Act and its implementing regulations, among other things, revised the methodology by which rebates owed by manufacturers to the state and federal government for covered outpatient drugs and certain biologics, including our product candidates, under the Medicaid drug rebate program are calculated, increased the minimum Medicaid rebates owed by most manufacturers under the

Medicaid drug rebate program, extended the Medicaid drug rebate program to utilization of prescriptions of individuals enrolled in Medicaid managed care organizations, subjected manufacturers to new annual fees and taxes for certain branded prescription drugs, and provided incentives to programs that increase the federal government's comparative effectiveness research. Additionally, the Affordable Care Act allowed states to implement expanded eligibility criteria for Medicaid programs, imposed a new Medicare Part D coverage gap discount program, expanded the entities eligible for discounts under the Public Health Service pharmaceutical pricing program and implemented a new Patient-Centered Outcomes Research Institute. We are still unsure of the full impact that the Affordable Care Act will have on our business.

There remain legal and political challenges to certain aspects of the Affordable Care Act. Since January 2017, the U.S. President has signed Executive Orders and other directives designed to delay, circumvent, or loosen certain requirements mandated by the Affordable Care Act. In December 2017, Congress repealed the tax penalty for an individual's failure to maintain Affordable Care Act-mandated health insurance, commonly known as the "individual mandate", as part of the Tax Act. In addition, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the Affordable Care Act's mandated "Cadillac" tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminates the health insurer tax. The Bipartisan Budget Act of 2018 (BBA), among other things, amended the Affordable Care Act, effective January 1, 2019, to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole". In December 2018, CMS published a final rule permitting further collections and payments to and from certain Affordable Care Act qualified health plans and health insurance issuers under the Affordable Care Act risk adjustment program in response to the outcome of federal district court litigation regarding the method CMS uses to determine this risk adjustment. On December 14, 2018, a Texas U.S. District Court Judge ruled that the Affordable Care Act is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the Tax Act. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the Affordable Care Act are invalid as well. On March 2, 2020, the United States Supreme Court granted the petitions for writs of certiorari to review this case, and has allotted one hour for oral arguments, which are expected to occur in the fall. It is unclear how such litigation and other efforts to repeal and replace the Affordable Care Act will impact the Affordable Care Act and our business.

Further legislation or regulation could be passed that could harm our business, financial condition and results of operations. Other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. For example, in August 2011, President Obama signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee on Deficit Reduction did not achieve a targeted deficit reduction of at least \$1.2 trillion for fiscal years 2012 through 2021, triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, which went into effect beginning on April 1, 2013 and will stay in effect through 2030, unless additional Congressional action is taken. The CARES Act, which is designed to provide financial support and resources to individuals and businesses affected by the COVID-19 pandemic, suspended the 2% Medicare sequester from May 1, 2020 through December 31, 2020, and extended the sequester by one year, through 2030. 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.

There have been, and likely will continue to be, legislative and regulatory proposals at the foreign, federal and state levels directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our products. Such reforms could have an adverse effect on anticipated revenue from product candidates that we may successfully develop and for which we may obtain regulatory approval and may affect our overall financial condition and ability to develop product candidates.

In addition, there has been increasing legislative and enforcement interest in the United States with respect to specialty drug pricing practices. Specifically, there have been several recent U.S. Congressional inquiries and federal and state legislative activity designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient assistance programs, and reform government program reimbursement methodologies for drugs. At the federal level, the U.S. President's administration's budget proposal for fiscal year 2021 includes a \$135 billion allowance to support legislative proposals seeking to reduce drug prices, increase competition, lower out-of-pocket drug costs for patients, and increase patient access to lower-cost generic and biosimilar drugs. On March 10, 2020, the U.S. President's administration sent "principles" for drug pricing to Congress, calling for legislation that would, among other things, cap Medicare Part D beneficiary out-of-pocket pharmacy expenses, provide an option to cap Medicare Part D beneficiary monthly out-of-pocket expenses, and place limits on pharmaceutical price increases. Further, the current U.S. President's administration previously released a "Blueprint", or plan, to lower drug prices and reduce out of pocket costs of drugs that contained proposals to increase

drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out of pocket costs of drug products paid by consumers. HHS has solicited feedback on some of these measures and has implemented others under its existing authority. For example, in May 2019, CMS issued a final rule to allow Medicare Advantage plans the option to use step therapy for Part B drugs beginning January 1, 2020. This final rule codified CMS's policy change that was effective January 1, 2019. On July 24, 2020, the current U.S. President announced four executive orders related to prescription drug pricing that attempt to implement several of the administration's proposals, including a policy that would tie Medicare Part B drug prices to international drug prices; one that directs HHS to finalize the Canadian drug importation proposed rule previously issued by HHS and makes other changes allowing for personal importation of drugs from Canada; one that directs HHS to finalize the rulemaking process on modifying the anti-kickback law safe harbors for plans, pharmacies, and pharmaceutical benefit managers; and one that reduces costs of insulin and epipens to patients of federally qualified health centers. While some of these and other measures may require additional authorization to become effective, Congress and the current U.S. President's administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. Individual states in the United States have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

We cannot predict the initiatives that may be adopted in the future. It is possible that additional governmental action is taken to address the COVID-19 pandemic. For example, on April 18, 2020, CMS announced that Qualified Health Plan (QHP) issuers under the Affordable Care Act may suspend activities related to the collection and reporting of quality data that would have otherwise been reported between May and June 2020 given the challenges healthcare providers are facing responding to the COVID-19 pandemic. Additionally, the continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of healthcare and/or impose price controls may adversely affect:

- the demand for our product candidates, if we obtain regulatory approval;
- our ability to set a price that we believe is fair for our products;
- our ability to generate revenue and achieve or maintain profitability;
- the level of taxes that we are required to pay; and
- the availability of capital.

Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors, which may adversely affect our future profitability.

#### **Risks Related to Our Intellectual Property**

***We depend on intellectual property licensed from third parties and termination of any of these licenses could result in the loss of significant rights, which would harm our business.***

We are dependent on patents, know-how and proprietary technology, both our own and licensed from others.

We depend substantially on our license agreements with Pfizer, Servier and Cellectis. These licenses may be terminated upon certain conditions. Any termination of these licenses could result in the loss of significant rights and could harm our ability to commercialize our product candidates. For example, we are dependent on our license with Cellectis for gene-editing technology that is necessary to produce our engineered T cells. In addition, we are reliant on Servier in-licensing from Cellectis some of the intellectual property rights they are licensing to us, including certain intellectual property rights relating to UCART19, ALLO-501 and ALLO-501A. To the extent these licensors fail to meet their obligations under their license agreements, which we are not in control of, we may lose the benefits of our license agreements with these licensors. In the future, we may also enter into additional license agreements that are material to the development of our product candidates.

Disputes may also arise between us and our licensors regarding intellectual property subject to a license agreement, including those related to:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- whether and the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- our right to sublicense patent and other rights to third parties under collaborative development relationships;

- our diligence obligations with respect to the use of the licensed technology in relation to our development and commercialization of our product candidates, and what activities satisfy those diligence obligations; and
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners.

If disputes over intellectual property that we have licensed, or license in the future, prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates.

We are generally also subject to all of the same risks with respect to protection of intellectual property that we license, as we are for intellectual property that we own, which are described below. If we or our licensors fail to adequately protect this intellectual property, our ability to commercialize products could suffer.

***If our efforts to protect the proprietary nature of the intellectual property related to our technologies are not adequate, we may not be able to compete effectively in our market.***

We rely upon a combination of patents, trade secret protection and license agreements to protect the intellectual property related to our technologies. Any disclosure to or misappropriation by third parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in our market.

We have an exclusive collaboration with Servier to develop and commercialize UCART19, ALLO-501 and ALLO-501A, and we hold the commercial rights to these product candidates in the United States. We also have an exclusive worldwide license from Cellectis to its TALEN gene-editing technology for the development of allogeneic T cell product candidates directed against 15 different cancer antigens. Our collaboration with Servier gives us access to TALEN gene-editing technology for all product candidates under the Servier Agreement. Certain intellectual property which is covered by these agreements may have been developed with funding from the U.S. government. If so, our rights in this intellectual property may be subject to certain research and other rights of the government.

Additional patent applications have been filed, and we anticipate additional patent applications will be filed, both in the United States and in other countries, as appropriate. However, we cannot predict:

- if and when patents will issue;
- the degree and range of protection any issued patents will afford us against competitors including whether third parties will find ways to invalidate or otherwise circumvent our patents;
- whether or not others will obtain patents claiming aspects similar to those covered by our patents and patent applications; or
- whether we will need to initiate litigation or administrative proceedings which may be costly whether we win or lose.

Composition of matter patents for biological and pharmaceutical products such as CAR-based product candidates often provide a strong form of intellectual property protection for those types of products, as such patents provide protection without regard to any method of use. We cannot be certain that the claims in our pending patent applications covering composition of matter of our product candidates will be considered patentable by the United States Patent and Trademark Office (USPTO) or by patent offices in foreign countries, or that the claims in any of our issued patents will be considered valid and enforceable by courts in the United States or foreign countries. Method of use patents protect the use of a product for the specified method. This type of patent does not prevent a competitor from making and marketing a product that is identical to our product for an indication that is outside the scope of the patented method. Moreover, even if competitors do not actively promote their product for our targeted indications, physicians may prescribe these products “off-label.” Although off-label prescriptions may infringe or contribute to the infringement of method of use patents, the practice is common and such infringement is difficult to prevent or prosecute.

The strength of patents in the biotechnology and pharmaceutical field involves complex legal and scientific questions and can be uncertain. The patent applications that we own or in-license may fail to result in issued patents with claims that cover our product candidates or uses thereof in the United States or in other foreign countries. Even if the patents do successfully issue, third parties may challenge the patentability, validity, enforceability or scope thereof, for example through inter partes review (IPR) post-grant review or ex parte reexamination before the USPTO or oppositions and other comparable

proceedings in foreign jurisdictions, which may result in such patents being cancelled, narrowed, invalidated or held unenforceable. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property or prevent others from designing their products to avoid being covered by our claims. If the breadth or strength of protection provided by the patents and patent applications we hold with respect to our product candidates is threatened, it could dissuade companies from collaborating with us to develop, and threaten our ability to commercialize, our product candidates. Further, if we encounter delays in our clinical trials, the period of time during which we could market our product candidates under patent protection would be reduced. United States patent applications containing or that at any time contained a claim not entitled to a priority date before March 16, 2013 are subject to the “first to file” system implemented by the America Invents Act (2011).

This first to file system will require us to be cognizant going forward of the time from invention to filing of a patent application. Since patent applications in the United States and most other countries are confidential for a period of time after filing, we cannot be certain that we were the first to file any patent application related to our product candidates. Furthermore, for United States applications in which all claims are entitled to a priority date before March 16, 2013, an interference proceeding can be provoked by a third-party or instituted by the USPTO, to determine who was the first to invent any of the subject matter covered by the patent claims of our applications. For United States applications containing a claim not entitled to priority before March 16, 2013, there is a greater level of uncertainty in the patent law in view of the passage of the America Invents Act, which brought into effect significant changes to the United States patent laws, including new procedures for challenging patent applications and issued patents.

***Confidentiality agreements with employees and third parties may not prevent unauthorized disclosure of trade secrets and other proprietary information.***

In addition to the protection afforded by patents, we seek to rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable, processes for which patents are difficult to enforce and any other elements of our product discovery and development processes that involve proprietary know-how, information or technology that is not covered by patents. Trade secrets, however, may be difficult to protect. Although we require all of our employees to assign their inventions to us, and require all of our employees and key consultants who have access to our proprietary know-how, information, or technology to enter into confidentiality agreements, we cannot be certain that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Furthermore, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws of the United States. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the United States and abroad. If we are unable to prevent unauthorized material disclosure of our intellectual property to third parties, we will not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, operating results and financial condition.

***Third-party claims of intellectual property infringement may prevent or delay our product discovery and development efforts and our ability to commercialize our product candidates.***

Our commercial success depends in part on our avoiding infringement of the patents and proprietary rights of third parties. There is a substantial amount of litigation involving patents and other intellectual property rights in the biotechnology and pharmaceutical industries. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing our product candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our product candidates may give rise to claims of infringement of the patent rights of others.

Third parties may assert that we infringe their patents or are otherwise employing their proprietary technology without authorization and may sue us. We are aware of several U.S. patents held by third parties relating to certain CAR compositions of matter and their methods of use. Generally, conducting clinical trials and other development activities in the United States is not considered an act of infringement. If and when UCART19, ALLO-501A, ALLO-715 or another CAR-based product candidate is approved by the FDA, third parties may then seek to enforce their patents by filing a patent infringement lawsuit against us. Patents issued in the United States by law enjoy a presumption of validity that can be rebutted only with evidence that is “clear and convincing,” a heightened standard of proof. We may not be able to prove in litigation that any patent enforced against us is invalid.

Additionally, there may be third-party patents of which we are currently unaware with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our product candidates. Because patent applications can take many years to issue, there may be currently pending patent applications which may later



result in issued patents that our product candidates may be alleged to infringe. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. If any third-party patents were held by a court of competent jurisdiction to cover the manufacturing process of our product candidates, constructs or molecules used in or formed during the manufacturing process, or any final product itself, the holders of any such patents may be able to block our ability to commercialize the product candidate unless we obtained a license under the applicable patents, or until such patents expire or they are finally determined to be held not infringing, unpatentable, invalid or unenforceable. Similarly, if any third-party patent were held by a court of competent jurisdiction to cover aspects of our formulations, processes for manufacture or methods of use, including combination therapy or patient selection methods, the holders of any such patent may be able to block our ability to develop and commercialize the product candidate unless we obtained a license or until such patent expires or is finally determined to be held not infringing, unpatentable, invalid or unenforceable. In either case, such a license may not be available on commercially reasonable terms or at all. If we are unable to obtain a necessary license to a third-party patent on commercially reasonable terms, or at all, our ability to commercialize our product candidates may be impaired or delayed, which could in turn significantly harm our business.

Parties making claims against us may seek and obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize our product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business and may impact our reputation. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, obtain one or more licenses from third parties, pay royalties or redesign our infringing products, which may be impossible or require substantial time and monetary expenditure. We cannot predict whether any such license would be available at all or whether it would be available on commercially reasonable terms. Furthermore, even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow commercialization of our product candidates. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, if at all. In that event, we would be unable to further develop and commercialize our product candidates, which could harm our business significantly.

***We may not be successful in obtaining or maintaining necessary rights to product components and processes for our development pipeline through acquisitions and in-licenses.***

Presently we have rights to the intellectual property, through licenses from third parties and under patent applications that we own or will own, that we believe will facilitate the development of our product candidates. Because our programs may involve additional product candidates that may require the use of proprietary rights held by third parties, the growth of our business will likely depend in part on our ability to acquire, in-license or use these proprietary rights.

We may be unable to acquire or in-license any compositions, methods of use, processes or other third-party intellectual property rights from third parties that we identify. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, which would harm our business. Even if we are able to obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. In that event, we may be required to expend significant time and resources to develop or license replacement technology. We may need to cease use of the compositions or methods covered by such third-party intellectual property rights.

The licensing and acquisition of third-party intellectual property rights is a competitive area, and companies, which may be more established, or have greater resources than we do, may also be pursuing strategies to license or acquire third-party intellectual property rights that we may consider necessary or attractive in order to commercialize our product candidates. More established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities.

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

Competitors may infringe our patents or the patents of our licensors. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. In addition, in an infringement proceeding, a court may decide that one or more of our patents is not valid or is unenforceable or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated, held unenforceable or interpreted narrowly and could put one or more of our pending patent applications at risk of not issuing. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, obtain one or more licenses

from third parties, pay royalties or redesign our infringing products, which may be impossible or require substantial time and monetary expenditure.

Interference proceedings provoked by third parties or brought by the USPTO may be necessary to determine the priority of inventions with respect to our patents or patent applications or those of our licensors. An unfavorable outcome could result in a loss of our current patent rights and could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Litigation or interference proceedings may result in a decision adverse to our interests and, even if we are successful, may result in substantial costs and distract our management and other employees. We may not be able to prevent, alone or with our licensors, misappropriation of our trade secrets or confidential information, particularly in countries where the laws may not protect those rights as fully as in the United States.

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

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

Periodic maintenance fees on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Noncompliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In such an event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

***The lives of our patents may not be sufficient to effectively protect our products and business.***

Patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after its first effective filing date. Although various extensions may be available, the life of a patent, and the protection it affords, is limited. Even if patents covering our product candidates are obtained, once the patent life has expired for a product, we may be open to competition from biosimilar or generic medications. In addition, although upon issuance in the United States a patent's life can be increased based on certain delays caused by the USPTO, this increase can be reduced or eliminated based on certain delays caused by the patent applicant during patent prosecution. If we do not have sufficient patent life to protect our products, our business and results of operations will be adversely affected.

***We or our licensors may be subject to claims challenging the inventorship of our patents and other intellectual property.***

We or our licensors may in the future be subject to claims that former employees, collaborators, or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. For example, we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship. If we or our licensors fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we or our licensors are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

***Issued patents covering our product candidates could be found unpatentable, invalid or unenforceable if challenged in court or the USPTO.***

If we or one of our licensing partners initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that the patent covering our product candidate, as applicable, is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or

unenforceability are commonplace, and there are numerous grounds upon which a third party can assert invalidity or unenforceability of a patent. Third parties may also raise similar claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include IPR, ex parte re-examination and post grant review in the United States, and equivalent proceedings in foreign jurisdictions (e.g., opposition proceedings). Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our product candidates. The outcome following legal assertions of unpatentability, 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, our patent counsel and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of unpatentability, invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our product candidates. Such a loss of patent protection could have a material adverse impact on our business.

***Changes in U.S. patent law could diminish the value of patents in general, thereby impairing our ability to protect our products.***

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involve both technological and legal complexity, and is therefore costly, time-consuming and inherently uncertain. Recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened 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 decisions by the U.S. Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. For example, in the 2013 case, *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, the U.S. Supreme Court held that certain claims to DNA molecules are not patentable. While we do not believe that any of the patents owned or licensed by us will be found invalid based on this decision, we cannot predict how future decisions by the courts, the U.S. Congress or the USPTO may impact the value of our patents.

***We may not be able to protect our intellectual property rights throughout the world.***

We may not be able to protect our intellectual property rights outside the United States. Filing, prosecuting and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biopharmaceutical products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

***We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties.***

We have received confidential and proprietary information from third parties. In addition, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies. We may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information of these third parties or our employees' former employers. Litigation may be necessary to defend against these claims. Even if we

are successful in defending against these claims, litigation could result in substantial cost and be a distraction to our management and employees.

### **Risks Related to Ownership of Our Common Stock**

*The price of our stock has been and may continue to be volatile, and you could lose all or part of your investment.\**

The trading price of our common stock following our IPO in October 2018 has been and is likely to continue to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control, including limited trading volume. In addition to the factors discussed in this “Risk Factors” section, these factors include:

- the commencement, enrollment or results of our ongoing and planned clinical trials of our product candidates or any future clinical trials we or Servier may conduct, or changes in the development status of our product candidates;
- our or Servier’s decision to initiate a clinical trial, not to initiate a clinical trial or to terminate an existing clinical trial;
- adverse results or delays in clinical trials;
- any delay in our regulatory filings for our product candidates and any adverse development or perceived adverse development with respect to the applicable regulatory authority’s review of such filings, including without limitation the FDA’s issuance of a “refusal to file” letter or a request for additional information;
- our failure to commercialize our product candidates;
- adverse regulatory decisions, including failure to receive regulatory approval of our product candidates;
- changes in laws or regulations applicable to our products, including but not limited to clinical trial requirements for approvals;
- adverse developments concerning the manufacture or supply of our product candidates;
- our inability to obtain adequate product supply for any approved product or inability to do so at acceptable prices;
- our inability to establish collaborations if needed;
- additions or departures of key scientific or management personnel;
- unanticipated serious safety concerns related to immuno-oncology or related to the use of our product candidates or pre-conditioning regimen;
- introduction of new products or services offered by us or our competitors;
- announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;
- our ability to effectively manage our growth;
- the size and growth of our initial cancer target markets;
- our ability to successfully treat additional types of cancers or at different stages;
- actual or anticipated variations in quarterly operating results;
- our cash position;
- our failure to meet the estimates and projections of the investment community or that we may otherwise provide to the public;
- publication of research reports about us or our industry, or immunotherapy in particular, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in the market valuations of similar companies;
- overall performance of the equity markets;
- sales of our common stock by us or our stockholders in the future;
- trading volume of our common stock;

- changes in accounting practices;
- ineffectiveness of our disclosure controls or internal controls;
- disagreements with our auditor or termination of an auditor engagement;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- changes in the structure of healthcare payment systems;
- significant lawsuits, including patent or stockholder litigation;
- significant business disruptions caused by natural or man-made disasters, such as the COVID-19 pandemic;
- general political and economic conditions; and
- other events or factors, many of which are beyond our control.

In addition, the stock market in general, and the Nasdaq Global Select Market and biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of a company's securities. This type of litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources, which would harm our business, operating results or financial condition.

***We do not intend to pay dividends on our common stock so any returns will be limited to the value of our stock.***

We currently anticipate that we will retain any future cash flow or earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to the appreciation of their stock.

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

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), which requires, among other things, that we file with the Securities and Exchange Commission (SEC) annual, quarterly and current reports with respect to our business and financial condition. In addition, the Sarbanes-Oxley Act, as well as rules subsequently adopted by the SEC and the Nasdaq Global Select Market to implement provisions of the Sarbanes-Oxley Act, impose significant requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Further, in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) was enacted, pursuant to which the SEC adopted rules and regulations related to corporate governance and executive compensation, such as "say on pay" and proxy access. Emerging growth companies are permitted to implement many of these requirements over time, however we are no longer an emerging growth company as of December 31, 2019 and expect to incur additional compliance-related expenses as a result.

Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may also lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate.

We expect the rules and regulations applicable to public companies to continue to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. If these requirements divert the attention of our management and personnel from other business concerns, they could have a material adverse effect on our business, financial condition and results of operations. The increased costs will decrease our net income or increase our net loss, and may require us to reduce costs in other areas of our business or increase the prices of our products or services. For example, these rules and regulations make it difficult and expensive for us to maintain director and officer liability insurance. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

Failure to comply with the rules and regulations applicable to us could have serious consequences, including civil and criminal penalties. In addition, our reputation and our ability to raise additional capital would be harmed.

***Sales of a substantial number of shares of our common stock by our existing stockholders in the public market could cause our stock price to fall.***

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our common stock.

Sales of our common stock by current stockholders may make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate, and make it more difficult for you to sell shares of our common stock.

Certain holders of our securities are entitled to rights with respect to the registration of their shares under the Securities Act. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

We have registered on Form S-8 all shares of common stock that are issuable under our 2018 Plan. As a consequence, these shares can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates.

***Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to the 2018 Plan, could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.\****

We expect that significant additional capital may be needed in the future to continue our planned operations, including conducting clinical trials, commercialization efforts, expanded research and development activities and costs associated with operating a public company. To raise capital, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. For instance, we have sold equity securities through registered at-the-market and follow-on offerings and may do so in the future. We may also sell our common stock as part of entering into strategic alliances, creating joint ventures or collaborations or entering into additional licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts. If we sell common stock, convertible securities or other equity securities, investors may be materially diluted by subsequent sales. Such sales may also result in material dilution to our existing stockholders, and new investors could gain rights, preferences and privileges senior to the holders of our common stock.

Pursuant to the 2018 Plan, our management is authorized to grant stock options and RSU awards to our employees, directors and consultants. We have registered on Form S-8 all shares of common stock that are issuable under our 2018 Plan. Additionally, the number of shares of our common stock reserved for issuance under the 2018 Plan will automatically increase on January 1 of each year and continuing through and including January 1, 2028, by 5% of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors. Unless our board of directors elects not to increase the number of shares available for future grant each year, our stockholders may experience additional dilution, which could cause our stock price to fall.

***We have broad discretion in the use of our cash reserves and may not use them effectively.***

Our management has broad discretion in the application of our cash reserves. A number of factors will determine the ultimate use of our cash reserves, and our management may not be able to apply these funds effectively. Pending their use, we may invest these funds in short-term, investment-grade, interest-bearing securities, which may not yield a favorable return and may lose value.

***Anti-takeover provisions under our charter documents and Delaware law could delay or prevent a change of control which could limit the market price of our common stock and may prevent or frustrate attempts by our stockholders to replace or remove our current management.***

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change of control of our company or changes in our board of directors that our stockholders might consider favorable. Some of these provisions include:

- a board of directors divided into three classes serving staggered three-year terms, such that not all members of the board will be elected at one time;
- a prohibition on stockholder action through written consent, which requires that all stockholder actions be taken at a meeting of our stockholders;
- a requirement that special meetings of stockholders be called only by the chairman of the board of directors, the chief executive officer, or by a majority of the total number of authorized directors;
- advance notice requirements for stockholder proposals and nominations for election to our board of directors;
- a requirement that no member of our board of directors may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of not less than two-thirds of all outstanding shares of our voting stock then entitled to vote in the election of directors;
- a requirement of approval of not less than two-thirds of all outstanding shares of our voting stock to amend any bylaws by stockholder action or to amend specific provisions of our certificate of incorporation; and
- the authority of the board of directors to issue preferred stock on terms determined by the board of directors without stockholder approval and which preferred stock may include rights superior to the rights of the holders of common stock.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporate Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These anti-takeover provisions and other provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for stockholders or potential acquirors to obtain control of our board of directors or initiate actions that are opposed by the then-current board of directors and could also delay or impede a merger, tender offer or proxy contest involving our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing or cause us to take other corporate actions you desire. Any delay or prevention of a change of control transaction or changes in our board of directors could cause the market price of our common stock to decline.

***If securities or industry analysts issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.***

The trading market for our common stock could be influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if the clinical trials and operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

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

*Use of Proceeds from our Initial Public Offering of Common Stock*

We commenced our IPO pursuant to registration statements on Form S-1 (File Nos. 333-227333 and 333-227774) that were declared or became effective on October 10, 2018 and registered an aggregate of 20,700,000 shares of our common stock for sale at a public offering price of \$18.00 per share and an aggregate gross offering price of \$372.6 million. On October 10, 2018, we sold 18,000,000 shares of our common stock at a public offering price of \$18.00 per share for an aggregate gross offering price of \$324.0 million. An additional 2,700,000 shares were sold pursuant to the underwriters' option to purchase additional shares with a public offering price of \$18.00 per share for additional gross proceeds of \$48.6 million. On October 15, 2018, we completed our IPO. Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Cowen and Company, LLC and Jefferies LLC acted as joint book-running managers for our IPO.

The underwriting discounts and commissions for the offering totaled approximately \$26.1 million. We incurred additional costs of approximately \$3.2 million in offering expenses, which when added to the underwriting discounts and commissions paid by us, amounts to total fees and costs of approximately \$29.3 million. Thus, net offering proceeds to us, after deducting underwriting discounts and commissions and offering costs, were approximately \$343.3 million. No offering costs were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning ten percent or more of any class of our equity securities or to any other affiliates.

Upon receipt, the net proceeds from our IPO were held in cash and cash equivalents, primarily bank money market accounts. Through June 30, 2020, we have used \$95.8 million of the net proceeds from our IPO. We are investing these funds in some combination of short- and intermediate-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government. We expect to use the net proceeds from our IPO to fund our clinical development plans and the build-out of our manufacturing facility in Newark, California. We cannot predict with certainty all of the particular uses for the net proceeds from our IPO, or the amounts that we will actually spend on the uses set forth above. The amounts and timing of our actual use of the net proceeds will vary depending on numerous factors, including our ability to access additional financing, the relative success and cost of our research, preclinical and clinical development programs and whether we are able to enter into future licensing arrangements. As a result, our management will have broad discretion in the application of the net proceeds, and investors will be relying on our judgment regarding the application of the net proceeds from our IPO.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.



**Item 6. Exhibits.**

<b>Exhibit number</b>	<b>Description of document</b>
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-38693), filed with the SEC on October 15, 2018).</a>
3.2	<a href="#">Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-38693), filed with the SEC on October 15, 2018).</a>
4.1	Reference is made to Exhibits <a href="#">3.1</a> and <a href="#">3.2</a> .
4.2	<a href="#">Form of Common Stock Certificate of the Registrant (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on October 2, 2018).</a>
4.3	<a href="#">Investors Rights Agreement, dated April 6, 2018, as amended September 5, 2018, by and among the Registrant and certain of its stockholders (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on September 14, 2018).</a>
10.1	<a href="#">Second Amendment, dated July 15, 2020, to the Lease Agreement, dated February 19, 2019, by and between the Registrant and Silicon Valley Gateway Technology Center, LLC.</a>
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.</a>
31.2	<a href="#">Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.</a>
32.1	<a href="#">Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q has been formatted in Inline XBRL.

**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.

Date: August 5, 2020

By: /s/ David Chang  
David Chang, M.D., Ph.D.  
Chief Executive Officer  
(Principal Executive Officer)

Date: August 5, 2020

By: /s/ Eric Schmidt  
Eric Schmidt, Ph.D.  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**SECOND AMENDMENT TO LEASE AGREEMENT**

This SECOND AMENDMENT TO LEASE AGREEMENT ("**Amendment**") is entered into as of July 15, 2020, by and between SILICON VALLEY GATEWAY TECHNOLOGY CENTER, LLC, a Delaware limited liability company ("**Landlord**"), and ALLOGENE THERAPEUTICS, INC., a Delaware corporation ("**Tenant**").

**RECITALS**

A. Landlord and Tenant are parties to that certain Lease Agreement dated as of February 19, 2019 (the "**Initial Lease**"), as amended by that certain First Amendment to Lease Agreement dated as of August 29, 2019 (the "**First Amendment**"). The Initial Lease and First Amendment are referred to collectively herein as the "**Original Lease**".

B. Pursuant to the Original Lease, Landlord leases to Tenant, and Tenant leases from Landlord, certain space (the "**Premises**") consisting of approximately 117,889 rentable square feet of space (inclusive of approximately 4,325 rentable square feet of mezzanine area) comprising the entire interior of that certain building located at 7400 Gateway Boulevard, Newark, California (the "**Building**"), as more particularly described in the Original Lease.

C. Tenant has requested that Landlord consent to the installation, operation, and maintenance of certain solar photovoltaic and energy storage equipment on the roof, interior and exterior of the Building.

D. As a result of such request, Landlord and Tenant desire to amend the Original Lease to, among other things, grant Tenant the right to install, operate and maintain certain solar photovoltaic and energy storage equipment on the roof, interior and exterior of the Building, all in accordance with the terms and conditions set forth below.

**AGREEMENT**

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **Defined Terms**. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings ascribed to them in the Original Lease. The Original Lease, as amended hereby, shall herein and hereafter be referred to as the "**Lease**." All references in the Lease to the "**Lease**" shall herein and hereafter refer to the Original Lease, as amended hereby.

2. **Tenant Solar System**. Tenant shall have certain rights and obligations, pursuant to the following terms and conditions, with respect to the installation, maintenance, repair, operation, replacement and removal of solar photovoltaic and energy storage equipment on the roof, interior and exterior of the Building (collectively, the "**Tenant Solar System**"), for the production and storage of electricity exclusively for the use of Tenant or any permitted subtenant or assignee and solely to provide energy for the Building. Landlord acknowledges and agrees that the Tenant Solar System is the personal property of Onyx Development Group LLC or its affiliate and their successors and assigns (in each case, the "**Solar Owner**") and shall not attach to or be deemed a part of, or fixture to, the Building, provided, however, as between Landlord and Tenant, Tenant shall remain solely responsible for the Tenant Solar System and Landlord's rights shall not be limited by virtue of Tenant's agreement with Solar Owner and Landlord shall not incur any additional costs or obligations as a result of Solar Owner's acts or omissions and, as between Landlord and Tenant, Tenant shall be solely responsible for all of the acts and omissions of Solar Owner. Landlord agrees to execute a subordination agreement substantially in the form attached hereto as **Exhibit A** in favor of Solar Owner with respect to the Tenant Solar System (the

"**Subordination Agreement**"). Subject to the terms of the Subordination Agreement, Landlord shall have no ownership of, or rights to, any environmental incentives and attributes with respect to the Tenant Solar System, including, without limitation, renewable energy credits, tax credits and depreciation benefits. Solar Owner and Tenant agree to sign such instruments as Landlord's lender or future lender or purchaser of the Project may reasonably require to confirm Landlord's lender's lien priority and such other matters as would be reasonable and customary for an institutional lender or buyer to require including, without limitation, that neither Tenant nor Solar Owner holds any lien or other interest whatsoever in or to the Building or the Premises (other than Tenant's leasehold interest pursuant to the Lease). Solar Owner is not a third party beneficiary under this Amendment or the Lease. The terms and conditions are as follows:

(a) **Tenant Solar Rights.** Subject to compliance with Legal Requirements, Private Restrictions, and Landlord's approval rights pursuant to Section 12 of the Initial Lease {provided that Landlord approves the concept of installation of the Tenant Solar System subject to the terms of this Amendment), Tenant shall have the right, at Tenant's sole cost and expense, to erect and/or cause to be erected (including through Solar Owner) the Tenant Solar System on the roof, interior and exterior of the Building. Nothing contained herein shall be construed to provide Tenant with any right to modify, expand or alter the Tenant Solar System from those plans and specifications specifically approved by Landlord pursuant to this Amendment except for minor alterations that do not have a material additional effect on the structure of the Premises. Landlord and Tenant agree that the Tenant Solar System shall constitute a Tenant-Made Alteration under the Lease. Notwithstanding anything to the contrary contained in the Lease, the construction of the Tenant Solar System shall not limit any of Tenant's obligations under the Lease, shall be subject in all respects to those terms and provisions of the Lease which relate to Tenant-Made Alterations, including without limitation Section 12 of the Initial Lease (provided, however, that notwithstanding anything to the contrary in the Lease, (i) removal of the Tenant Solar System shall be governed by the terms of this Section 2; and (ii) Landlord shall not be required to maintain property insurance covering loss of the Tenant Solar System), and shall not adversely impact any existing roof warranty with respect to the Premises, the Building or the Project. Tenant hereby agrees that, notwithstanding anything to the contrary contained herein, if Tenant installs or causes the installation of the Tenant Solar System (or portion thereof), Tenant, at Tenant's sole cost and expense, shall be solely responsible (whether directly or indirectly through Solar Owner) for the maintenance, repair, operation, replacement and removal of the Tenant Solar System, which obligations shall survive the expiration or earlier termination of the Lease and shall be performed (1) at a level of institutional quality within the commercial and industrial solar energy electric generation industry operating in the United States and performed in the market in which the Tenant Solar System is located, (2) in compliance with Legal Requirements, the Private Restrictions, and the Roof Maintenance Standard (as defined below) and (3) by contractors reasonably acceptable to Landlord and only good grades of materials shall be used (collectively, the "**System Maintenance Standard**"): provided, however, that in no event shall Tenant perform any replacement of any portion of the roof without Landlord's prior written consent. Tenant and Solar Owner, and their respective approved contractors, shall have the right to access the rooftop and the interior and exterior of the Building, as necessary, for purposes of installing, operating, maintaining, repairing, and removing the Tenant Solar System subject to the terms and conditions of the Lease, and further subject to compliance with all roof warranty requirements under the Lease and Section 2(e) of this Amendment.

(b) **Landlord Oversight.** Landlord may monitor construction of the Tenant Solar System and Tenant shall pay to Landlord's reasonable third party out-of-pocket costs incurred in connection with the review and oversight of the Tenant Solar System project, including, without limitation, review and approval of the plans and specifications for the Tenant Solar System (collectively, "**Landlord's Oversight Costs**"), payable within thirty (30) days of Landlord's submission to Tenant of an invoice and reasonable supporting documentation evidencing Landlord's Oversight Costs. Notwithstanding that any construction drawings or other materials related to the Tenant Solar System are provided to Landlord, its construction manager, structural engineer or other consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's construction manager, structural engineer or other consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in such construction drawings or other materials related to the Tenant Solar System or the construction thereof, and Tenant's waiver and indemnity set forth in the Lease shall specifically apply to the aforementioned construction drawings and other materials related to the Tenant Solar System.

(c) Plans and Specifications: Installation. Pursuant to Section 12 of the Initial Lease, all plans and specifications for the Tenant Solar System shall be submitted to Landlord for its approval. Nothing in this Amendment shall be construed to permit Tenant to install the Tenant Solar System before the plans and specifications for the Tenant Solar System have been submitted to and approved by Landlord (the "**Approved Plans**"). The Installation of the Tenant Solar System shall be completed in compliance with the Approved Plans and the conditions of any warranty of the roofing system maintained by Landlord on the Building and any additional cost to maintain the existing roof warranty by Landlord due to the addition of the Tenant Solar System shall be at Tenant's sole cost and expense. Furthermore, in no event shall the Tenant Solar System or any appurtenant wiring or cable interfere with or otherwise adversely affect the electrical, mechanical, structural, life safety or other building systems of the Project.

(d) Inspections: Replacement Determination. On at least an annual basis, Tenant shall conduct inspections with a qualified inspector approved by Landlord, verifying the following (with prompt correction of any issues found): (i) wiring and components are secured and are not in contact with the roof surface other than in conduits; (ii) downspouts, drainage pathways and overflow scuppers are not blocked by debris related to the presence of the Tenant Solar System; and (iii) no excessive or abnormal movement of one or more portions of the Tenant Solar System has occurred. Tenant shall timely furnish Landlord with copies of all inspection reports upon request. Without limiting the foregoing, if Tenant does not conduct the required inspections as set forth in the prior sentence, Landlord shall have the right, but not the obligation, to cause an independent roof consultant ("**Landlord's Consultant**") to conduct regular inspections of the roof, the costs and expenses of which shall be at Tenant's sole cost and expense. If such Landlord's Consultant recommends any maintenance, repairs and/or replacements be performed (including, without limitation, to the roof membrane), then Landlord shall also have the right, but not the obligation, to have any and all such maintenance, repairs and replacements be performed by a contractor selected by Landlord, the costs and expenses of which shall be at Tenant's sole cost and expense; provided, that if any such recommended maintenance, repairs and/or replacements (A) requires work to be done to the Tenant Solar System or (B) otherwise requires the removal, relocation and/or reinstallation of the Tenant Solar System (such work in clauses (A) and (B) together, the "**Solar System Work**"), such Solar System Work shall be performed by Tenant's or Solar Owner's approved contractors in compliance with the System Maintenance Standard, the Lease, the Roof Maintenance Standard and the scope set forth by Landlord's Consultant.

(e) Roof Maintenance, Repair and Replacement.

(i) Maintenance and Repair (Roof Membrane/Non-Structural Elements of the Roof). Notwithstanding anything to the contrary contained in Section 10 and Section 11 of the Initial Lease, and without limiting any of Tenant's obligations set forth in Section 11 of the Lease, at Landlord's sole election, Tenant, at its sole cost and expense, shall be solely responsible for repairing, maintaining and/or replacing (or at Landlord's sole election, Landlord may repair, maintain and/or replace at Tenant's sole cost and expense) the roof membrane and all other non-structural elements of the roof (1) in a condition consistent with the maintenance, repair and replacement standards that are typical in other similar class office/industrial/warehouse buildings that are located in the market in which the Premises are located, (2) in compliance with Legal Requirements and the Private Restrictions, and (3) by contractors reasonably acceptable to Landlord and only good grades of materials shall be used (collectively, the "**Roof Maintenance Standard**"). Without limiting the foregoing, as part of Tenant's ongoing maintenance obligations hereunder, Tenant shall cause a roofing contractor approved by the manufacturer of the roof and by Landlord ("**Tenant's Contractor**"), to perform regularly scheduled maintenance of the non-structural elements of the roof (including, without limitation, the roof membrane), and Tenant shall timely furnish Landlord with copies of roof maintenance reports evidencing the same. In the event Tenant fails to maintain such elements in accordance with the Roof Maintenance Standard, Landlord shall have the right to take over such maintenance and Tenant shall be responsible for reimbursing Landlord for the cost of the same Prior to such takeover, Landlord shall provide Tenant with fifteen (15) days prior written notice of Tenant's failure to maintain the Roof Maintenance Standard and the opportunity to cure the same.

(ii) Landlord Work: Relocation of Tenant Solar System. Furthermore, whether or not required under the Lease, in the event Landlord shall deem it necessary to complete any

maintenance, repairs, or replacement of the roof of the Building (including the roof membrane) (collectively, the "**Roof Repairs**"), Landlord shall have the right to do so, and any additional expense incurred by Landlord as a result of the Tenant Solar System (including, but not limited to, the requirement below to minimize disruption to the remaining portions of the Tenant Solar System) shall be treated as an Operating Expense; provided, however, that Landlord shall provide thirty days advance written notice to Tenant (except in the event of an emergency, in which case no notice shall be required) of the Roof Repairs to be completed and identify the portions of the Tenant Solar System that will be required to be removed to complete such Roof Repairs (each, a "**Roof Maintenance Notice**"). Upon receipt of a Roof Maintenance Notice, Landlord and Tenant shall promptly work in good faith to create a plan for relocation of the applicable portion of the Tenant Solar System and Tenant shall complete or cause to be completed such relocation of such portion of the Tenant Solar System at Tenant's sole cost and expense in accordance with such plan.

(i) Work Necessitated by Tenant Solar System. Additionally, notwithstanding any provision contained in the Lease to the contrary, Tenant shall be solely responsible, at its sole cost, for any work in connection with the installation, use, operation, maintenance or removal of the Tenant Solar System, and shall bear all costs and expenses relating to the repair of any damage to, maintenance or replacement of, the roof, including structural and non-structural portions thereof, or other parts of the Building and/or the Premises, in each case, caused by the installation, use, operation, maintenance or removal of the Tenant Solar System, including, without limitation, water damage or other damage resulting from weather elements. All contractors performing work on the roof of the Building in connection therewith shall be subject to Landlord's approval (which approval shall not be unreasonably withheld) prior to the commencement of any such work.

(f) Tenant Solar System Removal. Notwithstanding anything to the contrary contained in the Original Lease, Tenant hereby agrees that Tenant shall be obligated, on or before the expiration or earlier termination of the Lease Term (unless otherwise consented to in writing with Tenant and/or Solar Owner by Landlord prior to such expiration or earlier termination), at Tenant's sole cost and expense, to (i) remove or cause to be removed the Tenant Solar System; (ii) seal any portion of the Building affected by the Tenant Solar System with a material reasonably acceptable to Landlord; (iii) repair and restore any electrical, mechanical, structural, life safety or other building systems of the Building to the condition they were in at the time that Landlord delivered the Building to Tenant, reasonable wear and tear excepted; and (iv) repair or cause to be repaired any damage caused by the Tenant Solar System or the removal thereof (collectively, the "**Solar System Restoration**"); and Tenant shall perform the Solar System Restoration in a good and workmanlike manner and in compliance with System Maintenance Standard and Roof Maintenance Standard, as applicable. All or any portion of the Tenant Solar System not so removed by Tenant as required herein shall be deemed abandoned and may be stored, removed, used, sold and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and disposition of such property; provided, however, the foregoing shall in no event limit Tenant's obligation to remove the Tenant Solar System. All obligations of Landlord and Tenant hereunder not fully performed as of the termination of the Lease Term shall survive the termination of the Lease Term, including, without limitation, indemnity obligations, payment obligations with respect to Operating Expenses and obligations concerning the condition and repair of the Premises.

(g) Governmental and Legal Requirements. Tenant, at Tenant's sole cost and expense, will, at all times in connection with the installation, use, operation, maintenance and/or removal of all or any portion of the Tenant Solar System, comply with the System Maintenance Standard, Roof Maintenance Standard, all warranties, and all Legal Requirements and Private Restrictions affecting the installation, use, operation, maintenance and/or removal of the Tenant Solar System, including, without limitation, applicable building and fire codes, and will comply with all requirements of the Federal Aviation Administration and Federal Communications Commission in respect thereof.

(h) Insurance: Indemnification. Prior to the commencement of construction of the Tenant Solar System, Tenant shall provide Landlord with evidence that it has satisfied all insurance requirements under the Original Lease. Tenant shall pay, promptly upon demand, for the cost of any additional insurance incurred by Landlord or the increase in any premiums on insurance maintained by Landlord arising by

reason of the erection or installation and maintenance of the Tenant Solar System. For avoidance of doubt, Tenant's indemnification obligations set forth in Section 18 of the Lease shall extend to also cover losses, liabilities, damages, costs and expenses (including reasonable attorneys' fees) resulting from actual or threatened claims by third parties occasioned by (a) injuries to any person or damage to, or theft or loss of, property occurring on or about the Tenant Solar System to the extent caused by the negligence or willful misconduct of Tenant or any Tenant Parties (including, without limitation, Solar Owner); (b) any actual or alleged breach of the Lease (as amended hereby) by Tenant; (c) any activity, work, or thing done, permitted or suffered by Tenant or any of the Tenant Parties in or about the Premises (including on or about the Tenant Solar System); or (d) Tenant's failure to timely perform the Solar System Restoration, irrespective of whether such failure results from the acts or omissions of Tenant, any Tenant Parties, or any third party.

(i) Landlord Agreement Regarding Sunlight. Landlord will not construct or install any new alterations, modifications or improvement to the Building or Project that will materially interfere with or materially block the Tenant Solar System's unobstructed access to sunlight; provided, that the foregoing shall not limit Landlord's ability to perform routine operation, maintenance and repair work at the Premises, Building, and Project, including any improvements necessary or desirable for the condition of the same.

3. Letter of Credit Increase. The LC Amount is hereby amended to be Three Million Nine Hundred Thousand Dollars (\$3,900,000.00). Concurrently with Tenant's execution of this Amendment, Tenant shall deliver to Landlord a revised Letter of Credit in the LC Amount in favor of Landlord. The terms and conditions of the Letter of Credit shall not be modified by this Amendment except that the LC Amount shall hereinafter be Three Million Nine Hundred Thousand Dollars (\$3,900,000.00) and the LC Amount reduction schedule set forth in Section 5(j) of the Lease is hereby deleted in its entirety and replaced with the following:

<u>Reduction Date</u>	<u>Reduction Amount</u>	<u>LC Amount after Reduction</u>
Last day of the 24th full calendar month of the initial Lease Term	\$200,000.00	\$3,700,000.00
Last day of the 36th full calendar month of the initial Lease Term	\$200,000.00	\$3,500,000.00
Last day of the 48th full calendar month of the initial Lease Term	\$200,000.00	\$3,300,000.00
Last day of the 60th full calendar month of the initial Lease Term	\$200,000.00	\$3,100,000.00
Last day of the 72nd full calendar month of the initial Lease Term	\$200,000.00	\$2,900,000.00
Last day of the 84th full calendar month of the initial Lease Term	\$200,000.00	\$2,700,000.00
Last day of the 96th full calendar month of the initial Lease Term	\$200,000.00	\$2,500,000.00
Last day of the 108th full calendar month of the initial Lease Term	\$200,000.00	\$2,300,000.00
Last day of the 120th full calendar month of the initial Lease Term	\$200,000.00	\$2,100,000.00
Last day of the 132nd full calendar month of the initial Lease Term	\$200,000.00	\$1,900,000.00

The amounts of \$2,800,000.00 and \$2,400,000.00 in the paragraph immediately following the reduction schedule in the Lease are hereby revised to be \$3,700,000.00 and \$3,300,000.00, respectively.

4. Metered Electrical System. Pursuant to the Initial Lease, Landlord and Tenant agreed that Landlord would install a house meter to provide utility service to certain installations in the Common Areas serving the Building, including, without limitation, parking lot lighting and irrigation (the "House Meter"). Under the Lease, Tenant is responsible for all utility charges incurred by Landlord under the House Meter as part of

Operating Expenses. The House Meter was removed as part of the Tenant Improvements and all utility service which previously was provided through the House Meter is now provided by Tenant's separate utility meter for the Premises. Tenant hereby agrees to contract with and timely pay during the Lease Tenn for all utilities and services previously served by the House Meter together with any taxes, penalties, surcharges or the like pertaining to the same. For the avoidance of doubt, Tenant is responsible for 100% of the utility charges for the service provided by Tenant's meter to the Common Areas, and Tenant shall not be entitled to any offset or adjustment for the same. Nothing in this Section 4 shall reduce or otherwise modify Tenant's responsibility to pay Operating Expenses or its proportionate share of any Common Area utility charges which are billed separately to Landlord.

5. Estoppel. Tenant warrants, represents and certifies to Landlord that to the best of Tenant's knowledge, as of the date of this Amendment: (a) Landlord is not in default under the Lease; and

(b) Tenant does not have any defenses or offsets to payment of rent and performance of its obligations under the Lease as and when same becomes due.

6. Landlord's Costs. Tenant shall, within ten (10) days after demand by Landlord, reimburse Landlord for any of Landlord's attorneys' fees and costs incurred in connection with processing and preparing this Amendment.

7. Authority. Tenant has full power and authority to enter into this Amendment and the person signing on behalf of Tenant has been fully authorized to do so by all necessary corporate or partnership action on the part of Tenant.

8. Further Assurances. Each of the parties hereto agrees to execute and deliver all such further documents and to take all such further actions as may be reasonably requested by the other party hereto to effectuate fully the terms and provisions of this Amendment, provided such documents or actions do not limit, reduce or impair the rights of the party upon whom such request is made.

9. Binding Effect. This Amendment shall be binding upon and inure to the benefit of Landlord, its successors and assigns and Tenant and its permitted successors and assigns.

10. Original Lease in Full Force. Except for those provisions which are inconsistent with this Amendment and those terms, covenants and conditions for which performance has heretofore been completed, all other terms, covenants and conditions of the Original Lease shall remain unmodified and in full force and effect. Landlord and Tenant ratify the Original Lease, as amended hereby.

11. Electronic Signatures: Counterparts. Each party hereto, and their respective successors and assigns shall be authorized to rely upon the signatures of all of the parties hereto on this Amendment which are delivered by PDF or other electronic means as constituting a duly authorized, irrevocable, actual, current delivery of this Amendment with original ink signatures of each person and entity. This Amendment may be executed in counterparts, each of which shall be deemed an original part and all of which together shall constitute a single agreement.

12. No Third Party Beneficiaries. This Amendment is intended for the benefit of the parties hereto and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

[SIGNATURE PAGE FOLLOWS]



IN WITNESS WHEREOF, this Amendment is executed as of the day and year first set forth above.

**LANDLORD:**

SILICON VALLEY GATEWAY TECHNOLOGY CENTER, LLC,  
a Delaware limited liability company

By: Silicon Valley Gateway Technology Center PG, LLC,  
a Delaware limited liability company  
Its Managing Member

By: PDC Sacramento, LLC,  
a Delaware limited liability company  
Its Manager

By: /s/ Timothy Schaedler  
Timothy Schaedler,  
Local Partner

**TENANT:**

ALLOGENE THERAPEUTICS, INC.,  
a Delaware corporation

By: /s/ Alison Moore  
Name: Alison Moore  
Title: CTO

## EXHIBIT A

### SUBORDINATION AGREEMENT

This Subordination Agreement (this "**Agreement**") is entered into as of July 15, 2020, by and between ONYX DEVELOPMENT GROUP LLC ("**Solar Owner**"), and SILICON VALLEY GATEWAY TECHNOLOGY CENTER, LLC, a Delaware limited liability company ("**Landlord**"), with reference to the following:

A. Landlord is the owner of that certain real property and industrial development located 7400 Gateway Boulevard, Newark, California (the "**Project**"). ALLOGENE THERAPEUTICS, INC., a Delaware corporation ("**Tenant**") is the tenant of the Building, which space consists of approximately 117,889 rentable square feet (the "**Premises**") pursuant to a lease with Landlord (the "**Premises Lease**"), as such Premises are more particularly described in the Premises Lease.

B. Tenant has entered into a power purchase agreement (the "**PPA**") with Solar Owner to install, operate and maintain a rooftop solar system and battery energy storage system (together with all associated wiring and equipment, the "**Solar System**") on the Premises. In connection therewith, Solar Owner and Tenant have requested that Landlord enter into this Agreement to provide for, among other things, Landlord's subordination of certain of Landlord's interests in the Solar System (as between Landlord and Solar Owner). Subject to the terms hereof, Landlord has agreed to subordinate its interest in the Solar System; provided, however, Solar Owner hereby agrees that it has no right, title or interest of any nature whatsoever in or to the Premises or the Project and waives any interest therein.

For good and valuable consideration, receipt whereof is hereby acknowledged, Solar Owner and Landlord agree as follows:

1. Except as otherwise provided in this Agreement, as between Solar Owner and Landlord, Landlord hereby subordinates any superior statutory or common law interest it may have in any of the Solar System, including any environmental incentives and attributes with respect thereto, by virtue of its location on the Premises to Solar Owner's ownership of the Solar System.

2. During the Removal Period (as defined below), Solar Owner and its approved contractors shall have the right, subject to the terms hereof, to access the Premises for the sole purpose of removing the Solar System from the Premises (the "**Permitted Use**"); provided, however, Solar Owner shall have no right to remove any non-Solar System item from the Premises which is permanently affixed to the Premises and/or is likely to cause damage to the Premises if removed. Solar Owner shall promptly (but in no event more than thirty (30) days) repair any damage to the Premises or Project arising from Solar Owner's activities on or around the Project and the Premises. Notwithstanding anything to the contrary contained herein, Solar Owner shall have no right to access the Premises after the expiration of the Removal Period. The "**Removal Period**" shall be a period of sixty (60) days commencing upon the earlier of: (i) delivery of written notice ("**Removal Notice**") (A) to Landlord from Solar Owner notifying Landlord that the Solar System is to be removed pursuant to the terms of the PPA or (B) to Solar Owner from Landlord notifying Solar Owner that the Premises Lease has been terminated prior to its stated expiration date (or will be terminated prior to its stated expiration date within sixty (60) days), or (ii) the date that is sixty (60) days prior to the stated expiration date of the Premises Lease. In the interest of clarity, in no event shall Solar Owner have a right to access the Premises following the expiration of the Premises Lease unless Landlord shall have delivered a Removal Notice to Solar Owner (which Landlord shall only be obligated to do in the event that the Premises Lease is being terminated early).

3. During the Removal Period, upon reasonable advance written notice to Landlord, Solar Owner and its approved contractors may enter upon the Premises for the Permitted Use and no other purpose. Notwithstanding the foregoing, prior to removing any of the Solar System from the Premises, Solar Owner shall (i) obtain approval from Landlord of its plan of removal, (ii) deliver to Landlord evidence of liability insurance covering such activity of Solar Owner naming Landlord as an additional insured, and

(iii) deliver to Landlord a decommissioning bond reasonably acceptable to Landlord in an amount reasonably adequate to cover the cost of damage to the Premises which is likely to result from Solar Owner's use of the Premises. The decommissioning bond shall name Landlord as the obligee and may be drawn upon by Landlord to cover the cost of any repairs to the Premises or Project not completed by Solar Owner during the Removal Period. Solar Owner shall repair any damage to the Premises or Project arising from Solar Owner's or Solar Owner's agents', employees', or contractors' acts, omissions or negligence. In addition, Solar Owner shall indemnify, defend, hold harmless and protect Landlord, its agents, contractors and employees and their respective successors and assigns (collectively, "**Landlord Indemnified Parties**") from and against any and all claims, losses, liabilities, damages and expenses (collectively, "**Losses**") arising out of the Solar Owner's or its contractors' and subcontractors' activities on the Premises; provided, however, that nothing herein shall require the Solar Owner to indemnify the Landlord Indemnified Parties for any Losses to the extent caused by the negligence or willful misconduct of the Landlord Indemnified Parties. No sales, auctions or legal proceedings may be conducted by Solar Owner at or from the Premises. Solar Owner's Indemnification obligations set forth in this Section 3 shall survive the expiration of the Removal Period or earlier termination of this Agreement.

4. If following the expiration of the Removal Period, Solar Owner fails to remove the Solar System from the Premises, then at the option of Landlord, Landlord may (A)(i) remove and store the Solar System in accordance with California law and (ii) restore the Premises to its original condition (ordinary wear and tear excepted), in each case of clause (i) and (ii), at Solar Owner's sole cost or (B) treat the Solar System as abandoned by Solar Owner in which case, as between Solar Owner and Landlord, ownership of the Solar System shall be deemed to be transferred to Landlord. Solar Owner's restoration obligations under this Section 4 shall survive the expiration of the Removal Period or earlier termination of this Agreement.

5. Solar Owner shall be responsible to pay Rent (as defined below) to Landlord for each day following the expiration of the Removal Period that Solar Owner has failed to remove the Solar System and complete all repairs to the Premises required hereunder (provided that Solar Owner shall not be required to pay Rent following the date that Solar Owner has waived in writing all of Solar Owner's rights to access the Premises and waived its rights with respect to the Solar System, in a manner reasonably acceptable to Landlord, and Solar Owner has actually vacated the Premises). The term "**Rent**" shall refer to all rent required to be paid under the Premises Lease (prorated on a per diem basis and based upon the total full rent payable immediately prior to the expiration or termination of the Premises Lease, without taking into account any abatement or credit). Any Rent not paid within five (5) business days following written demand therefor from Landlord shall bear interest at the rate of twelve percent (12%) per annum. Notwithstanding the foregoing, Solar Owner shall not be responsible to pay Rent to Landlord once Solar Owner has abandoned its rights to the Premises and Solar System as granted under this Agreement by providing written notice to Landlord of such abandonment, in which event Solar Owner's rights but not its obligations (other than the obligation to pay Rent) under this Agreement shall terminate.

6. All of the terms and conditions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, devisees, personal representatives, successors and assigns. As used herein, "Tenant" shall include the heirs, devisees, legatees, personal representatives, successors and assigns of Tenant. Solar Owner may assign this Agreement to its affiliate for financing purposes upon prior written notice to, but without the prior written consent of Tenant or Landlord. If Landlord transfers its interest in the Premises then Landlord shall be relieved of any further liability under this Agreement. Landlord's liability under this Agreement shall be limited to its interest in the Premises. Additionally, notwithstanding any contrary provision in this Agreement, Landlord shall not be liable under any circumstances for injury or damage to, or interference with, Solar Owner's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring. In the event either party shall commence an action to enforce any provision of this Agreement, the prevailing party in such action shall be entitled to receive from the other party, in addition to damages, equitable or other relief, any and all costs and expenses reasonably incurred, including reasonable attorneys' fees and court costs and the fees and costs of expert witnesses, and fees incurred to enforce any judgment obtained. Time is of the essence with respect to this Agreement. This Agreement represents the entire understanding of the parties respecting the subject matter hereof and supersedes any prior agreements, whether oral or written. This Agreement may be executed in counterparts, each of which shall be deemed an original part and all of which together shall constitute a single agreement. Notices required or permitted under this Agreement shall be delivered by U.S. certified mail, return receipt

requested or by Federal Express or other reputable overnight courier addressed as follows: if to Landlord, c/o Clarion Partners, 1717 McKinney Avenue, Suite 1900, Dallas, Texas 75202, Attention, Stacey Magee With a copy to: Panattoni Development Company, Inc., 8775 Folsom Blvd Suite 200, Sacramento, CA 95826, Attention: Timothy Schaedler and if to Solar Owner, to Onyx Development Group LLC, 230 Park Avenue, Suite 845, New York, NY 10169, Attention: Legal Department, or to such other addresses as either party shall notify the other in the manner provided for herein.

7. Notwithstanding anything in this Agreement to the contrary, Solar Owner's rights are subject to and subordinate to the rights of any holder (including the beneficiary under any deed of trust) of any mortgage on the Project (which includes deeds of trust, security assignments and any other encumbrances); provided, that Landlord shall use commercially reasonable efforts to place all parties having an interest in or a mortgage, pledge, lien, charge, security interest, encumbrance or other claim of any nature on the Premises and/or Project on notice of Solar Owner's ownership of the Solar System and the legal status or classification of the Solar System as personal property. Solar Owner hereby acknowledges and agrees that is has no interest whatsoever in the Premises, the Building, the Project or any real property interest whatsoever. Solar Owner and Tenant acknowledge and agree that they shall not record this Agreement or any other instrument or document relating to this Agreement or the Building or Project in the county records in which the Project is located or the Secretary of State.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first set forth above.

"LANDLORD"

SILICON VALLEY GATEWAY TECHNOLOGY CENTER, LLC,  
a Delaware limited liability company

By: Silicon Valley Gateway Technology Center PG, LLC,  
a Delaware limited liability company  
Its Managing Member

By: PDC Sacramento, LLC,  
a Delaware limited liability company  
Its Manager

By: /s/ Timothy Schaedler  
Timothy Schaedler,  
Local Partner

"SOLAR OWNER"

ONYX DEVELOPMENT GROUP LLC

By: /s/ Ja Kao  
Name: Ja Kao  
Title: Authorized Signatory

ACKNOWLEDGED, AGREED AND CONSENTED TO BY: "TENANT"

ALLOGENE THERAPEUTICS, INC.,  
a Delaware corporation

By: /s/ Alison Moore  
Name: Alison Moore  
Title: CTO

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Chang, M.D., Ph.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allogene Therapeutics, 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 13(a)-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 5, 2020

*/s/ David Chang*

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David Chang, M.D., Ph.D.  
President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Eric Schmidt, Ph.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allogene Therapeutics, 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 13(a)-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 5, 2020

*/s/ Eric Schmidt*

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Eric Schmidt, Ph.D.  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**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 Allogene Therapeutics, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Chang, M.D., Ph.D., President and Chief Executive Officer of the Company, and I, Eric Schmidt, Ph.D., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); 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 5, 2020

*/s/ David Chang*

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David Chang, M.D., Ph.D.  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: August 5, 2020

*/s/ Eric Schmidt*

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Eric Schmidt, Ph.D.  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.